



**DINGDANG HEALTH TECHNOLOGY GROUP LTD.**  
**叮噹健康科技集團有限公司**

(Incorporated in the Cayman Islands with limited liability)  
 Stock Code: 9886

**叮噹  
健康**

**GLOBAL OFFERING**

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunner and Joint Lead Manager



Joint Lead Manager



## IMPORTANT

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



## DINGDANG HEALTH TECHNOLOGY GROUP LTD.

### 叮嚙健康科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

#### GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 33,537,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 3,354,000 Shares (subject to reallocation)
Number of International Offer Shares	: 30,183,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: HK\$12.00 per Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund)
Nominal value	: US\$0.0001 per Share
Stock code	: 9886

(in no particular order)

#### Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunner and Joint Lead Manager



Joint Lead Manager



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

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

The Offer Price will be HK\$12.00 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK\$12.00 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027%, a FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%.

The Joint Global Coordinators (on behalf of the Underwriters) may, with the consent of our Company, reduce the Offer Price stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at <https://www.ddjkt.com> not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the section headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Grounds for Termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyers" in reliance on Rule 144A under the U.S. Securities Act or another exemption from, or in a transaction not subject to, registration under the U.S. Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the U.S. Securities Act.

#### ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. This document is available at the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <https://www.ddjkt.com>. If you require a printed copy of this document, you may download and print from the website addresses above.

September 1, 2022

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## IMPORTANT

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

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

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

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

- (1) apply online through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk);
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
  - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, **Computershare Hong Kong Investor Services Limited**, both at +852 2862 8600 on the following dates:

**Thursday, September 1, 2022 — 9:00 a.m. to 9:00 p.m.**  
**Friday, September 2, 2022 — 9:00 a.m. to 9:00 p.m.**  
**Monday, September 5, 2022 — 9:00 a.m. to 9:00 p.m.**  
**Tuesday, September 6, 2022 — 9:00 a.m. to 12:00 noon**

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

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

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

## IMPORTANT

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$	No. of Hong Kong Offer Shares applied for	Amount payable on application HK\$
500	6,060.47	6,000	72,725.65	40,000	484,837.68	400,000	4,848,376.80
1,000	12,120.94	7,000	84,846.60	45,000	545,442.39	500,000	6,060,471.00
1,500	18,181.42	8,000	96,967.53	50,000	606,047.10	600,000	7,272,565.20
2,000	24,241.89	9,000	109,088.48	60,000	727,256.52	700,000	8,484,659.40
2,500	30,302.36	10,000	121,209.42	70,000	848,465.94	800,000	9,696,753.60
3,000	36,362.82	15,000	181,814.13	80,000	969,675.36	900,000	10,908,847.80
3,500	42,423.29	20,000	242,418.84	90,000	1,090,884.78	1,000,000	12,120,942.00
4,000	48,483.77	25,000	303,023.55	100,000	1,212,094.20	1,200,000	14,545,130.40
4,500	54,544.24	30,000	363,628.26	200,000	2,424,188.40	1,400,000	16,969,318.80
5,000	60,604.71	35,000	424,232.97	300,000	3,636,282.60	1,677,000 <sup>(1)</sup>	20,326,819.74

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

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

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

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Hong Kong Public Offering commences . . . . . 9:00 a.m. on  
Thursday, September 1, 2022

Latest time for completing electronic applications  
under the **White Form eIPO** service through  
the designated website at [www.eipo.com.hk](http://www.eipo.com.hk)<sup>(2)</sup> . . . . . 11:30 a.m. on  
Tuesday, September 6, 2022

Application lists open<sup>(3)</sup> . . . . . 11:45 a.m. on  
Tuesday, September 6, 2022

Latest time for (a) completing payment for the **White Form eIPO**  
applications by effecting Internet banking transfer(s) or PPS  
payment transfer(s) and (b) giving **electronic application**  
**instructions** to HKSCC<sup>(4)</sup> . . . . . 12:00 noon on  
Tuesday, September 6, 2022

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

Application lists close . . . . . 12:00 noon on  
Tuesday, September 6, 2022

Announcement of

- (i) the level of indication of interest in the International Offering;
- (ii) the level of applications in the Hong Kong Public Offering; and
- (iii) the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on our Company's website at [www.ddjkjt.com](http://www.ddjkjt.com)<sup>(5)</sup> and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on or before . . . . . Tuesday, September 13, 2022

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- (1) in the announcement to be posted on our website at [www.ddjkjt.com](http://www.ddjkjt.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk), respectively from . . . . . Tuesday, September 13, 2022
- (2) Results of allocation for the Hong Kong Public Offering will be available at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from . . . . . 8:00 a.m. on  
Tuesday, September 13, 2022  
to 12:00 midnight on  
Monday, September 19, 2022

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

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- (3) from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on . . . . . Tuesday, September 13, 2022, Wednesday, September 14, 2022, Thursday, September 15, 2022 and Friday, September 16, 2022

**White Form** e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful application under the Hong Kong Public Offering on or before<sup>(7)(8)</sup> . . . . . Tuesday, September 13, 2022

Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before<sup>(6)(8)</sup> . . . . . Tuesday, September 13, 2022

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . . Wednesday, September 14, 2022

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- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, September 6, 2022, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares — Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares — Applying By Giving Electronic Application Instructions To HKSCC via CCASS” in this prospectus.
- (5) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.
- (6) Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid evidence of title do so entirely at their own risk.
- (7) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant’s Hong Kong identity card number provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.
- (8) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares may collect any refund checks (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, September 13, 2022 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

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

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Applicants who have applied for Hong Kong Offer Shares through **CCASS eIPO** service should refer to the section headed “How to Apply for Hong Kong Offer Shares — Despatch/Collection of Share Certificates and Refund Monies — Personal Collection — If you apply via **electronic application instructions** to HKSCC” in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Share certificates and/or refund cheques for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares — Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares — Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares”, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

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### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

*You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them, or any other person or party involved in the Global Offering. Information contained on our website, located at [www.ddjkt.com](http://www.ddjkt.com), does not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.*

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

### OUR BUSINESS

As a service provider in providing express digital healthcare services in China, since our inception in 2014, we have been facilitating the transformation and upgrade of China’s healthcare industry by on-demand pharmaceutical retail and medical consultation, primarily with online-to-offline solutions, including operations related to our online platforms, offline smart pharmacies and express delivery service. We are a service providers in the digital retail pharmacy industry in China and ranked No. 3 in such industry by revenue in 2021 with a market share of 1.0%, and the market shares of the service providers in the digital retail pharmacy industry in China ranking the first and the second by revenue in 2021 was 10.0% and 6.5%, respectively, according to the Frost & Sullivan Report. We are the largest product and service provider in the on-demand digital pharmacy industry in China by revenue in 2021 with a market share of 6.8%, according to the Frost & Sullivan Report.

According to the Frost & Sullivan Report, focusing on express delivery, on-demand digital pharmacies aim to provide last-mile delivery service for users to purchase medicines and usually deliver medicines within 30 minutes to users after orders placed, and the on-demand digital pharmacy industry is a sub-segment of the digital retail pharmacy industry. In 2016, the on-demand digital pharmacy industry accounted for 3.4% of the digital retail pharmacy industry. In 2021, the on-demand digital pharmacy industry expanded rapidly due to the change in patients’ buying habits caused by the COVID-19 outbreak and the market share of the on-demand digital pharmacy industry in the digital retail pharmacy increased to 9.2%. It is expected that the on-demand digital pharmacy industry will continue to increase from RMB24.1 billion in 2021 to RMB65.6 billion in 2025 with a CAGR of 28.4%, according to the Frost & Sullivan Report. Leveraging our integrated online and offline operations, we provide our users with a full suite of on-demand healthcare products and services, such as drug express, online medical consultation and chronic disease and healthcare management:

- **Drug Express**

Through our drug express offering, comprising our pharmaceutical and healthcare business, we provide our users with express access to OTC drugs, prescription drugs and healthcare products in a timely and convenient fashion. We have established an omni-channel access network for our drug express offering, including our own online platforms such as our own mobile App and WeChat mini program, third-party online platforms, online distributors and offline purchase directly made at our smart pharmacies.

Our drug express service offering is mainly operated through our online direct sales channel, in which we sell our products directly to users through online platforms, including our self-operated online platforms and renowned third-party online platforms. In addition, we also serve our users through our network of smart pharmacies across China through our offline retail channel, and we distribute products to major e-commerce retailers, or other online distributors, for further distribution to our users through our business distribution channel. As of the Latest Practicable Date, we have established a network of 351 smart pharmacies across 17 cities in China, delivering products through our delivery force nationwide. Under our drug express business, we directly source products

## SUMMARY

from our pharmaceutical enterprises partners, and sell such products to users from our aforementioned three channels. For our drug express service offering through our online direct sales channel, we collaborate with our delivery partners and third-party carriers under outsourcing arrangements and logistics service agreements, who are responsible for delivery of products to our users. We strive to provide our users with streamlined on-demand drug purchase experience, with products delivered to the purchasers within 28 minutes on a 24/7 basis in regions covered by our express delivery service. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we recorded 9.0 million, 15.9 million, 22.3 million, 35.9 million and 9.1 million sales orders under express delivery model, representing 63.8%, 60.3%, 55.0%, 59.3% and 60.7% of our total sales orders. During the same periods, the revenue contribution of our express delivery model was RMB244.0 million, RMB565.0 million, RMB887.8 million, RMB1,391.6 million and RMB399.2 million, respectively, representing 55.0%, 55.3%, 47.6%, 44.1% and 45.8% of our revenue from online direct sales channel and offline retail channel. During the Track Record Period, the proportion of sales orders under the express delivery model being delivered to our users within 28 minutes was 58.2%, 76.8%, 85.0%, 88.2% and 79.9%, respectively, and the decrease in the three months ended March 31, 2022 was mainly due to some of our smart pharmacies temporarily ceased operations in the same period as required by the lock-down measures adopted in certain operating cities in response to the COVID-19 outbreak (we were not required to suspend operations in the same period in 2021), and consequently, the other smart pharmacies in the same operating cities not affected by the lock-down measures and the riders assigned to them had to extend their service radius to provide additional delivery services to our users, which adversely affected our delivery efficiency during the same period. Meanwhile, we also offer delivery options such as regular delivery, pre-order delivery, and offline pickup to meet users' individualized needs. In addition, we provide 24-hour purchase guidance from pharmacists to our users.

- **Online Medical Consultation**

We provide our users with online medical consultation service only in relation to their follow-up online medical consultation demands through our Internet hospitals and our medical team, covering medical conditions such as chronic diseases. As of the Latest Practicable Date, our medical team mainly comprised 20 full-time and 72 part-time doctors, more than 800 external doctors through our collaboration with a third-party medical institution and other medical professionals including 427 pharmacists. The table below sets forth the breakdown of online medical consultation expenses including the remunerations paid to our full-time doctors and part-time doctors and the service fees for external doctors paid to third-party medical institutions by type of doctor for the periods indicated. During the Track Record Period, our doctors (including full-time and part-time doctors, and external doctors) did not receive commissions from us, our drug manufacturers or their agents in relation to their prescriptions to patients.

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
									(unaudited)			
Full-time doctors . . . .	-	-	328.7	49.9	1,409.5	31.3	3,087.3	27.4	393.7	17.4	1,091.0	34.7
External doctors . . . .	133.3	100.0	135.3	20.5	1,805.4	40.1	5,886.0	52.3	1,461.0	64.7	1,380.9	43.9
Part-time doctors . . . .	-	-	194.6	29.5	1,288.4	28.6	2,278.9	20.3	404.9	17.9	671.6	21.4
<b>Total . . . . .</b>	<b>133.3</b>	<b>100.0</b>	<b>658.6</b>	<b>100.0</b>	<b>4,503.3</b>	<b>100.0</b>	<b>11,252.2</b>	<b>100.0</b>	<b>2,259.7</b>	<b>100.0</b>	<b>3,143.5</b>	<b>100.0</b>

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## SUMMARY

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In terms of the services provided by the doctors on our platform, including our full-time, part-time and external doctors, we would be liable for the obligations regarding their services provided, such as claims for medical malpractice, complaints or blunders. However, in terms of external doctors, according to our agreements with the third-party medical institutions, they shall comply with the relevant laws and regulations governing hospitals and physicians, and shall assume responsibility for their actions. In addition, in terms of part-time doctors, according to our agreements with the part-time doctors, we are liable for handling medical damages and disputes arising from the services provided by them on our platform. The part-time doctors shall comply with the relevant laws and regulations, otherwise we may claim the share of relevant responsibility from them afterwards. In terms of full-time doctors, we carry professional liability insurance covering a maximum of RMB3,000,000 in the aggregate over the course of a year. According to our PRC Legal Advisors, there are no mandatory requirements for medical professional liability insurance under current PRC laws and regulations, and according to the Frost & Sullivan Report, it is normal for online consultation platforms to take professional liability insurance for its full-time doctors to cover related risks, while the specific coverage of the issuance maybe variable due to the number of doctors and users of the online consultation platforms. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any medical malpractice arising from the services provided by our full-time doctors. Based on the forgoing, our Directors are of the view that the Company's professional liability insurance taken for its full-time doctors are sufficient. In relation to the services provided by the external doctors through our platform, relevant third-party medical institutions generally carry and pay for professional liability insurance covering medical malpractice claims for approximately 70% of the external doctors assigned to our platform. As advised by our PRC Legal Advisors, such practice does not violate the PRC laws and regulations, since such medical malpractice liability insurance is not compulsory under the current PRC legal regime. Although we do not maintain insurance policies covering the services provided by the part-time doctors or the external doctors on our platform, we have control on such risks arisen from them by way of contractual arrangements, see “— Online Medical Consultation — Our Medical Team.” Our PRC Legal Advisors have also advised that if we take responsibility regarding the services provided by the part-time doctors or external doctors on our platform, we may claim the relevant responsibilities from the part-time doctors or the third-party medical institutions according to relevant agreements. During the Track Record Period and up to the Latest Practicable Date, our services were not involved in any material medical malpractice, complaints or blunders.

During the Track Record Period, other than psychological consultation services, we did not generate revenue under our online medical consultation services. Our follow-up online medical consultation service is provided on a 24/7 basis, where users are promptly matched with the appropriate doctors and can communicate with them through messages or voice calls. We capitalize on our online medical consultation traffic and provide our users with solutions integrating pharmaceutical products and services. Our online medical consultation service brings increased orders to our online direct sales including express drug business. Users may have the access to our offering of prescription drugs through our prescription verification and renewal service after they acquire prescriptions from professional doctors during online medical consultation.

- **Chronic Disease and Healthcare Management**

To complement our drug express and online medical consultation service offerings, we provide a portfolio of chronic disease and healthcare management service offerings, including medication and dosage guidance, follow-up consultation reminders, prescription renewal, health information feedback and healthcare knowledge management. During the Track Record Period, we did not generate revenue under our chronic disease and healthcare management services. We currently focus on chronic diseases such as oncology, liver diseases, cardiovascular diseases, skin diseases and diabetes, and plan to gradually expand our coverage to other chronic diseases in the future. Our

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chronic disease and healthcare management service offering helps doctors efficiently track, manage and communicate with users, and helps users establish individualized health profiles, which improve patients' drug compliance and our precise prediction of their full life-cycle healthcare demands. In addition, it also strengthens user loyalty to our platform and facilitates the development of express drugs and online medical consultation, as well as brings increased orders to online direct sales.

In addition, we also generate a small portion of revenue from other business, consisting of marketing services, marketplace services and other services.

Our drug express service offering and other medical service offerings are synergistically integrated to create a closed-loop business model, which enables us to enhance our brand image and to provide better services to our users. Users of our other service offerings are potential buyers under our drug express service offering, as the high-quality user experience provided by our service offerings enhances our ability to cross-sell additional drugs and health and wellness products. Simultaneously, users purchasing drugs and health and wellness products under our drug express service offering provide organic traffic to our other service offerings, as such users can be attracted by our well-recognized brand, trustworthy product quality and compelling user experience and consequently choose to experience the services provided under our medical service express business, such as chronic disease and healthcare management and services related to DTP pharmacies.

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we recorded a total of 14.1 million, 26.4 million, 40.5 million, 60.5 million, 12.9 million and 15.8 million sales orders from our online direct sales channel and offline channel, respectively, with a CAGR of approximately 62.3% from 2018 to 2021. During the Track Record Period, our ARPO from online direct sales channel (excluding the orders of our partner pharmacies) and offline retail channel was RMB42.4, RMB41.3, RMB47.3, RMB52.7, RMB53.6 and RMB56.3 in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, respectively. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we also provided our users with a total of 0.1 million, 2.2 million, 4.4 million, 6.8 million, 1.3 million and 1.8 million online medical consultations, respectively. For individual users, based on their refill cycle and medication habits, we also send timely reminders to accurately address their demand for refill prescriptions while improving our repurchase rate.

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
Total sales order <sup>(1)</sup> (in millions) . . .	14.1	26.4	40.5	60.5	12.9	15.8
Total consultation (in millions) . . .	0.1	2.2	4.4	6.8	1.3	1.8

(1) Total sales order refers to the total number of sales orders for our drug express business from our online direct sales channel and offline channel.

The synergy between our online medical consultation service offering and our drug express service offering successfully enhanced our users' willingness to make purchase for our products. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the conversion rate for our online medical consultation service in terms of realizing sales of product through our self-operated online platforms, defined as the proportion of the number of sales orders placed by users to the number of prescription provided by us from our online medical consultation service, was 51.4%, 69.9%, 68.8%, 77.5% and 81.1%, respectively.

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We believe attracting users and retaining users are critical to our platform's growth and our market share. During the Track Record Period, our user base continued to grow as we expanded our business and our product and service offerings. The total number of registered users on our self-operated platforms increased from 15.9 million in 2018 to 33.0 million in 2021, with a CAGR of 27.6%, and further increased to 33.9 million for the three months ended March 31, 2022. In terms of maintaining and increasing the stickiness of our users to our platform, during the Track Record Period, we have continued to expand our portfolio of products on our platforms, and improve our delivery services, such as increasing the proportion of the orders under the express delivery model being delivered to our users within 28 minutes. In addition, we have employed a variety of online and offline marketing activities, including a customer loyalty scheme, to maintain and increase the stickiness of our users to our platform. Going forward, to enhance user retention, we intend to further expand the scope of our current offerings. For our drug express services, we will continue to increase the variety of products offered under each category on our platform, especially, prescription drugs, healthcare products such as cosmeceuticals, and home medical devices. For our online medical consultation business and chronic disease and healthcare management business, we intend to establish specialized departments, especially in andrology, liver diseases and skin diseases, to attract more high-calibre medical experts and thus provide broader and more specialized online medical services to our users. We also plan to launch additional reward programs based on our current customer loyalty scheme, such as loyalty points for bonus gifts. In addition, to further expand our user base, we plan to continue to promote and strengthen our brand awareness and plan to cooperate with more third-party channels, especially new online channels such as popular online channels such as short-video platforms, to attract more users to enjoy the product and service offerings on our online platform. See "Business Strategies — Further expand the scale of our business" and "Business Sustainability — Steady Growth of User Base and Increase of User Average Spending". We believe our selling and marketing expenses will increase with the implementation of the aforementioned strategies going forward, while we will also enjoy the economies of scale along with the growth of our business.

### OUR STRENGTHS

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

- A service provider in the provision of express digital healthcare service in China, underpinned by our unique online and offline operations;
- Our full range of on-demand healthcare service offerings which provide superior user experience and facilitate the growth of our user base;
- End-to-end capabilities along our value chain empowering participants in our ecosystem;
- Proprietary technology platform and research and development technical competencies; and
- Experienced management team and unique strategic resources.

### OUR STRATEGIES

We strive to offer the ultimate on-demand healthcare product and service offerings to our users and we plan to adopt the following strategies to achieve our goal:

- Further expand the scale of our business;
- Further expand our healthcare product and service offerings;
- Improve our end-to-end capabilities to enhance user experience;
- Further enhance our investment in technologies; and
- Selectively pursue strategic alliances, investments and acquisitions for long-term development.



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### Non-IFRS Measures

We believe that the presentation of such non-IFRS measures of adjusted net loss and adjusted net margin provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of the adjusted net loss (non-IFRS measure) and adjusted net margin (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted net loss (non-IFRS measure) and adjusted net margin (non-IFRS measure) has limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. See “Financial Information — Non-IFRS Measure: Adjusted Net Loss and Adjusted Net Margin.”

We define adjusted net loss (non-IFRS measure) as net loss for the periods adjusted by adding back fair value losses on financial liabilities at FVTPL, share-based payments and listing expenses. We account for the shares with preferred rights as financial liabilities at fair value through profit or loss. After the Listing Date, we do not expect to recognize any further loss or gain on fair value changes from Preferred Shares in the future and expect to revert to a net asset position. The reconciling item is non-cash and does not result in cash outflow. In addition, we account for the compensation cost from share-based payment transactions with employees. The reconciling item is non-cash and does not result in cash outflow. Further, we exclude listing expense, which arises from activities relating to the Listing. We define adjusted net margin (non-IFRS measure) as adjusted net loss (non-IFRS measure) divided by revenue for the period and multiplied by 100%.

The following table reconciles our adjusted net loss (non-IFRS measure) for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(RMB in thousands, except for percentages)					
	(unaudited)					
<b>Reconciliation of net loss to adjusted net loss:</b>						
Net loss for the year/period . . . . .	(103,172)	(273,932)	(919,680)	(1,598,974)	(748,916)	(404,416)
Add						
Fair value losses on financial liabilities at FVTPL . . . . .	33,620	150,685	754,591	912,201	669,357	280,615
Share-based payments . . . . .	–	–	13,064	323,911	3,153	69,419
Listing expenses . . . . .	–	–	2,771	33,337	6,663	10,280
<b>Adjusted net loss (non-IFRS measure) . . . . .</b>	<b><u>(69,552)</u></b>	<b><u>(123,247)</u></b>	<b><u>(149,254)</u></b>	<b><u>(329,525)</u></b>	<b><u>(69,743)</u></b>	<b><u>(44,102)</u></b>
<b>Adjusted net loss margin (non-IFRS measure) . . . . .</b>	<b>(11.9)%</b>	<b>(9.7)%</b>	<b>(6.7)%</b>	<b>(9.0)%</b>	<b>(8.9)%</b>	<b>(4.5)%</b>



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Despite our continued increase in revenue, we have been loss making, and may continue to incur net losses and net operating cash outflow in the near future, primarily because we will be in the phase of seeking a balance between a more effective scale growth and further improvements in operating efficiency, our operation and development strategy while approaching profitability. Our net loss was RMB103.2 million, RMB273.9 million, RMB919.7 million, RMB1,599.0 million, RMB748.9 million and RMB404.4 million for the years ended December 31, 2018, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, respectively. The increase in our net loss from 2018 to 2021 was primarily due to the significant amount of cost of revenue, selling and marketing expenses and general and administrative expenses (which was primarily due to the increase of share-based payment). We incurred significant operating expenses primarily because we intended to drive the rapid growth of our product and service offerings, enhance brand awareness and lay a solid foundation to support our future expansion. In addition to the foregoing factors, our net loss in the Track Record Period was also attributable to the fair value changes on financial liabilities at FVTPL, which will be reclassified to equity as a result of the automatic conversion upon listing.

### Revenue, Gross Profit, Gross Profit Margin Breakdowns and Key Operating Metrics

During the Track Record Period, we generated revenue primarily from (1) pharmaceutical and healthcare business, and (2) others. The following table sets forth a breakdown of our revenue by segments for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Pharmaceutical and healthcare business . . .	562,123	96.2	1,250,895	98.1	2,204,689	98.9	3,561,336	96.8	761,224	97.6	956,613	96.9
Others . . . . .	22,489	3.8	24,694	1.9	23,874	1.1	117,354	3.2	18,488	2.4	30,794	3.1
<b>Total . . . . .</b>	<b>584,612</b>	<b>100.0</b>	<b>1,275,589</b>	<b>100.0</b>	<b>2,228,563</b>	<b>100.0</b>	<b>3,678,690</b>	<b>100.0</b>	<b>779,712</b>	<b>100.0</b>	<b>987,407</b>	<b>100.0</b>

Revenue from pharmaceutical and healthcare business consists of revenue from online direct sales, business distribution and offline retail, which, in aggregate, accounted for more than 95% of our revenue during the Track Record Period. Others consists primarily of marketing services, marketplace services and other services.

The table below sets forth the breakdown of our revenue by distribution channels in our pharmaceutical and healthcare business:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Online direct sales . . . .	389,579	69.3	906,517	72.5	1,695,490	76.9	2,583,613	72.5	535,825	70.4	712,453	74.5
Business distribution . . .	118,378	21.1	229,572	18.3	339,163	15.4	408,918	11.5	98,314	12.9	84,991	8.9
Offline retail <sup>(1)</sup> . . . . .	54,166	9.6	114,806	9.2	170,036	7.7	568,805	16.0	127,085	16.7	159,169	16.6
<b>Total . . . . .</b>	<b>562,123</b>	<b>100.0</b>	<b>1,250,895</b>	<b>100.0</b>	<b>2,204,689</b>	<b>100.0</b>	<b>3,561,336</b>	<b>100.0</b>	<b>761,224</b>	<b>100.0</b>	<b>956,613</b>	<b>100.0</b>

*Note:*

(1) Our revenue from offline channels increased significantly in the year ended December 31, 2021, as a result of the increase in the number of our DTP pharmacies due to our acquisition of Yaofangwang. See “History — Major Acquisitions.” The DTP business under Yaofangwang was mainly conducted through offline retail, which is in line with general practice in the industry.

## SUMMARY

The table below sets forth the breakdown of our gross profit and gross profit margin by distribution channels in our pharmaceutical and healthcare business:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
<b>Pharmaceutical and Healthcare Business</b>												
Online Direct												
Sales <sup>(1)</sup>	152,188	39.1	321,060	35.4	574,394	33.9	773,097	29.9	161,571	30.2	232,172	32.6
Business												
Distribution <sup>(2)</sup>	43,918	37.1	78,317	34.1	105,492	31.1	150,700	36.9	31,987	32.5	26,973	31.7
Offline Retail <sup>(3)</sup>	26,336	48.6	48,146	41.9	65,382	38.5	127,334	22.4	29,337	23.1	46,081	29.0
Others	17,797	79.1	22,431	90.8	20,925	87.6	111,180	94.7	14,029	75.9	29,195	94.8
<b>Total</b>	<b>240,239</b>	<b>41.1</b>	<b>469,954</b>	<b>36.8</b>	<b>766,193</b>	<b>34.4</b>	<b>1,162,311</b>	<b>31.6</b>	<b>236,924</b>	<b>30.4</b>	<b>334,421</b>	<b>33.9</b>

*Notes:*

- (1) Users are our counterparties in our online direct sales channel.
- (2) Businesses are our counterparties in our business distribution channel. Our gross profit margin of business distribution decreased in the year ended December 31, 2019, primarily because we proactively adjusted the selling price to enhance the cooperation with distributors and expand our market share. The gross profit further decreased in the year ended December 31, 2020, primarily because we proactively provided competitive price to the distributors to deepen the cooperation and expand market share. The gross profit margin increased in the year ended December 31, 2021, primarily because we improved the distributor mix to strengthen the cooperation with distributors that we seek long-term cooperation with.
- (3) Users are our counterparties in our offline retail channel. Our gross profit margin from offline channels decreased significantly in the year ended December 31, 2021, as a result of the increase of the DTP sales volume through offline channels due to our acquisition of Yaofangwang. See “History — Major Acquisitions.” The gross profit margin of DTP business was lower than our pharmaceutical and health business prior to such acquisition.

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the average user acquisition costs for the online direct sales through our self-operated online platforms were RMB5.9, RMB10.3, RMB6.9, RMB18.2 and RMB18.4, respectively, which were the result of dividing our user acquisition costs, composed of promotion and advertising expenses (excluding the subsidies provided to users, as subsidies were either treated as a reduction in revenue or recognized as contract liabilities, instead of promotion and advertising expenses from accounting treatment perspective, see “— Pricing and Payment”) for our self-operated platforms, by the number of new registered users we acquired for the same period. The decrease of average user acquisition cost in 2020 was mainly due to (i) we could acquire users with lower costs during the COVID-19 outbreak when the needs of disinfection-related products and personal protective materials increased substantially during the same period through online retail, and (ii) we opened a relatively small number of new smart pharmacies in 2020. In 2020, we opened 30 smart pharmacies, whereas we opened 106 smart pharmacies in 2021, and thus the relevant marketing expenses were relatively modest in 2020. The increase of average user acquisition cost in 2021 was mainly due to (i) we opened a substantial number of new smart pharmacies in 2021, which caused us to incur more marketing expenses associated with added promotions to attract users; and (ii) our additional cooperations with various new and rising online traffic platforms to promote our brand awareness, as well as maintaining the cooperations with the existing traffic platforms in the background of online traffic

## SUMMARY

decentralization which caused us to incur more marketing expenses. In addition, we expanded our operation to three new operating cities in the same period, with additional local advertising related fees occurred. We spent considerable local advertising related fees when entering into new operating cities to build up our brand awareness, which was higher than our mature operating cities, such as Beijing and Shanghai, where we have enjoyed an enhanced market popularity.

Our online direct sales refers to our sales of products directly to users through online platforms, including our self-operated online platforms, such as our mobile APP and WeChat mini program, as well as renowned third-party online platforms. The tables below set forth the breakdown of the revenue (in absolute amount and as a percentage of our revenue generated from online direct sales), gross profit and gross profit margin by online platforms for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Self-operated online platforms . . . . .	202,746	52.0	399,622	44.1	619,597	36.5	788,206	30.5	166,792	31.1	194,948	27.4
Third-party online platforms . . . . .	186,833	48.0	506,895	55.9	1,075,893	63.5	1,795,407	69.5	369,033	68.9	517,505	72.6
<b>Total . . . . .</b>	<b>389,579</b>	<b>100.0</b>	<b>906,517</b>	<b>100.0</b>	<b>1,695,490</b>	<b>100.0</b>	<b>2,583,613</b>	<b>100.0</b>	<b>535,825</b>	<b>100.0</b>	<b>712,453</b>	<b>100.0</b>

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(unaudited)											
Self-operated online platforms . . . . .	65,994	32.6	124,581	31.2	190,014	30.7	189,225	24.0	39,529	23.7	52,023	26.7
Third-party platforms . . . . .	86,194	46.1	196,479	38.8	384,380	35.7	583,872	32.5	122,042	33.1	180,149	34.8
<b>Total . . . . .</b>	<b>152,188</b>	<b>39.1</b>	<b>321,060</b>	<b>35.4</b>	<b>574,394</b>	<b>33.9</b>	<b>773,097</b>	<b>29.9</b>	<b>161,571</b>	<b>30.2</b>	<b>232,172</b>	<b>32.6</b>

The higher gross profit margin for online direct sales through third-party platforms than self-operated platforms during the Track Record Period was primarily attributable to the larger revenue proportions of the sales of prescription drugs, which are of lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report, through self-operated platforms compared to third-party platforms. The table below sets forth the revenue generated from prescription drugs in absolute amount and as a percentage of corresponding revenues through self-operated platforms and third-party platforms for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Self-operated platforms . . . . .	36,700	18.1	107,057	26.8	192,902	31.1	365,693	46.4	64,610	38.7	94,800	48.6
Third-party platforms . . . . .	3,699	2.0	11,125	2.2	148,497	13.8	450,077	25.1	107,685	29.2	136,073	26.3

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The following table sets forth the number of sales orders we received from self-operated platforms (excluding those for our partner pharmacies) and the ARPO of online direct sales through self-operated platforms (excluding sales order for our partner pharmacies) for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
Number of sales order from self-operated platforms (in millions) . . . . .	5.3	9.6	11.3	14.7	3.3	2.8
ARPO from online direct sales through self-operated platforms (RMB) . . . . .	38.6	41.7	55.0	53.5	49.9	69.0

The following table sets forth the selected key operating metrics of our self-operated online platforms for the periods presented:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(in millions)					
Total registered users . . . . .	15.9	21.2	27.3	33.0	28.7	33.9
Average MAU . . . . .	0.8	1.4	2.2	2.1	1.9	1.7
Average monthly paying users . . . . .	0.4	0.6	0.8	0.9	0.9	0.7

The decrease in average MAU and average monthly paying users for the three months ended March 31, 2022 from such figures for the year ended December 31, 2021 was primarily because (i) relevant governmental restrictions on the sales of “four types of medicines” (namely colds, fevers, cough relieving and anti-inflammatory) were further tightened in some regions due to the impact of the COVID-19 outbreak for the three months ended March 31, 2022. The performance of our self-operated online platforms was more affected by these governmental restrictions compared to its sales performance via third-party platforms, since the sales of drugs accounted for a higher proportion of the total sales on our self-operated online platforms; (ii) due to certain lock-down measures taken by local governments in regions such as Shenzhen, Guangzhou, Shanghai and Beijing during the first quarter of 2022, some of our smart pharmacies temporarily ceased operation as required by local authorities, and the operation of the our self-operated online platforms experienced some suspension consequently. See “Business — Impact of COVID-19 on our operations”; and (iii) in light of the COVID-19 outbreak and the lock-down measures taken by local governments in the first quarter of 2022, work-from-home or home quarantine policies were widely adopted in China, which lead to high level of user activities on the online-to-offline platforms with one-stop services, and such trend was particularly found in the industry of on-demand digital pharmacy industry, according to Frost & Sullivan, and our revenue generated from third-party online platforms under online direct sales was benefited accordingly during the same period.

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The tables below set for the breakdown of our user base, including the breakdown of number and revenue contribution by new and existing registered user for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	in millions					
Number of new registered user <sup>(1)</sup> . . . . .	5.6	5.3	6.1	5.7	1.4	0.9
Number of existing registered user <sup>(2)</sup> . . . . .	10.3	15.9	21.2	27.3	27.3	33.0

*Notes:*

- (1) New registered user represents those who become our registered users during the indicated period.
- (2) Existing registered user represents those who become our registered user before the indicated period.

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Revenue generated from new registered user . . . . .	124,589	61.5	154,687	38.7	251,322	40.6	148,325	18.8	31,349	18.8	22,487	11.5
Revenue generated from existing registered user . . . . .	78,157	38.5	244,935	61.3	368,275	59.4	639,881	81.2	135,443	81.2	172,461	88.5
<b>Total . . . . .</b>	<b>202,746</b>	<b>100.0</b>	<b>399,622</b>	<b>100.0</b>	<b>619,597</b>	<b>100.0</b>	<b>788,206</b>	<b>100.0</b>	<b>166,792</b>	<b>100.0</b>	<b>194,948</b>	<b>100.0</b>

The similar operating metrics of our self-operated online platforms is not available for online direct sales through third party platforms, as the third-party platforms that we cooperate with generally do not provide us with users' information. Instead these third-party platforms focus on the sales orders in order to measure their performance. The following table sets forth the number of sales orders we received from third-party platforms (excluding those for our partner pharmacies) and the ARPO of online direct sales through third-party platforms (excluding sales order for our partner pharmacies) for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
Number of sales order from third-party platforms (in millions) . . . . .	4.2	13.0	25.8	41.5	8.3	11.9
ARPO from online direct sales through third-party platforms (RMB) . . . . .	44.8	38.9	41.6	43.2	44.5	43.6

## SUMMARY

The tables below set forth the breakdown of the revenue (in absolute amount and as a percentage of our revenue of pharmaceutical and healthcare business) by product types for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
<b>Pharmaceutical and Healthcare Business</b>												
OTC drugs . . . . .	240,857	42.9	570,941	45.6	854,407	38.8	1,092,406	30.7	240,179	31.6	280,257	29.3
Prescription drugs . . . . .	53,032	9.4	145,800	11.7	377,764	17.1	1,229,328	34.5	269,599	35.4	321,145	33.6
Healthcare products . . . . .	268,234	47.7	534,154	42.7	972,518	44.1	1,239,602	34.8	251,446	33.0	355,212	37.1
<b>Total . . . . .</b>	<b>562,123</b>	<b>100.0</b>	<b>1,250,895</b>	<b>100.0</b>	<b>2,204,689</b>	<b>100.0</b>	<b>3,561,336</b>	<b>100.0</b>	<b>761,224</b>	<b>100.0</b>	<b>956,613</b>	<b>100.0</b>

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(unaudited)											
<b>Pharmaceutical and Healthcare Business</b>												
OTC drugs . . . . .	91,086	37.8	185,053	32.4	258,453	30.2	298,959	27.4	61,201	25.5	81,432	29.1
Prescription drugs . . . . .	14,755	27.8	37,512	25.7	78,828	20.9	215,025	17.5	48,572	18.0	61,343	19.1
Healthcare products . . . . .	116,601	43.5	224,958	42.1	407,987	42.0	537,147	43.3	113,122	45.0	162,451	45.7
<b>Total . . . . .</b>	<b>222,442</b>	<b>39.6</b>	<b>447,523</b>	<b>35.8</b>	<b>745,268</b>	<b>33.8</b>	<b>1,051,131</b>	<b>29.5</b>	<b>222,895</b>	<b>29.3</b>	<b>305,226</b>	<b>31.9</b>

We experienced significant growth during the Track Record Period, which was mainly attributable to the increase of our sales order volume that resulted from the enhancement of our popularity among consumers online, the increase in our investment in branding, and in particular, the expansion of our smart pharmacy network. See “Business — Our Smart Pharmacy Network.” The increase of revenue from other business was primarily attributable to the increase of marketing services business as a result of the expansion of the scale of our business, the enhanced cooperation with our marketing services customers, and the increase in the influence of our platform.

To encourage repeated purchases, we provide purchasers with a variety of subsidies options such as coupon packages, including welcome coupon package, referring coupon, spend & save, shopping vouchers and special offer. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we provided subsidies of RMB82.8 million, RMB208.4 million, RMB412.2 million, RMB722.5 million, RMB149.0 million and RMB216.9 million, respectively, to the users. These subsidies are primarily provided under our online direct sales channel. As a result, from the financial performance perspective, our revenue from our online direct sales channel increased by 132.7% from RMB389.6 million in 2018 to RMB906.5 million in 2019, by 87.0% to RMB1,695.5 million in 2020, and further increased by 52.4% to RMB2,583.6 million in 2021. It also increased by 33.0% from RMB535.8 million for the three months ended March 31, 2021 to RMB712.5 million for the three months ended March 31, 2022.

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## SUMMARY

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From operating performance perspective, our sales orders, ARPO, total registered users, average MAU and average monthly paying users have rapidly increased during the Track Record Period. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, the subsidy ratio of our online direct sales (defined as the subsidy amount divided by the sum of subsidies and revenue of online direct sales and multiplied by 100%) was 17.5%, 18.7%, 19.6%, 21.9%, 21.8% and 23.3%, respectively. According to the Frost & Sullivan Report, our subsidy ratios were at similar level to those offered by other key market players during the Track Record Period. Our average subsidies ratio increased in the year ended December 31, 2020, 2021 and for the three months ended March 31, 2022, primarily as a result of our strategy to (i) remain competitive in the market where the subsidy ratio by key market players generally increased during the same period, according to the Frost & Sullivan Report; and (ii) retain the users acquired during the COVID-19 outbreak in 2020. The subsidies have made an impact on our gross profit margin to a certain degree, while with the aim to achieve a stable growth of our gross profit margin, we expect to dynamically review our pricing strategy and subsidy policies. We believe we are able to proactively and dynamically adjust different forms of subsidies based on market competition and evolving trends to achieve business objectives and targets.

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, our gross profit amounted to RMB240.2 million, RMB470.0 million, RMB766.2 million, RMB1,162.3 million, RMB236.9 million and RMB334.4 million, corresponding to gross profit margin of 41.1%, 36.8%, 34.4%, 31.6%, 30.4% and 33.9%, respectively. The decrease of our gross profit margin from 2018 to 2021 was due to the higher growth rate of cost than that of our revenue, primarily as a result of (i) the change in product mix, as the sales of drugs, and, especially, the sales of prescription drugs, which are of lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report, increased, as we made efforts to capture opportunities related to the industry trends of prescriptions outflow, (ii) the acquisition of Yaofangwang, which contributed substantially to the increase in our sales of prescription drugs, but had a substantially lower gross profit margin because it carried sizable DTP business, the gross profit of which was lower than prescription drugs business in general, according to the Frost & Sullivan Report, and (iii) our pricing and subsidy strategy, which aimed to enhance market recognition, retain existing users and acquire new users, and maintain competitiveness in the industry. The increase of our gross profit margin for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 was primarily due to reduced product cost that resulted from centralized procurement, optimization of product mix, pilot charging of delivery fees in some cities and product price adjustment strategies that we adopted. In terms of the product price adjustment strategies, we have adjusted the pricing for selected products in consideration of market competition and evolving trends in certain pilot operating cities. Specifically, while maintaining competitive pricing for our products and services, we have dynamically changed our pricing strategy by measuring the competition environment, procurement costs and our inventories in these pilot operating cities. For example, when the procurement cost of a particular SKU decreases, a competitive gross profit margin is able to be achieved with its price remain unchanged, since more flexibility is given to our pricing options.

## SUMMARY

### Summary of Consolidated Balance Sheets

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Inventories . . . . .	62,724	168,549	323,470	434,022	518,971
Trade and other receivables and prepayments . . . . .	34,404	87,932	187,584	279,591	308,376
Amounts due from related parties . . . . .	1,148	814	309	1,086	1,200
Financial assets at FVTPL . . . . .	81,882	43,267	321,480	–	38,790
Cash and cash equivalents . . . . .	46,242	144,691	260,574	1,552,994	1,498,232
<b>Current assets</b> . . . . .	<u>226,400</u>	<u>445,253</u>	<u>1,093,417</u>	<u>2,267,693</u>	<u>2,365,569</u>
Trade and other payables . . . . .	193,459	247,387	440,697	586,651	692,910
Financial liabilities at FVTPL . . . . .	111,882	–	–	–	–
Amounts due to related parties . . . . .	5,696	14,233	45,568	22,512	72,934
Contract liabilities . . . . .	26,779	25,996	50,653	59,780	57,805
Lease liabilities . . . . .	18,448	38,994	53,865	61,383	62,834
Income tax payable . . . . .	2,934	5,614	10,124	8,603	4,200
Deferred income . . . . .	–	–	598	–	–
<b>Current liabilities</b> . . . . .	<u>359,198</u>	<u>332,224</u>	<u>601,505</u>	<u>738,929</u>	<u>890,683</u>
<b>Net current (liabilities)/assets</b> . . . . .	<u>(132,798)</u>	<u>113,029</u>	<u>491,912</u>	<u>1,528,764</u>	<u>1,474,886</u>
Property and equipment . . . . .	28,437	45,373	46,430	45,013	45,621
Right-of-use assets . . . . .	66,652	126,914	151,383	168,518	165,682
Goodwill . . . . .	20,881	85,504	256,417	255,762	255,762
Other intangible assets . . . . .	4,060	45,400	230,068	199,241	190,416
Investment in an associate . . . . .	–	389	–	–	–
Rental deposits . . . . .	2,059	5,344	8,431	9,932	10,509
<b>Non-current assets</b> . . . . .	<u>122,089</u>	<u>308,924</u>	<u>692,729</u>	<u>678,466</u>	<u>667,990</u>
Contract liabilities . . . . .	3,383	5,378	9,756	8,899	5,389
Lease liabilities . . . . .	44,698	79,983	87,388	95,629	91,038
Financial liabilities at FVTPL . . . . .	101,316	763,883	2,343,474	4,650,950	4,931,565
Deferred tax liabilities . . . . .	1,076	10,119	49,065	41,581	39,710
<b>Non-current liabilities</b> . . . . .	<u>150,473</u>	<u>859,363</u>	<u>2,489,683</u>	<u>4,797,059</u>	<u>5,067,702</u>
<b>Equity attributable to owners of the Company</b> . . . . .	<u>(170,427)</u>	<u>(447,062)</u>	<u>(1,358,415)</u>	<u>(2,612,247)</u>	<u>(2,941,690)</u>
<b>Non-controlling interests</b> . . . . .	<u>9,245</u>	<u>9,652</u>	<u>53,373</u>	<u>22,418</u>	<u>16,864</u>
<b>Total equity</b> . . . . .	<u>(161,182)</u>	<u>(437,410)</u>	<u>(1,305,042)</u>	<u>(2,589,829)</u>	<u>(2,924,826)</u>

During the Track Record Period, our net current assets decreased from RMB1,528.8 million as of December 31, 2021 to RMB1,474.9 million as of March 31, 2022, primarily due to an increase in trade and other payables and amounts due to related parties and a decrease in cash and cash equivalents, partially offset by an increase in inventories and financial assets at FVTPL. Our net current assets increased from RMB491.9 million as of December 31, 2020 to RMB1,528.8 million as of December 31, 2021, primarily due to an increase in cash and cash equivalents, inventories, trade and other receivables and prepayments, and a decrease in amounts due to related parties, partially offset by a decrease in financial assets at FVTPL and an increase in trade and other payables. Our net current assets increased from RMB113.0 million as of December 31, 2019 to RMB491.9 million as of December 31, 2020, primarily due to an increase in financial assets at FVTPL, inventories, cash and cash equivalents and trade and other receivables and prepayments, partially offset by an increase in trade and other payables, amounts due to related parties, contract liabilities and lease liabilities. We incurred net current liabilities of RMB132.8 million as of December 31, 2018, compared to net current assets of RMB113.0 million as of December 31, 2019, primarily due to a decrease of the financial liabilities at FVTPL, an increase in inventories and cash and cash equivalents, partially offset by a decrease in financial assets at FVTPL and an increase in trade and other payables and lease liabilities.



## SUMMARY

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, we recorded net liabilities of RMB161.2 million, RMB437.4 million, RMB1,305.0 million, RMB2,589.8 million, and RMB2,924.8 million, respectively, primarily due to (i) losses during the Track Record Period, and (ii) the significant financial liabilities at fair value through profit or loss, which increased as a result of the increase in the fair value of the preferred shares we issued in preceding rounds of financing. The fair value of our preferred shares increased as a result of the increase in the valuation of our Company. Upon Listing, all Preferred Shares will be reclassified from financial liabilities to equity as a result of the automatic conversion into our Shares, as such, our net liabilities position would turn into net assets position. Please refer to the Consolidated Statements of Changes in Equity to the Accountants' Report in Appendix I to this prospectus.

### Summary of the Consolidated Statements of Cash Flows

	For the Year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
					(unaudited)	
Operating cash flows before movements in working capital . . . . .	(30,101)	(57,476)	(61,546)	(219,125)	(42,908)	(15,145)
Changes in working capital . . . . .	43,862	(201,689)	(115,910)	(50,245)	31,389	36,625
Income taxes paid . . . . .	(3,594)	(6,732)	(15,590)	(26,120)	(5,032)	(8,603)
Net cash generated from/(used in) operating activities . . . . .	10,167	(265,897)	(193,046)	(295,490)	(16,551)	12,877
Net cash generated from/(used in) investing activities . . . . .	44,032	10,577	(486,471)	306,635	233,999	(40,264)
Net cash (used in)/generated from financing activities . . . . .	(21,077)	353,769	795,400	1,271,553	(51,061)	(20,879)
Net increase in cash and cash equivalents . . . . .	33,122	98,449	115,883	1,282,698	166,387	(48,266)
Cash and cash equivalents at the beginning of the year . . . . .	13,120	46,242	144,691	260,574	260,574	1,552,994
Effect of foreign exchange rate changes on cash and cash equivalents . . . . .	—	—	—	9,722	—	(6,496)
Cash and cash equivalents at the end of year, represented by . . . . .	<u>46,242</u>	<u>144,691</u>	<u>260,574</u>	<u>1,552,994</u>	<u>426,961</u>	<u>1,498,232</u>

We recorded net operating cash inflow in the three months ended March 31, 2022, however, we had net operating cash outflow from 2019 to 2021, especially, our net operating cash outflow increased from RMB193.0 million in 2020 to RMB295.5 million in 2021. Our net cash used in operating activities was primarily attributable to our net loss, which resulted from the increase in costs and expenses being faster than the increase of our gross profit. Our cash was primarily used in operating activities related to the build-up of online-to-offline solutions which include operations related to our online platforms, offline smart pharmacies and express delivery service. Although we achieved continuous increase in revenue and gross profit, our operating expenses increased substantially along with the growth of our business. Specifically, our fulfillment expenses increased as a result of the increase in the order volume of online direct sales; our selling and marketing expenses increased as a result of the increased number of smart pharmacies and the concomitant expenses related to the personnel and operations of smart pharmacies and promotion and advertising related expenses; our research and development expenses increased as a result

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## SUMMARY

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of our endeavor to further improve our platforms and the delivery efficiency; and our general and administrative expenses increased as a result of the increase in the number of headquarter staff to support our business growth and the increase in professional consultancy fees for our Series C financing.

- For the three months ended March 31, 2022, net cash generated from operating activities was RMB12.9 million, which was primarily attributable to loss before income tax of RMB402.1 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value changes of financial liabilities at FVTPL of RMB280.6 million, share-based payments expenses of RMB69.4 million and depreciation of right-of-use assets of RMB19.1 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB105.7 million and an increase in amounts due to related parties of RMB50.4 million, partially offset by an increase in inventories of RMB85.1 million. The improvement in the operating cash flow was primarily a result of (i) the improvement in profitability, which we achieved by increasing revenue and gross profit margin, as we dynamically adjusted product mix and made use of economies of scale; and (ii) the improvement in working capital, primarily as a result of our improved trade payable turnover management.
- In 2021, net cash used in operating activities was RMB295.5 million, which was primarily attributable to our loss before income tax of RMB1,581.9 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value change of financial liabilities at fair value through profit or loss of RMB912.2 million, share-based payments expenses of RMB323.9 million and depreciation of right-of-use assets of RMB78.4 million; and (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB109.8 million and an increase in trade and other receivables and prepayments of RMB89.6 million, partially offset by an increase in trade and other payables of RMB136.6 million.
- In 2020, net cash used in operating activities was RMB193.0 million, which was primarily attributable to our loss before income tax of RMB900.9 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value change of financial liabilities at fair value through profit or loss of RMB754.6 million, depreciation of right-of-use assets of RMB47.7 million, depreciation of property and equipment of RMB20.9 million and share-based payment expense of RMB13.1 million; and (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB116.0 million and an increase in trade and other receivables and prepayments of RMB83.1 million, partially offset by an increase in trade and other payables of RMB61.0 million.
- In 2019, net cash used in operating activities was RMB265.9 million, which was primarily attributable to our loss before income tax of RMB265.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value changes of financial liabilities at fair value through profit or loss of RMB150.7 million, depreciation of right-of-use assets of RMB35.6 million, and depreciation of property and equipment of RMB16.8 million; and (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB84.7 million, an increase in trade and other receivables and prepayments of RMB44.7 million and a decrease in trade and other payables of RMB84.5 million.
- In 2018, net cash generated from operating activities was RMB10.2 million, which was primarily attributable to our loss before income tax of RMB96.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value change of financial liabilities at fair value through profit or loss of RMB33.6 million, depreciation of right-of-use assets of RMB19.6 million and depreciation of property and equipment of RMB13.0 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB45.4 million and an increase in contract liabilities of RMB17.5 million, partially offset by an increase in inventories of RMB28.7 million.

## SUMMARY

### Key Financial Ratios

The following table sets out our key financial ratios for the periods indicated:

	For the year ended December 31/ As of December 31,				For the three months ended March 31/ As of March 31,	
	2018	2019	2020	2021	2021	2022
					(unaudited)	
Revenue growth . . . . .	N/A	118.2%	74.7%	65.1%	55.9%	26.6%
Gross profit margin <sup>(1)</sup> . . . . .	41.1%	36.8%	34.4%	31.6%	30.4%	33.9%
Net margin <sup>(2)</sup> . . . . .	(17.6)%	(21.5)%	(41.3)%	(43.5)%	(96.1)%	(41.0)%
Adjusted net margin (non- IFRS measure) <sup>(3)</sup> . . . . .	(11.9)%	(9.7)%	(6.7)%	(9.0)%	(8.9)%	(4.5)%
Current ratio <sup>(4)</sup> . . . . .	0.6	1.3	1.8	3.1	1.6	2.7
Quick ratio <sup>(5)</sup> . . . . .	0.5	0.8	1.3	2.5	1.0	2.1

(1) Gross profit margin equals gross profit divided by revenue for the year and multiplied by 100%.

(2) Net margin equals net loss divided by revenue for the year and multiplied by 100%.

(3) Adjusted net margin (non-IFRS measure) equals adjusted net loss (non-IFRS measure) divided by revenue for the year and multiplied by 100%.

(4) Current ratio equals current assets divided by current liabilities as of the same date.

(5) Quick ratio equals current assets less inventories and divided by current liabilities as of the same date.

### BUSINESS SUSTAINABILITY

During the Track Record Period, our operational and financial performance continued to improve as we expanded our business and our product and service offerings.

From an operational perspective, the number of our smart pharmacies increased from 91 in 2018 to 346 as of the three months ended March 31, 2022. In addition, our total registered users increased from 15.9 million in 2018 to 33.9 million as of the three months ended March 31, 2022. The average MAU and the average monthly paying users increased from 0.8 million and 0.4 million in 2018 to 1.7 million and 0.7 million for the three months ended March 31, 2022. The ARPU of our pharmaceutical and healthcare business from our self-operated online platforms increased from RMB73.0 in 2018 to RMB126.5 for the three months ended March 31, 2022. Our sales orders from online direct sales channel and offline channel increased from 14.1 million in 2018 to 60.5 million in 2021 and increased from 12.9 million for the three months ended March 31, 2021 to 15.8 million for the three months ended March 31, 2022. The ARPO from online direct sales channel (excluding the orders of our partner pharmacies) and offline retail channel increased from RMB42.4 in 2018 to RMB56.3 for the three months ended March 31, 2022.

- Our sales orders from online direct sales channel through self-operated platforms (excluding the orders of our partner pharmacies) increased from 5.3 million in 2018 to 14.7 million in 2021. The sales orders from online direct sales channel through self-operated platforms (excluding the orders of our partner pharmacies) was 2.8 million for the three months ended March 31, 2022. The ARPO from online direct sales channel (excluding the orders of our partner pharmacies) through self-operated platforms increased from RMB38.6 in 2018 to RMB69.0 for the three months ended March 31, 2022.

## SUMMARY

- Our sales orders from online direct sales channel through third-party platforms increased from 4.2 million in 2018 to 41.5 million in 2021. The sales orders from online direct sales channel through third-party platforms was 11.9 million for the three months ended March 31, 2022. The ARPO from online direct sales channel (excluding the orders of our partner pharmacies) through third-party platforms decreased from RMB44.8 in 2018 to RMB43.6 for the three months ended March 31, 2022.

As illustrated above, we have achieved substantial growth from an operational perspective during the Track Record Period, such as the sales orders from our online direct sales channel and offline channel, the ARPO from online direct sales channel (excluding the orders of our partner pharmacies) and offline retail channel, the number of our smart pharmacies, our total registered users, the average MAU and the average monthly paying users.

In addition, from a financial perspective, our total revenue increased from RMB584.6 million in 2018 to RMB3,678.7 million in 2021 and increased from RMB779.7 million for the three months ended March 31, 2021 to RMB987.4 million for the three months ended March 31, 2022. Our gross profit increased from RMB240.2 million in 2018 to RMB1,162.3 million in 2021 and increased from RMB237.0 million for the three months ended March 31, 2021 to RMB334.4 million for the three months ended March 31, 2022. The gross profit margin increased from 30.4% for the three months ended March 31, 2021 to 33.9% for the three months ended March 31, 2022, primarily due to reduced product cost that resulted from centralized procurement, optimization of product mix, pilot charging of delivery fees in some cities and product price adjustment strategies that we adopted, while such figure decreased from 41.1% in 2018 to 31.6% in 2021, due to the higher growth rate of cost than that of our revenue. As illustrated above, both of our total revenue and gross profit have increased substantially during the Track Record Period, and though our gross profit margin fluctuated during the same periods, it has remain a stable growth since the beginning of 2022. See “Business — Business Sustainability.”

During the Track Record Period, we were also able to achieve various operating leverage based on the enhanced economies of scale effect we have achieved, as well as the improvement of our general research and development systems. As such, our fulfillment expenses, selling and marketing expenses, research and development expenses and general and administrative expenses generally grew alongside our business growth, while as percentages of our total revenue declined during the same periods.

The following table sets forth the achievement of our operating leverage for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
				%		
					(unaudited)	
Fulfillment expenses as a percentage of our revenue . .	16.7	15.7	12.7	11.2	12.4	11.4
Selling and marketing expenses as a percentage of our revenue . . . . .	24.1	21.8	19.8	22.7 <sup>(1)</sup>	20.4	21.1 <sup>(2)</sup>
Research and development expenses as a percentage of our revenue . . . . .	5.4	4.1	3.7	2.6	2.5	2.3
General and administrative expenses as a percentage of our revenue . . . . .	6.3	4.5	5.4 <sup>(3)</sup>	13.1 <sup>(4)</sup>	5.0	10.2

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## SUMMARY

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*Notes:*

- (1) Selling and marketing expenses as a percentage of revenue increased in 2021, which was primarily attributable to our increased staff costs and branding promoting activities.
- (2) Selling and marketing expenses as a percentage of revenue increased in the three months ended March 31, 2022 compared to the same period in 2021, which was primarily attributable to the increase in commission fees, as we continue to actively engage live-streaming marketing to increase sales, and, accordingly, incurred substantial commission fees to live rooms and hosts.
- (3) General and administrative expenses as a percentage of revenue increased in 2020, primarily attributable to the increase in professional services fee resulted from the engagement of professional service parties in 2020 as a result of our series B+ financing and the Reorganization, which outpaced the increase in our revenue.
- (4) General and administrative expenses as a percentage of revenue increased in 2021 was primarily due to the increase in the share-based payment. The adjusted general and administrative expense as a percentage of our revenue was 6.3%, 4.5%, 5.0%, 4.5%, 4.8% and 3.2%, respectively, in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, which is excluding the impact of share-based payments.

We experienced strong business growth during the Track Record Period. Benefiting from the solid foundation we have built and the momentums we have achieved, our Directors believe we are able to maintain sustainability and growth of our business. Going forward, we plan to achieve profitability primarily by further (i) growing our user base and their average spending; (ii) achieving revenue growth in our principal business by increase of sales order volume and ARPO; (iii) improving our result of gross profit margin and increasing operating leverage; and (iv) improving our asset position and cash flow position. These will allow us to increase our revenue and manage our cost and expenses to reach profitability and realize positive operating cash flows. However, we are expected to continue recording a net loss position in the near future, and our path to profitability may not materialize. See “Risk Factors — We had net loss and total comprehensive expense and accumulated losses, and we recorded net liabilities during the Track Record Period. We cannot ensure future profitability.”

We have been loss making during the Track Record Period, as we focused on improving products accessibility, effectiveness and affordability to users, rather than seeking immediate financial returns or profitability in short term, in order to lay a solid foundation for long-term development. Our future profitability is subject to various factors, including our ability to effectively optimize sales order volume and average revenue per order, as well as gross profit margin, and to reduce operating expenses as a percentage of revenue. Despite our continued increase in revenue, we may continue to incur net losses and net operating cash outflow in the near future, primarily because we will be in the phase of seeking a balance between a more effective scale growth and further improvements in operating efficiency, our operation and development strategy while approaching profitability.

In light of our cash outflow from operating activities, net liabilities and net losses during the Track Record Period, going forward, we plan to ensure our working capital sufficiency primarily by (i) generating more revenue through expanding our user base, further enhancing our user engagement and broadening our product and service offerings, and improving gross profit margin through dynamically adjusting product mix to include products of higher profit margin, among others; (ii) adopting comprehensive measures to effectively control cost and operating expenses. With our procurement size increasing with the growth of our business scale, we expect to have better bargaining power to obtain more favorable price and credit terms to effectively control cost. Our implementation of centralized procurement also helps us control costs of products. In addition, we expect that the growth of our revenue shall surpass the growth of our fulfillment expenses, since even though the absolute amount of our fulfillment expenses shall go up in line with the increase of our sales order volume, we are able to reduce per order delivery costs by elevating delivery efficiency through research and development. Based on the big data collected, our smart order dispatchment system and path optimization system can calculate the best match of the rider with the order by analysing information, including locations, ordered products, and the characteristics of riders (some prescription drugs requiring low temperatures storage, which needs to

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## SUMMARY

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be matched to specific riders with special equipment to ensure such refrigerated conditions), in order to provide the best delivery service for each user, rider and smart pharmacy while minimizing our delivery costs. To further reduce the delivery costs, we will further optimize the our research and development systems. For example, we plan to upgrade the aforementioned systems' capacity to accurately identify orders with similar delivery conditions and dispatch them to the same rider. We also plan to introduce new modules to the aforementioned systems to automatically delegate eligible orders to third-party carriers when the delivery capacity of our delivery partners is limited, in order to balance the overall delivery efficiency and delivery costs. In addition, we intend to cooperate with leading uncrewed vehicle delivery service providers and pilot a new delivery model with a combination of uncrewed vehicles and manual labor in areas approved by relevant laws and regulations to reduce the delivery costs in general; (iii) enhancing cost control capacity by making full use of economies of scale to achieve faster growth in revenue than in cost of revenue; and (iv) enhancing working capital management efficiency by proactive management of trade receivables, trade payables and inventory turnover and deepened cooperation with our suppliers. We have allocated dedicated human power by improving staffing and staff's expertise to strengthen inventory management. We have also applied data analysis and product demand forecast method and further enhanced the development of suppliers and the replenishment management system to improve the inventory turnover management. As a result, our inventory turnover days decreased from 60.6 days for the year ended December 31, 2020 to 54.2 days for the year ended December 31, 2021. In particular, we seek to improve our liquidity going forward by driving our operating cash flow through our expanding smart pharmacy network to achieve the improvement of overall business scale and profitability. Since we have been invested in these systems during the Track Record Period and have achieved sound results, we believe further related investments would not have substantial impact on our research and development expenses going forward. We expect our research and development expenses related to these systems would not exceed RMB30.0 million per year in the next three years upon listing.

In view of net operating cash outflows as of December 31, 2021, we expect our operating cash flow position to improve as a result of (i) increasing sales revenue and improving gross profit margin; (ii) reducing per order delivery costs by elevating delivery efficiency through research and development, with results that our revenue shall surpass the growth of our fulfillment expenses, though the absolute amount of our fulfillment expenses shall go up in line with the increase of our sales order volume; (iii) enhancing cost control capacity by making full use of economies of scale to achieve faster growth in revenue than in cost of revenue; and (iv) continuously improving working capital management by proactive management of trade receivables, trade payables and inventory turnover and deepened cooperation with our suppliers. See "Financial Information – Liquidity and Capital Resources – Net Cash from/(Used in) Operating Activities."

See "Business – Business Sustainability."

## RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, which are set out in the section headed "Risk Factors." You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face relate to: (i) our ability to provide superior user experience and maintain users' trust in our brand, our product and service offerings; (ii) the development of digital health and wellness market and our ability to drive user engagement; (iii) the fact that we are subject to extensive and evolving regulatory requirements; (iv) the fact that we are in the early stage of development with a limited operating history in an emerging and dynamic industry; (v) our ability to compete effectively; (vi) the fact that our sale of pharmaceutical and healthcare products is subject to a variety of risks; (vii) our ability to manage the growth of our business and operations or implement our business strategies successfully; (viii) our ability to continue to attract and retain users; (ix) our ability to handle and secure data; (x) the possible impairment losses of goodwill and other intangible assets; and (xi) potential tax exposure to the Group arising from the difference of PRC enterprise income tax and VAT rate between Dingdang Medicine Express Technology and the WFOE under the Contractual Arrangements.

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## SUMMARY

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### OUR CONTROLLING SHAREHOLDERS GROUP

As at the Latest Practicable Date, Mr. Yang Wenlong was indirectly interested in 50.48% of the issued Shares of our Company (as to approximately 21.16% being held through Delight Health Limited, approximately 22.59% being held through Future Health Limited, approximately 0.90% being held through Excel Returns Group Limited, approximately 5.83% being held or controlled through voting rights entrustment arrangements (including approximately 4.16% being controlled through Go Prosper Enterprises Corporation, and approximately 1.67% being controlled through Much Premium Investment Limited) (“**Voting Rights Entrustment Arrangements**”). Each of Delight Health Limited and Excel Returns Group Limited is a wholly owned subsidiary of Delight Faith Limited, a company owned by Mr. Yang Wenlong as to 60% of its equity interest and by Mr. Yang Yibin as to 40% of its equity interest. Excel Returns Group Limited is incorporated as a platform to hold Shares subject to the Pre-IPO Share Option Scheme and the RSU Scheme. It will transfer the Shares to the relevant grantees upon exercise of the options (“the **Option(s)**”) under the Pre-IPO Share Option Scheme and/or the vesting of restricted share units (“**RSU(s)**”) under the RSU Scheme, and the grantee will in turn irrevocably delegate the voting rights attached to such Shares owned by him/her upon vesting to Mr. Yang Wenlong or such other person as designated by Mr. Yang Wenlong. Each of Mr. Yang Wenlong and Excel Returns Group Limited undertakes that, upon Listing, he/it will not exercise voting rights attached to any Shares held by Excel Returns Group Limited in relation to Options or RSUs which have not been exercised or vested. Future Health Limited is a wholly owned subsidiary of Go Far Limited, a company owned by Mr. Yang Wenlong as to 60% of its equity interest and by Mr. Yang Xiao as to 40% of its equity interest. Therefore, Mr. Yang Wenlong, Mr. Yang Yibin and Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation and Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited, and Go Far Limited are deemed to be a group of Controlling Shareholders (“**Controlling Shareholders Group**”) of our Company. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the Controlling Shareholders Group will be interested in 49.21% of the issued Shares of our Company and thus remain as a group of Controlling Shareholders of our Company. See “Relationship with our Controlling Shareholders Group” for further details.

### CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the completion of the Global Offering which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon Listing. See “Connected Transactions” and “Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Non-exempt Continuing Connected Transactions” for details.

### PRE-IPO INVESTMENTS

We have completed several rounds of equity financing in the past few years. See “History, Reorganization and Corporate Structure — Pre-IPO Investments” for details.

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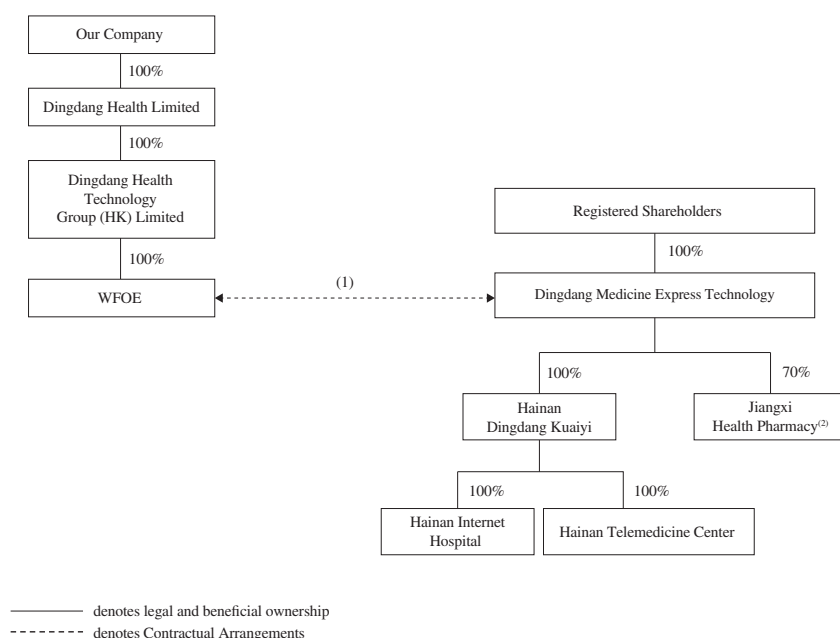
## SUMMARY

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### CONTRACTUAL ARRANGEMENTS

The operations of our Consolidated Affiliated Entities are subject to various foreign ownership restrictions under PRC laws and regulations. In order to maintain and exercise control over our Consolidated Affiliated Entities, we have adopted Contractual Arrangements. These Contractual Arrangements allow us to enjoy the economic benefits of our Consolidated Affiliated Entities and consolidate their results of operations into ours. See “Contractual Arrangements”.

The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



*Notes:*

- (1) The WFOE provides business support, technical and consulting services in exchange for service fees from Dingdang Medicine Express Technology. For details, “Contractual Arrangements — Our Contractual Arrangements — Summary of the Material Terms under the Contractual Arrangements.”
- (2) The remaining 30% equity interest of Jiangxi Health Pharmacy is held by Feng Gang (馮鋼), who holds several positions within our Group, including the executive director and general manager of Dingdang Smart Pharmacies (Shanghai) Co., Ltd (叮嚀智慧藥房(上海)有限公司).

### APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue of RMB3.7 billion (equivalent to approximately HK\$4.6 billion) for the year ended December 31, 2021 exceeds HK\$500 million, and (ii) our expected market capitalization at the time of Listing, which, based on the Offer Price of HK\$12.00 per Offer Share, exceeds HK\$4 billion.



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## SUMMARY

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### DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, the Company did not declare any dividend to our shareholders. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account. Even if there is an accumulated loss, a dividend may be paid out of the share premium account, provided that the memorandum and articles of association of the Cayman Islands company do not prohibit such payment and that the Cayman company satisfies the solvency test set out in the Cayman Companies Act. There are no provisions in the Memorandum and Articles which prohibit dividends being declared and paid out of our share premium account notwithstanding our profitability, provided that our Company satisfies the solvency test set out in the Cayman Companies Act. Our future declarations of dividends will be at the absolute discretion of the Board based on future profitability. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors including our future earnings and cash inflows, future plan for use of funds, long-term development of our business and other legal and regulatory restrictions.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$12.00 per Share, we estimate that we will receive net proceeds of approximately HK\$341.6 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 45.0% of the net proceeds, or approximately HK\$153.7 million, for business expansion, such as the further development of smart pharmacy network, and enhancement of user growth and engagement;
- approximately 15.0% of the net proceeds, or approximately HK\$51.2 million, for optimizing of our technology systems and operating platforms;
- approximately 10.0% of the net proceeds, or approximately HK\$34.2 million, for upgrading our services and business, such as building professional structure of full-time doctors and pharmacists;
- approximately 20.0% of the net proceeds, or approximately HK\$68.3 million, for our potential investments and acquisitions or strategic alliances along with the value chain of the healthcare industry in which we operate; and
- approximately 10.0% of the net proceeds, or approximately HK\$34.2 million, for working capital and other general corporate purpose.

## SUMMARY

### RECENT DEVELOPMENTS

Since the end of the Track Record Period and up to the Latest Practicable Date, our business continued to expand.

As of the Latest Practicable Date, we had 351 smart pharmacies and a team of 20 full-time and 72 part-time doctors, more than 800 external doctors that we were connected to through our collaboration with a third-party medical institution and 427 pharmacists, which effectively meets the needs of our users for real-time consultation with the support from our platform and technologies. As of the Latest Practicable Date, the number of our distributors was 210. As of June 30, 2022, we had a total of 35.7 million registered users. For the three months ended March 31, 2022, for the three months ended June 30, 2022 and for the six months ended June 30, 2022, our average MAU is 1.7 million, 1.8 million and 1.8 million, respectively, and our average monthly paying users is 0.7 million, 0.7 million and 0.7 million, respectively, during the same period. The following table sets forth the breakdown of the number of sales orders (excluding the orders of our partner pharmacies) and ARPO by different channel for the periods indicated:

	For the six months ended June 30,		For the three months ended March 31,	For the three months ended June 30,
	2021	2022	2022	2022
Sales order from online direct sales channel (in millions) . . . . .	23.9	27.8	14.7	13.1
Sales order from self-operated platforms (in millions) . . . . .	6.9	5.5	2.8	2.7
Sales order from third-party platforms (in millions) . . . . .	17.0	22.4	11.9	10.5
Sales order from offline retail channel (in millions) . . . . .	1.7	1.6	0.8	0.8
<b>Total sales order (in millions) . . . . .</b>	<b>25.6</b>	<b>29.4</b>	<b>15.5</b>	<b>13.9<sup>(1)</sup></b>
ARPO from online direct sales channel (RMB) . . . . .	47.2	50.3	48.5	52.3
ARPO from self-operated platforms (RMB) . . . . .	57.1	70.4	69.0	71.9
ARPO from third-party platforms (RMB) . . . . .	43.1	45.3	43.6	47.2
ARPO from offline retail channel (RMB) . . . . .	161.8	215.3	197.2	233.7
<b>ARPO from online direct sales and offline retail (RMB) . . . . .</b>	<b>54.6</b>	<b>59.2</b>	<b>56.2</b>	<b>62.6</b>

*Note:*

- (1) The decrease in the number of sales orders (excluding the orders of our partner pharmacies) for the three months ended June 30, 2022 compared to that for the three months ended March 31, 2022 was mainly due to more of our smart pharmacies temporarily ceased operations for the three months ended June 30, 2022, as required by the lock-down measures adopted in certain operating cities, including but not limited to Shanghai and Beijing, in response to the COVID-19 outbreak.

According to our unaudited condensed financial information for the six months ended June 30, 2021 and 2022 and audited consolidated financial statements for the three months ended March 31, 2022 and unaudited financial information for the three months ended June 30, 2022, we recorded RMB1,643.6 million, RMB1,989.8 million, RMB987.4 million and RMB1,002.4 million of revenue with a gross profit

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## SUMMARY

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of RMB503.7 million, RMB664.7 million, RMB334.4 million and RMB330.3 million, representing a gross profit margin of 30.6%, 33.4%, 33.9% and 32.9%, respectively. The decrease in the gross profit margin for the three months ended June 30, 2022 compared to that for the three months ended March 31, 2022 was primarily due to we offered discounts to our distributors to maintain our relationship and to promote our sales under the business distribution channel, as they confronted operational difficulties to some extent, especially in the delivery efficiency due to the lockdown measures, adopted in certain operating cities, in respond to the COVID-19 outbreak.

Despite our continued increase in revenue, we are expected to continue recording a net loss position in 2022, primarily because we will be in the phase of seeking a balance between a more effective scale growth and further improvements in operating efficiency, our operation and development strategy while approaching profitability. See “Risk Factors — We had net loss and total comprehensive expense and accumulated losses, and we recorded net liabilities during the Track Record Period. We cannot ensure future profitability.”

Going forward, we plan to achieve profitability primarily by further (i) growing our user base and their average spending; (ii) achieving revenue growth in our principal business; (iii) improving our result of operations and increasing operating leverage; and (iv) improving our asset position and cash flow position. These will allow us to increase our revenue and manage our cost and expenses to reach profitability and realize positive operating cash flows. See “Business — Business Sustainability.”

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2022, being the end date of the periods reported on in the Accountants’ Report in Appendix I to this prospectus, and there is no event since March 31, 2022 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this prospectus. We are responsible for the preparation of the unaudited condensed financial information for the six months ended June 30, 2022 in accordance with the basis of preparation as well as the accounting policies, which conform with the International Financial Reporting Standards, and are consistent with those adopted for the preparation of the historical financial information for the four years ended December 31, 2021 and the three months ended March 31, 2022 as set out in the Accountants’ Report in Appendix I to this document. Our unaudited condensed financial information for the six months ended June 30, 2022 has been reviewed by our Reporting Accountants in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

### **Regulatory Development on Drug Administration**

The Implementation Regulations of the Drug Administration Law of the PRC (Revised Draft for Comments) (《中華人民共和國藥品管理法實施條例(修訂草案徵求意見稿)》) published by the National Medical Products Administration on May 9, 2022 (the “**Draft Implementation Regulations**”), which has not been formally adopted, made proposed changes in research and development, production, sales, supervision and management of drugs, and the proposed changes related to us mainly relates to our drug sales operation. One of the most important proposed changes in drug administration is Article 83 of the Draft Implementation Regulations which proposes that third-party platform providers shall not be directly involved in online drug sales activities. In addition, the Draft Implementation Regulations made detailed provisions in the management of drug sales operation business, for example, pharmaceutical companies should establish a drug traceability system, sell prescription drugs in closed shelves, and shall not give away or promote prescription drugs and Class A non-prescription drugs. Besides, drug retail chain enterprises should set up a unified management system and meet strict regulatory operating procedures of the transportation and distribution of drugs.

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## SUMMARY

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According to the verbal consultation with the National Medical Products Administration conducted by our PRC legal advisors and the Joint Sponsors on July 11, 2022, (i) currently, there is no further official explanation or interpretation on “directly involved in online drug sales activities” as stipulated in Article 83 of the Draft Implementation Regulations, and it remains unclear on the subsequent revisions of this regulation, and (ii) assuming the Draft Implementation Regulations is adopted in its current form and the latter possible interpretation as described below is applied, our business shall be in compliance with Article 83 of the Draft Implementation Regulations with the operation adjustments as proposed below. Our PRC Legal Advisors confirmed that the National Medical Products Administration is the competent authority and its officer who accepted the consultation is the competent person to provide the foregoing confirmation and interpretation.

According to our PRC Legal Advisors, “directly involved in online drug sales activities” as stipulated in Article 83 of the Draft Implementation Regulations may have two possible interpretations: (i) a group may use separate entities to conduct third-party platform business and online drug sales activities respectively; and (ii) a group shall not act as a third-party platform provider and conduct online drug sales activities at the same time, even using separate entities. Given that our third party platform business and self operated online drug sales business are currently conducted by separate entities, if the former interpretation is applied when the Draft Implementation Regulations is formally adopted, according to our PRC Legal Advisors, our businesses do not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form), including our cooperation with third-party partner pharmacies on our self-operated online platforms and our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies. If the latter interpretation is applied when the Draft Implementation Regulations is formally adopted, we will (a) cease cooperation with third-party partner pharmacies’ operating on self-operated online platforms and cease operating our self-operated online platforms as third-party platform providers; and (b) utilize our self-operated online platforms only for our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies. Our PRC Legal Advisors are of the view that, if the latter interpretation is applied, and assuming we adjust the operation of our self-operated online platforms as the aforementioned, our self-operated online platforms will not be regarded as third-party platform providers, and therefore our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies will not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form). Revenue generated from the collaboration with partner pharmacies was immaterial compared to our total revenue during the Track Record Period, which was RMB10.4 million, RMB2.7 million, RMB4.9 million, RMB2.8 million and RMB1.0 million, respectively, representing 1.8%, 0.2%, 0.2%, 0.1% and 0.1% of our total revenue in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022.

As advised by our PRC Legal Advisors, our Directors are of the view that our sales through third-party online platforms will not be materially affected by Article 83 of the Draft Implementation Regulations (if promulgated in its current form), since (i) according to Frost & Sullivan, the key third-party online platforms we cooperate with primarily engage in the platform business and operate as “third-party platform providers”, such as hosting our online stores and supporting our drug sales activities, and our PRC Legal advisors are of the view that, Article 83 of the Draft Implementation Regulations (if promulgated in its current form) do not prevent third-party online platforms from engaging in the platform business, and (ii) we believe most of the third-party online platforms we cooperate with would continue operating as “third-party platform providers” on the basis that the majority of revenue of the key third-party online platforms we cooperate with is from third-party party platform business related business, according to Frost & Sullivan. If any of them choose to cease operating as a “third-party platform provider” and focus on its own online drug sales activities in order to comply with the Draft Implementation Regulations (if promulgated in its current form and latter interpretation is applied), we have sufficient flexibilities to cooperate with other third-party online platforms in the market only operating as “third-party platform providers”, according to Frost & Sullivan. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, revenue from third-party online platforms

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## SUMMARY

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amounted to RMB186.8 million, RMB506.9 million, RMB1,075.9 million, RMB1,795.4 million, RMB369.0 million and RMB517.5 million, respectively, accounting for 48.0%, 55.9%, 63.5%, 69.5%, 68.9% and 72.6% of our revenue from online direct sales of the corresponding periods, respectively.

Furthermore, according to our PRC Legal Advisors, our sales under the business distribution channel do not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form). However, if the Draft Implementation Regulations is promulgated in its current form and the latter interpretation is applied, in a worst-case scenario, our sales under the business distribution channel may be indirectly affected since some of our customers under the business distribution channel may be affected if they are deemed as third-party platform providers while being directly involved in online drug sales activities. If they decide to cease their self-operated business directly involving in online drug sales activities for the purpose of compliance with the laws and regulations, they may cease their procurements from us under our distribution channel for the drugs distributed by their self-operated business. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the revenue generated from the sales of OTC drugs and prescription drugs (which might be affected by the Draft Implementation Regulations if it is implemented in its current form and the latter interpretation is applied) sold by us under the business distribution channel was RMB14.1 million, RMB27.3 million, RMB54.4 million, RMB101.6 million and RMB21.3 million, representing 2.4%, 2.1%, 2.4%, 2.7% and 2.2% of our total revenue.

Therefore, based on our PRC Legal Advisors' analysis above, our Directors and our PRC Legal Advisors are of the view that the Draft Implementation Regulations, if implemented in its current form, would not have a material adverse impact on our business, since the operation of self-operated online platforms (as adjusted to comply with relevant laws and regulations), the operation of our pharmacy network, our cooperation with delivery partners, and our pharmacist attendance at our smart pharmacies are in compliance with the Draft Implementation Regulations in all material aspects if promulgated in its current form. Based on the independent due diligence conducted and having considered the views and basis of the Directors and the PRC Legal Advisors as above, as of the date of this prospectus, the Joint Sponsors are of the view that the Draft Implementation Regulations, if implemented in its current form, will not have a material adverse impact on the Group's business. However, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. We will closely monitor and assess any development in the rule-making process.

### **Regulatory Development on Internet Medical Treatment**

On February 8, 2022, the NHC promulgated the Rules for Regulation of Internet Medical Treatment (Trial) (the "**NHC Paper**"), which further clarifies the boundaries and rules of internet medical treatment from multiple dimensions. According to the NHC Paper, medical institutions conducting internet medical treatment activities should actively interface with and accept supervision of the provincial supervision platforms, and set up a special department and establish the corresponding management system to manage matters such as medical quality and medical safety. The medical practitioners carrying out internet medical treatment activities are required to undergo real-name authentication, and no person, artificial intelligence software, etc. other than the physician himself or herself may impersonate or replace the physician in carrying out medical treatment activities. If the medical practitioners conduct internet consultation activities at an Internet hospital other than their main place of practice, they should register or record their practice in accordance with the relevant requirements for Multi-site Practice Filing in the location of that Internet hospital. Patients are required to provide medical records with a clear diagnosis and the receiving physician will determine whether they meet the conditions for follow-up consultation. The entire process of internet medical treatment should be traceable, and the data interface should be open to the provincial supervision platform. Furthermore, the relevant data should be kept for no less than 15 years. In addition, if medical institutions carry out drug distribution independently or entrust a third party, the relevant agreements and prescription flow information should be traceable, and the data interface should be open to the provincial supervision platform.

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## SUMMARY

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As advised by our independent internal control consultant, there is no material deficiencies identified for the internal control measures in effect to fulfill the requirements under the NHC Paper. Relevant internal control measures and procedures have been established to govern internet medical treatment business, which have been approved by our management and circulated to the relevant staff to follow up. Our deputy general manager has been assigned to monitor the operation and compliance of internet medical treatment business. Self-check has been conducted regularly to ensure that the services provided, information and platform management and etc. comply with relevant rules and regulations. Besides, assessment has also been performed for the doctors and training has also been provided to ensure that their practice complies with relevant rules and regulations. Mechanism has also been established for whistleblowing and reporting of non-compliance issues and accidents. As such, we believe that our current internal control measures in effect have already fully addressed the requirements under the NHC Paper, and there will be no material impact of the NHC Paper on the our operations and financial position.

In terms of future plan, according to our operational and information system risk management, we have adopted strict internal policies and procedures to ensure compliance of our business operations with relevant laws and regulations, and our compliance and legal department is responsible for monitoring the updates on the NHC Paper and is responsible for reviewing and updating our internal policies and procedures accordingly so that such internal policies and procedures and their implementation are effective and sufficient for the compliance of the NHC Paper.

### **Regulatory Development on Cybersecurity and Data Privacy**

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which has taken effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security.

On December 28, 2021, the CAC published the Revised Measures for Cybersecurity Review (the "Revised CAC Measures") (《網絡安全審查辦法》), which became effective on February 15, 2022, and superseded the Measures for Cybersecurity Review promulgated on April 13, 2020. The Revised CAC Measures provides that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Revised CAC Measures also provides that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. On November 14, 2021, the CAC promulgated the Network Data Security Management Regulations (the "Draft for Comments", (《網絡數據安全管理條例(徵求意見稿)》), which provides that data processors listing in Hong Kong which affects or may affect national security shall apply for cybersecurity review.

Our Directors and our PRC Legal Advisors are of the view that the Revised CAC Measures and the Draft for Comments, if implemented in its current form, would not have a material adverse impact on our business operations or the proposed listing on the basis that (i) we have implemented a comprehensive set of internal policies, procedures, and measures to ensure our compliance practice as disclosed in "Business – Cybersecurity, Data Privacy and Protection," (ii) as of the Latest Practicable Date, we had not been subject to any material investigation, inquiry, or sanction in relation to cybersecurity or data security or any cybersecurity review from the CAC, or any other relevant government authority (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with cybersecurity or data security laws or regulations, (iv) as advised by our PRC Legal Advisors, we had not been involved in any activities that might give rise to

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## SUMMARY

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national security risks based on the factors set out in Article 10 of the Revised CAC Measures during the Track Record Period and up to the Latest Practicable Date, (v) as advised by our PRC Legal Advisors, given that Hong Kong does not fall within the definition of “abroad” in the provision, although we possess more than one million users’ personal information, the requirement is not applicable to us given that we are seeking a listing in Hong Kong instead of abroad, and (vi) we will closely monitor and assess further regulatory developments regarding cybersecurity and data security laws and comply with the latest regulatory requirements. According to the verbal consultation conducted by our PRC legal advisors on April 26, 2022 with the China Cybersecurity Review Technology and Certification Center, which is authorized by the CAC to accept public consultation and cybersecurity review submissions, the Draft for Comments have not been formally adopted, and our listing in Hong Kong does not fall within the definition of “abroad” in the provision of the Measures for Cybersecurity Review. Therefore, we are not required to apply for cybersecurity review currently. While the scope of critical information infrastructure operators and the scope of network products or services or data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant government authorities and we cannot preclude the possibilities that new regulations or rules in the future may impose additional compliance requirements on us, we have been closely monitoring the applicable regulatory updates and the aforementioned view of us and our PRC Legal Advisors that we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Revised CAC Measures is on the basis that, during the Track Record Period and as of the Latest Practicable Date, (i) we had implemented comprehensive data collection, retention, and safeguard procedures, (ii) we had not experienced any data breach or violation of data security laws and regulations that has a material adverse effect on our business operations, (iii) we had not been subject to any material investigation, inquiry, or sanction relating to cybersecurity or data security or any cybersecurity review from the CAC, the CSRC, or any other relevant government authority, and (iv) we had not been notified by any authorities of being classified as a critical information infrastructure operator.

### Regulatory Development on Foreign Investment

On December 27, 2021 the MOFCOM and the NDRC jointly promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**2021 Negative List**”), which became effective on January 1, 2022. According to the 2021 Negative List, the value added telecommunications services (excluding e-commerce business, domestic multi-party communications, store-and-forward and call centers) fall into the “restricted” category, and medical institutions are limited to the form of joint venture. The 2021 Negative List lacks clear guidance on the categorization of operation of “Internet hospital services” in terms of foreign investment restriction.

### Regulatory Development on Overseas Listing

On December 24, 2021, the CSRC published the draft Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)》) (the “**Draft Provisions**”) and the draft Measures for the Overseas Issuance and Listing of Securities Record-filings by Domestic Companies (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Draft Measures**”) (together with the Draft Provisions, “**the Drafts**”), which are open for public comments until January 23, 2022. Pursuant to the Drafts, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Overseas offerings and listings that are prohibited by specific laws and regulations, constitute threat to or endanger national security, involve material ownership

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disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden. Failure to complete the filing under the Draft Provisions may subject a PRC domestic company to a warning or a fine of RMB1 million to RMB10 million. If the circumstances are serious, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked. However, as of the date of this prospectus, the Drafts were released for public comments only and the final version and effective date of such regulations are subject to substantial uncertainties.

At the press conference held for these Drafts on December 24, 2021, officials from the CSRC clarified that implementation of the Drafts will follow the nonretroactive principle, which means that only the initial public offerings by China-based companies and additional public offerings by existing overseas-listed China-based companies to be conducted after the effectiveness of the foregoing regulations will be required to fulfill the filing procedure. In addition, the new regulations and rules will allow a proper transition period for existing overseas listed China-based companies that do not have an imminent plan for public offerings to comply with the filing requirement in due course. Further, the officials from the CSRC confirmed that companies with VIE structure that comply with the applicable PRC laws and regulations can still conduct overseas offering and listing upon the completion of the requisite procedures.

As advised by our PRC Legal Advisers, our listing is currently not subject to any filing procedures with, or approval from, the CSRC. As of the date of this prospectus, we had not received any inquiries, notices, warnings, or sanctions regarding the listing or our corporate structure from the CSRC or any other PRC government authorities in terms of compliance with the proposed filing requirement under the new regulatory regime, if enacted. Therefore, if the Drafts became effective in their current form, other than the uncertainties of the filing procedures which may be further clarified in the final version of the Drafts and/or their implementation rules, our Directors and our PRC Legal Advisers believe the Drafts will not impact the our business operations, our financial performance, the Contractual Arrangements or our proposed listing in Hong Kong and do not foresee any impediment for us to comply with the Drafts in any material respects.

Based on the foregoing and having discussed with the management of the Company and the PRC Legal Advisers on the aforementioned changes in laws and recent regulatory developments, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the views of the Directors and of PRC Legal Advisers as above. We will maintain ongoing communication with government authorities regarding the latest regulatory development and requirements of new regulations and timely implement necessary measures.

### **IMPACT OF COVID-19 ON OUR OPERATIONS**

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. In response, China, together with other countries and regions across the world, has imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of the virus. By approximately the fourth quarter of 2020, almost all cities in China had eased or lifted domestic travel restrictions and resumed normal social activities, business, work and production.

We prioritize the health conditions of our employees in all our business operations. We have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations.



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Despite the impacts of the COVID-19 outbreak on the general economy, we still managed to achieve improved financial performance in the year ended December 31, 2020, which was primarily due to (i) increasing sales of disinfection-related products and personal protective materials, including masks, wipes, hand sanitizers, medical gloves, safety glasses, thermometers, and disinfection products, during the COVID-19 outbreak, which may not recur in the future; the revenue contribution from sales of disinfection-related products and personal protective materials in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022 was RMB6.8 million, RMB17.0 million, RMB175.3 million, RMB44.1 million, RMB12.4 million and RMB50.9 million, respectively, accounting for 1.2%, 1.3%, 7.9%, 1.2%, 1.6% and 5.2% of our revenue of the corresponding periods, respectively, and the gross profit from sales of disinfection-related products and personal protective materials during the same period amounted to RMB3.7 million, RMB7.2 million, RMB41.3 million, RMB17.6 million, RMB5.0 million and RMB21.8 million, respectively, corresponding to gross profit margin of 54.1%, 42.4%, 23.6%, 39.8%, 40.1% and 42.7%, respectively; and (ii) lower level of fulfillment expenses as a result of a series of policies regarding reduction and exemption of enterprise's social insurance contributions promulgated by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration, which may not recur in the future; In 2020, our fulfillment expenses was reduced by RMB7.0 million with the benefit of such policies, accounting for 2.5% of the actual fulfillment expenses in the same period. Although conditions have substantially improved since the second half of 2020 in China, there has been an increasing number of COVID-19 cases around the world due to the Delta and Omicron variants. With the sustained implementation of the disease prevention and containment policies and the development of vaccines, it is still uncertain whether the COVID-19 outbreak can continue to be largely contained in China and what further impact COVID-19 will have on our business or our industry.

Since the beginning of 2022, another wave of COVID-19 broke out in the PRC, which caused surging numbers of COVID-19 cases in certain regions, such as Shenzhen, Guangzhou, Shanghai and Beijing, and local governments have taken certain lock-down measures to prevent further spread of COVID-19. Some of our smart pharmacies temporarily ceased operation as required by local authorities and were approved to re-open after relevant bans were lifted by local governments. Our overall operational and financial position as of and for the three months ended March 31, 2022 were not materially adversely affected by this recent COVID-19 outbreak since there were no large-scale and prolonged lock-down measures implemented during the same period. However, since the local authorities in Shanghai and other regions have imposed strict and large-scale lock-down measures since the beginning of April 2022, our operational and financial position may be affected to some extent in particular operating cities. Some of our smart pharmacies in Shanghai and other regions had ceased operation under relevant lock-down measures, causing the decrease of the sales order volume of our smart pharmacies related business (representing (A) our online-to-offline model under online direct sales channel, and (B) offline retail channel for walk-in users, both supported by our smart pharmacies), which was primarily due to the disruption on logistics imposed by the lock-down measures. For the details of the impact of the resurgence of COVID-19 on our operations in Shanghai and other regions, see "Business — Impacts of the COVID-19 Outbreak". Meanwhile, we have been seeking measures to mitigate any potential adverse impact on our operational and financial positions. As of the date of this prospectus, most of our smart pharmacies in Shanghai and other regions have resumed normal operation, and we believe the resurgence of COVID-19 does not materially affect our overall business operation and financial position.

In the case of further spread of COVID-19, our business may be disturbed by actions adopted by the government authorities. See "Risk Factors — Risks relating to Our Business and Industry — We face risks related to health epidemics, which could significantly disrupt our business, financial condition and results of operations."

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### OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 33,537,000 Offer Shares are issued pursuant to the Global Offering; and (ii) 1,341,472,897 Shares are issued and outstanding following the completion of the Global Offering.

	<b>Based on an Offer price of HK\$12.00 per Share</b>
Market capitalization of our Shares <sup>(1)</sup> .....	HK\$16,097.7 million
Unaudited pro forma adjusted consolidated tangible assets less liabilities per Share <sup>(2)</sup> .....	HK\$(5.20)

*Notes:*

- (1) The calculation of market capitalization is based on 1,341,472,897 Shares expected to be in issue immediately upon completion of the Global Offering.
- (2) The unaudited pro forma adjusted consolidated tangible assets less liabilities per Share as of March 31, 2022 is calculated after making the adjustments referred to in Appendix II and on the basis that 664,330,590 Shares are expected to be in issue immediately upon completion of the Global Offering.

As of March 31, 2022, the carrying amount of the 677,142,307 Preferred Shares was RMB4,931,565,000 and recognized as financial liabilities. Such Preferred Shares shall automatically be convert without the payment of any additional consideration into ordinary shares upon the completion of the Global Offering.

Had the 677,142,307 Preferred Shares of the Company to be converted been assumed to convert as of March 31, 2022, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2022 per Share would have been calculated based on 1,341,472,897 Shares. The unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company would have increased from approximately RMB(3,017,653,000) to approximately RMB1,913,912,000 based on an Offer Price of HK\$12.00 per Offer Share. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Offer Share would have increased to RMB1.43 (HK\$1.63) based on the Offer Price of HK\$12.00 per Offer Share.

### LISTING EXPENSES AND ISSUE COSTS

Assuming an Offer Price of HK\$12.00 per Share, the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to be approximately RMB99.5 million, accounting for 28.3% of gross proceeds from the Global Offering, of which RMB53.4 million of listing expenses and issue costs has been incurred during the Track Record Period, approximately RMB23.6 million is expected to be charged to profit or loss in 2022, and approximately RMB22.5 million is directly attributable to the offering and listing of our Offer Shares and will be deducted from equity upon the Listing. By nature, our listing expenses are composed of (i) underwriting commission of approximately RMB34.5 million, and (ii) non-underwriting related expenses of approximately RMB65.0 million, which consist of fees and expenses of legal advisors and Reporting Accountant of approximately RMB42.0 million and other fees and expenses of approximately RMB23.0 million.

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## DEFINITIONS

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

“affiliate”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Aochuan Bangde”	Suzhou Xiangcheng Aochuan Bangde Investment Partnership (Limited Partnership) (蘇州市相城區奧傳邦德投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 24, 2019, one of Pre-IPO Investors
“Aqua”	Aqua Tech Investment Limited, a company incorporated under the laws of BVI with limited liability on January 21, 2021, one of Pre-IPO Investors
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on August 25, 2022 with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus
“Board” or “Board of Directors”	the board of Directors of our Company
“Business day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your <b>broker</b> or <b>custodian</b> who is a CCASS Clearing Participant or a CCASS Custodian Participant to give <b>electronic application instructions</b> via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving <b>electronic application instructions</b> through the CCASS Internet System ( <a href="https://ip.ccass.com">https://ip.ccass.com</a> ) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input <b>electronic application instructions</b> for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CICC Qizhi”	CICC Qizhi (Shanghai) Equity Investment Center (Limited Partnership) (中金祺智(上海)股權投資中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on November 6, 2015, one of Pre-IPO Investors
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company” or “the Company”	Dingdang Health Technology Group Ltd., an exempted company incorporated in the Cayman Islands with limited liability on August 20, 2014
“Consolidated Affiliated Entity(ies)”	entities whose financial results have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements, including Dingdang Medicine Express Technology, Jiangxi Health Pharmacy, Hainan Dingdang Kuaiyi, Hainan Internet Hospital, Hainan Telemedicine Center

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“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, the WFOE, Dingdang Medicine Express Technology and the Registered Shareholders, details of which are described in the section headed “Contractual Arrangements”
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and refers to each of Mr. Yang Wenlong, Mr. Yang Yibin, Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation, Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited and Go Far Limited
“Dingdang Beijing”	Dingdang (Beijing) Health Management Co., Ltd. (叮嚀(北京)健康管理有限公司), a limited liability company incorporated under the laws of the PRC on April 19, 2021 and is wholly owned by the WFOE
“Dingdang Good Health”	Dingdang Good Health Technology (Beijing) Co., Ltd. (叮嚀好健康科技(北京)有限公司), a company incorporated under the laws of the PRC on April 20, 2018 with limited liability and our subsidiary
“Dingdang Good Mood”	Dingdang Good Mood Health Management (Beijing) Co., Ltd. (叮嚀好心情健康管理(北京)有限公司), a company incorporated under the laws of the PRC on November 14, 2019 with limited liability and our subsidiary
“Dingdang Lexiang”	Jiangxi Dingdang Lexiang E-Commerce Co., Ltd. (江西叮嚀樂享電子商務有限公司), a company incorporated under the laws of the PRC on August 13, 2020 with limited liability and our subsidiary
“Dingdang Medicine Express Technology”	Dingdang Medicine Express Technology Group Ltd. (叮嚀快藥科技集團有限公司), a company incorporated under the laws of the PRC on September 2, 2014 with limited liability and a Consolidated Affiliated Entity, which is a holding company of all the other Consolidated Affiliated Entities of our Group
“Dingdang No. 1”	Zhuhai Dingdang No. 1 Enterprise Management Consulting Center (Limited Partnership) (珠海叮嚀一號企業管理諮詢中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders. As of the Latest Practicable Date, Dingdang No. 1 is held by Mr. Yang Yibin, 6 participants of the Restricted Share Scheme, and Dingdang Wisdom as to 18.07%, 81.83%, and 0.1%, respectively
“Dingdang No. 2”	Zhuhai Dingdang No. 2 Enterprise Management Consulting Center (Limited Partnership) (珠海叮嚀二號企業管理諮詢中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders. As of the Latest Practicable Date, Dingdang No. 2 is held by Mr. Yang Yibin, 11 participants of the Restricted Share Scheme, and Dingdang Wisdom as to 29.27%, 70.63%, and 0.1%, respectively

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“Dingdang No. 3”	Zhuhai Dingdang No. 3 Enterprise Management Consulting Center (Limited Partnership) (珠海叮噹三號企業管理諮詢中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders. As of the Latest Practicable Date, Dingdang No. 3 is owned by Mr. Yang Yibin and Dingdang Wisdom as to 99.9% and 0.1%, respectively
“Dingdang No. 4”	Zhuhai Dingdang No. 4 Investment Center (Limited Partnership) (珠海叮噹四號投資中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 26, 2016 and one of the Registered Shareholders. As of the Latest Practicable Date, Dingdang No. 4 is owned by Mr. Yang Wenlong, Mr. Yang Xiao and Dingdang Wisdom as to 82.5%, 17.4% and 0.1%, respectively
“Dingdang Wisdom”	Beijing Dingdang Wisdom Business Consulting Co., Ltd. (北京叮噹智慧商務諮詢有限公司), a limited liability company incorporated under the laws of the PRC on July 13, 2016 and the general partner of Dingdang No. 1, Dingdang No. 2, Dingdang No. 3 and Dingdang No. 4. As of Latest Practicable Date, Dingdang Wisdom is owned by Mr. Yang Wenlong and Mr. Yang Yibin as to 83.33% and 16.67%, respectively
“Dingdang Youpin”	Beijing Dingdang Youpin Technology Co., Ltd. (北京叮噹優品技術有限公司), a company incorporated under the laws of the PRC on March 18, 2020 with limited liability and our subsidiary
“Director(s)”	director(s) of our Company
“EIT Law”	Enterprise Income Tax Law of the People’s Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“EMINENT”	EMINENT TALENT LIMITED, a company incorporated under the laws of the BVI with limited liability on March 29, 2011, one of Pre-IPO Investors
“ESOP Plans”	Pre-IPO Share Option Scheme, Restricted Share Scheme and RSU Scheme adopted on May 1, 2020 and the Restricted Share Agreement dated May 31, 2021
“Exchange Participant(s)”	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange

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“Extreme Condition(s)”	extreme condition(s) including but not limited to serious disruption of public transport services, extensive flooding, major landslides and large-scale power outage caused by a super typhoon according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department of the government of Hong Kong in June 2019, as announced by the government of Hong Kong
“FRC”	Financial Reporting Council
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider, Computershare Hong Kong Investor Services Limited
“Group” or “our Group” or “we” or “us”	our Company, its subsidiaries and the Consolidated Affiliated Entities (or our Company and any one or more of its subsidiaries or the Consolidated Affiliated Entities, as the context may require)
“Guangzhou Zhaoxin”	Guangzhou Zhaoxin Wuji Equity Investment Partnership Enterprise (Limited Partnership) (廣州市招信五暨股權投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on March 18, 2020 and one of Pre-IPO Investors
“Hainan Dingdang Kuaiyi”	Dingdang Kuaiyi (Hainan) Medical Technology Co., Ltd. (叮嚀快醫(海南)醫療科技有限公司), a company incorporated under the laws of the PRC on April 18, 2019 with limited liability and our Consolidated Affiliated Entity
“Hainan Internet Hospital”	Dingdang Kuaiyi (Hainan) Internet Hospital Co., Ltd. (叮嚀快醫(海南)互聯網醫院有限公司), a company incorporated under the laws of the PRC on September 4, 2019 with limited liability and our Consolidated Affiliated Entity
“Hainan Telemedicine Center”	Dingdang Kuaiyi (Hainan) Telemedicine Center Co., Ltd. (叮嚀快醫(海南)遠程醫療中心有限公司), a company incorporated under the laws of the PRC on August 26, 2019 with limited liability and our Consolidated Affiliated Entity
“High Innovation Haiying”	Hunan High Innovation Haiying, Healthcare Industry Investment LP. (湖南高創海盈醫療健康產業投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on September 21, 2018 and one of Pre-IPO Investors
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong

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“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	the HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Offer Shares”	the 3,354,000 Offer Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price (plus brokerage, SFC transaction levy, FRC transaction levy and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the <b>Green</b> Application Forms as further described in “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated August 31, 2022 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in “Underwriting — Underwriting Arrangements and Expenses” in this prospectus
“Huifenghechang”	Xiamen Huifenghechang Investment Partnership (Limited Partnership) (廈門惠風和暢投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on September 14, 2020 and one of Pre-IPO Investors



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“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Independent Third Party(ies)”	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“International Offering”	the offer of the International Offer Shares by the International Underwriters outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in “Structure of the Global Offering” in this prospectus
“International Offer Shares”	the 30,183,000 Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Underwriters”	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around September 6, 2022 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in “Underwriting — International Offering” in this prospectus
“Jiangxi Dingdangyun”	Jiangxi Dingdangyun Big Data Management Co., Ltd. (江西叮噹雲大數據管理有限公司), a company incorporated under the laws of the PRC on January 22, 2016 with limited liability and our subsidiary
“Jiangxi Dingdang E-Commerce”	Jiangxi Dingdang E-Commerce Co., Ltd. (江西叮噹電子商務有限公司), a company incorporated under the laws of the PRC on February 22, 2016 with limited liability and our indirect wholly-owned subsidiary
“Jiangxi Health Pharmacy”	Jiangxi Dingdang Health Pharmacy Chain Co., Ltd. (江西叮噹健康藥房連鎖有限公司), a company incorporated under the laws of the PRC on September 21, 2020 with limited liability and our Consolidated Affiliated Entity

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## DEFINITIONS

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“Jiangxi Renhetang”	Jiangxi Renhetang Pharmaceutical Chain Co., Ltd. (江西仁和堂醫藥連鎖有限公司), a company incorporated under the laws of the PRC on March 12, 2015 with limited liability and our subsidiary
“Jiangxi Shanliang”	Jiangxi Shanliang Health Pharmacy Chain Co., Ltd. (江西閃亮健康藥房連鎖有限公司), a company incorporated under the laws of the PRC on December 25, 2019 with limited liability and our subsidiary
“Jinjiao Langqiu”	Ningbo Jinjiao Langqiu Investment Partnership (Limited Partnership) (寧波金蛟朗秋投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 24, 2019 and one of Pre-IPO Investors
“Joint Bookrunners”	China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited and Futu Securities International (Hong Kong) Limited
“Joint Global Coordinators”	China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited ( <i>in no particular order</i> )
“Joint Lead Managers”	China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, Futu Securities International (Hong Kong) Limited and Silverbricks Securities Company Limited
“Joint Sponsors”	China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited ( <i>in no particular order</i> )
“Latest Practicable Date”	August 23, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or around September 14, 2022, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

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## DEFINITIONS

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“Marble”	Marble Router Limited, an exempted company incorporated under the laws of the BVI with limited liability on November 16, 2020, one of Pre-IPO Investors
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on August 25, 2022 with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus
“MIIT”	the Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Nanjing Zhaoyin Gongying”	Nanjing Zhaoyin Gongying Equity Investment Partnership (南京市招銀共贏股權投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 10, 2019 and one of Pre-IPO Investors
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NMPA”	the National Medical Products Administration (國家藥品監督管理局)
“Ningbo Aowen”	Ningbo Meishan Bonded Port Area Aowen Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區奧聞投資管理合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on September 21, 2017 and one of Pre-IPO Investors
“Ningbo Qiling”	Ningbo Meishan Bonded Port Area Qiling Equity Investment Center (Limited Partnership) (寧波梅山保稅港區祺瓚股權投資中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on November 29, 2016 and one of Pre-IPO Investors
“Ningbo Qirui”	Ningbo Meishan Bonded Port Area Qirui Equity Investment Center (Limited Partnership) (寧波梅山保稅港區祺睿股權投資中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on November 29, 2016 and one of Pre-IPO Investors
“Ningbo SBCVC”	Ningbo SBCVC Stable Growth Investment Partnership (Limited Partnership) (寧波軟銀穩定成長投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on September 22, 2015 and one of Pre-IPO Investors
“Offer Price”	HK\$12.00 per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%)

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## DEFINITIONS

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“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“OrbiMed Genesis”	OrbiMed Genesis Master Fund, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands on November 5, 2019 and one of Pre-IPO Investors
“OrbiMed New Horizons”	OrbiMed New Horizons Master Fund, L.P., an exempted limited partnership incorporated under the laws of the Cayman Islands on February 10, 2020 and one of Pre-IPO Investors
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 5,030,500 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China. For the purposes of this prospectus only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“PRC Legal Advisors”	Jingtian & Gongcheng, the PRC legal advisors of our Company
“Pre-IPO Investment(s)”	the Pre-IPO investment(s) in the Dingdang Medicine Express Technology and the Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed “History, Reorganization and Corporate Structure”
“Pre-IPO Investors”	Ningbo SBCVC, Qingdao SB, Tongdao Win-win, Shenzhen Zhaoyin New Trend, Shenzhen Zhaoyin Gongying, CICC Qizhi, Ningbo Qirui, Tianshi Renhe, Aochuan Bangde, Jinjiao Langqiu, Xuri Xinzhu, Z-Park Longmen, High Innovation Haiying, Ningbo Qiling, Nanjing Zhaoyin Gongying, Guangzhou Zhaoxin, Shenzhen SBCVC, Taikang Life Insurance, TD HK, TPG Asia VII, Worldwide Healthcare Trust, OrbiMed Genesis, OrbiMed New Horizons, Redview Capital, Travis, Valliance, Summer Eminence, Yingke Innovation Fund, YANGTZE, EMINENT, Marble, Simag, Aqua, and Tasly
“Pre-IPO Shareholders’ Agreement”	the shareholders’ agreement entered into between the Company and the Pre-IPO Investors on May 25, 2021

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## DEFINITIONS

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“Pre-IPO Share Option Scheme”	the Pre-IPO share option scheme adopted by the Company on May 1, 2020, the principal terms of which are set out in the section headed “Statutory and General Information — D. ESOP Plans — Share Incentive Schemes — 3. Pre-IPO Share Option Scheme” in Appendix IV
“Preferred Share(s)”	the Series A Preferred Shares, the Series B Preferred Shares, the Series B+ Preferred Shares, and the Series C Preferred Shares
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Qingdao SB”	Qingdao SB Hechuang No. 1 Equity Investment Fund Partnership (Limited Partnership) (青島軟銀合創一號股權投資基金合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on January 14, 2021 and one of Pre-IPO Investors
“Redview Capital”	Redview Capital Investment X Limited, a company incorporated under the laws of the Cayman Islands with limited liability on April 15, 2021 and one of Pre-IPO Investors
“Registered Shareholders”	the registered shareholders of Dingdang Medicine Express Technology, namely Mr. Yang Wenlong, Dingdang No. 1, Dingdang No. 2, Dingdang No. 3, and Dingdang No. 4
“Regulation S”	Regulation S under the U.S. Securities Act
“Renhe”	Renhe (Group) Development Co., Ltd. (仁和(集團)發展有限公司) (together with its subsidiaries, “ <b>Renhe Group</b> ”), a company incorporated under the laws of the PRC on July 6, 2001 with limited liability, in which Mr. Yang Wenlong (by himself and together with his close associate) directly controls 100% of the equity interests
“Renhe Pharmacy”	Renhe Pharmacy Co., Ltd. (仁和藥業股份有限公司) (together with its subsidiaries, “ <b>Renhe Pharmacy Group</b> ”), a Joint Stock company incorporated under the laws of the PRC on December 4, 1996 and listed on Shenzhen Stock Exchange (stock code: 000650), in which Mr. Yang Wenlong (by himself and together with his close associates) indirectly controls approximately 28.73% of the equity interests

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## DEFINITIONS

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“Reorganization”	the offshore and onshore reorganization as set out in section headed “History, Reorganization and Corporate Structure — Reorganization”
“Restricted Share Scheme”	the restricted share scheme adopted by the Company on May 1, 2020, the principal terms of which are set out in the section headed “Statutory and General Information — D. ESOP Plans — Share Incentive Schemes — 5. Restricted Share Scheme” in Appendix IV
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSU Scheme”	the restricted share unit scheme adopted by the Company on May 1, 2020, the principal terms of which are set out in the section headed “Statutory and General Information — D. ESOP Plans — Share Incentive Schemes — 4. RSU Scheme” in Appendix IV
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Series A Investors”	Tongdao Win-win, Ningbo Yuepu, and Qingdao SB
“Series A Preferred Shares”	the Series A Preferred Shares of par value US\$0.0001 per share in the authorized share capital of the Company, of which 125,000,000 shares are in issue as of the Latest Practicable Date
“Series B Investors”	Shanhaiyihao, Shenzhen Zhaoyin Gongying, Ningbo Yuepu, Qingdao SB, CICC Qizhi, and Ningbo Qirui
“Series B Preferred Shares”	the Series B Preferred Shares of par value US\$0.0001 per share in the authorized share capital of the Company, of which 147,058,820 shares are in issue as of the Latest Practicable Date
“Series B+ Investors”	Huifenghechang, Ningbo Aowen, Z-Park Longmen, High Innovation Haiying, Ningbo Qiling, Ningbo Yuepu, Qingdao SB, Shenzhen SBCVC, Shanhaiyihao, Nanjing Zhaoyin Gongying, and TK Dingdang Limited

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“Series B+ Preferred Shares”	the Series B+ Preferred Shares of par value US\$0.0001 per share in the authorized share capital of the Company, of which 222,709,327 shares are in issue as of the Latest Practicable Date
“Series C Investors”	TPG Asia VII, TD HK, Worldwide Healthcare Trust, OrbiMed Genesis Master, OrbiMed New Horizons, Redview Capital, Travis, Valliance, Summer Eminence, Yingke Innovation Fund, YANGTZE, EMINENT, Marble, Simag, Aqua, and Tasly
“Series C Preferred Shares”	the Series C Preferred Shares of par value US\$0.0001 per share in the authorized share capital of the Company, of which 182,374,160 shares are in issue as of the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary shares in the share capital of our Company with a par value of US\$0.0001
“Shareholder(s)”	holder(s) of our Shares
“Shenzhen SBCVC”	Shenzhen SBCVC Growth Equity Investment Fund Partnership (Limited Partnership) (深圳欣創成長股權投資基金合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 29, 2019 and one of Pre-IPO Investors
“Shenzhen Zhaoyin Gongying”	Shenzhen Zhaoyin Gongying Equity Investment Limited Partnership (深圳市招銀共贏股權投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on October 20, 2015 and one of Pre-IPO Investors
“Shenzhen Zhaoyin New Trend”	Shenzhen Zhaoyin Telecom New Trend Equity Investment Fund Partnership (Limited Partnership) (深圳招銀電信新趨勢股權投資基金合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on April 14, 2017, one of Pre-IPO Investors
“Simag”	Simag Investment Limited, a company incorporated under the laws of Hong Kong with limited liability on June 16, 2005 and one of Pre-IPO Investors
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	State Council of the People’s Republic of China (中華人民共和國國務院)
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance

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## DEFINITIONS

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“Summer Eminence”	Summer Eminence Holdings Limited, a company incorporated under the laws of the BVI with limited liability on May 18, 2021 and one of Pre-IPO Investors
“Taikang Life Insurance”	Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司), a company incorporated under the laws of the PRC with limited liability on November 28, 2016 and one of Pre-IPO Investors
“Tasly”	Tasly International Capital Limited, a company incorporated under the laws of the BVI with limited liability on February 28, 2014 and one of Pre-IPO Investors
“TD HK”	TD Capital (Hong Kong) Management Company Limited (同道資本(香港)管理有限公司), a private company limited by shares incorporated under the laws of Hong Kong on November 24, 2015 and one of Pre-IPO Investors
“Tianshi Renhe”	Ningbo Tianshi Renhe Equity Investment Partnership (Limited Partnership) (寧波天時仁合股權投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on December 6, 2016, one of Pre-IPO Investors
“Tongdao Win-win”	Tongdao Win-win (Zhuhai) Investment Consulting Partnership (Limited Partnership) (同道共贏(珠海)投資諮詢合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on January 3, 2017 and one of Pre-IPO Investors
“TPG Asia VII”	TPG Asia VII SF Pte. Ltd., a company incorporated under the laws of Singapore on August 23, 2017 and one of Pre-IPO Investors
“Track Record Period”	the four financial years ended December 31, 2018, 2019, 2020 and 2021 and the three months ended March 31, 2022
“Travis”	Travis Global Limited, a company incorporated under the laws of the BVI with limited liability on March 25, 2021 and one of Pre-IPO Investors
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement



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## DEFINITIONS

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“Valliance”	The Valliance Fund, an exempted company incorporated in the Cayman Islands with limited liability on March 15, 2019 and one of Pre-IPO Investors
“WFOE”	Dingdang Kuaiyao (Beijing) Technology Development Co., Ltd. (叮噹快藥(北京)技術開發有限公司), a company incorporated under the laws of the PRC on September 30, 2016 with limited liability and our indirect wholly-owned subsidiary
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the <b>White Form eIPO</b> Service Provider, <a href="http://www.eipo.com.hk">www.eipo.com.hk</a>
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Worldwide Healthcare Trust”	Worldwide Healthcare Trust PLC, a publicly listed trust incorporated under the laws of England and Wales on February 14, 1995 and one of Pre-IPO Investors
“Xuri Xinzhu”	Ningbo Xuri Xinzhu Investment Partnership (Limited Partnership) (寧波旭日新竹投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on May 24, 2019 and one of Pre-IPO Investors
“YANGTZE”	YANGTZE LOGISTICS LIMITED, a company incorporated under the laws of the BVI with limited liability on November 20, 2003 and one of Pre-IPO Investors
“Yaofangwang”	Renhe Yaofangwang (Beijing) Medicine Technology Co., Ltd. (仁和藥房網(北京)醫藥科技有限公司), a company incorporated under the laws of the PRC on August 8, 2001 with limited liability and our subsidiary
“Yingke Innovation Fund”	Yingke Innovation Fund LP, an exempted limited partnership registered in the Cayman Islands on September 3, 2019 and one of Pre-IPO Investors
“Z-Park Longmen”	Beijing Z-Park Longmen Fund Investment Center (Limited Partnership) (北京中關村龍門基金投資中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on September 14, 2018 and one of Pre-IPO Investors

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## DEFINITIONS

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*In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, and “substantial shareholder” shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.*

*For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

“AI”	artificial intelligence, the use of machine to aid or replace human in doing certain tasks by simulating the sight, hearing, senses and thinking of human
“ARPO”	average revenue per order
“ARPU”	average revenue per paying user
“CAGR”	compound annual growth rate calculated as $\left(\frac{V_{(tn)}}{V_{(t0)}}\right)^{\frac{1}{tn-t0}} - 1$ , V <sub>(t0)</sub> : start value, V <sub>(tn)</sub> : finish value, tn-to: number of years
“DTP”	direct-to-patient
“DTP pharmacies”	the pharmacies mainly provide patients with new speciality drugs directly after they receive prescriptions in hospitals and get professional medication services, which are also part of our smart pharmacy network and fully digitalized with functions such as smart drug selection, smart dispatchment and smart consultation, etc.
“FSC Alliance for Pharmaceutical Enterprises”	the alliance of factory service customer, an alliance of more than 200 pharmaceutical enterprises.
“GMV”	gross merchandise volume, the total value of all orders placed on our mobile platform, including orders for products and services placed in our health mall business under both the direct sales and marketplace models, regardless of whether the goods are sold or delivered or whether the goods are returned
“IT”	a computer system — including all hardware, software, and peripheral equipment — operated by a limited group of users
“MAU”	users that logged in at least once during the applicable month through our self-operated online platforms
“OTC medicine(s)”	drugs which may, upon receiving the NMPA’s approval, be sold over the counter in China at dispensers, pharmacies or retail outlets without requiring a prescription by a medical practitioner
“O2O”	online-to-offline

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## GLOSSARY OF TECHNICAL TERMS

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“SKU”	stock keeping unit, offered through our online direct sales and on our online marketplace. The number of SKUs does not represent the number of distinct products offered through our health mall. We may assign different SKUs to the same product if it is sourced from different suppliers or if it is sold both via our direct sales and online marketplace or by more than one supplier or marketplace vendor
“smart pharmacies”	the pharmacies owned by us (including DTP pharmacies) and located by our E-zoning technology, which mainly adopted the online-order and offline-delivery model. Our users can purchase products from online platforms and receive them through pick-up at or offline delivery from such pharmacies

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## FORWARD-LOOKING STATEMENTS

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This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- general political and economic conditions, including those related to the PRC;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management’s view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.*

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

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**If our product and service offerings do not meet users’ expectation or if we fail to provide superior user experience or maintain users’ trust in our brand, our business and reputation may be materially and adversely affected. Maintaining users’ trust in our product and service offerings is critical to our success, and any failure to do so could severely damage our reputation and brand.**

Our business is highly dependent on the receptiveness of our users to our product and service offerings as well as their willingness to use, and to increase the frequency and extent of their utilization of, our product and service offerings. Their degree of receptiveness to our product and service offerings depends on a number of factors, including the demonstrated accuracy and efficacy of our offerings compared to those of others, turnaround time, cost-effectiveness, convenience and marketing support. In addition, negative publicity concerning our product and service offerings or the Internet healthcare market as a whole could limit market acceptance of our product and service offerings. Meanwhile, there can be no assurance that our efforts and ability to demonstrate the value of our product and service offerings and the relative benefits of our product and service offerings over those of our competitors to our users would be successful. We may fail to achieve an adequate level of acceptance and trust by our users of our product and service offerings, and we may not be able to effectively expand our registered user base, promote user engagement or convert existing registered users to active users. Consequently, our business may not develop as expected, or at all, and our business, financial condition or results of operations may be materially and adversely affected.

The success of our business also hinges on our ability to provide superior user experience, which depends on our ability to continue to deliver quality care to our users, to maintain the quality of our product and service offerings, to provide a wide selection of products that are responsive to user demands and to provide timely and reliable delivery, flexible payment options and superior customer services. Such ability, in turn, depends on a variety of factors beyond our control. In particular, we rely on a number of third parties in the provision of our product and service offerings. Their failure to provide high-quality user experience to our users may adversely affect our users’ receptiveness of, and willingness to utilize, our product and service offerings, which may damage our reputation and cause us to lose users.

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## RISK FACTORS

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**The digital health and wellness market is immature and volatile, and if it does not develop, or develops more slowly than we expect, or if our services do not drive user engagement, the growth of our business will be harmed.**

The digital health and wellness market is relatively new and unproven, and it is uncertain whether it will continue to have high levels of demand, user acceptance and market adoption. Our success will depend to a substantial extent on our users' willingness and frequency to use our product and service offerings, as well as on our ability to demonstrate the value of our product and service offerings to users, hospitals, medical professionals and other participants in the healthcare value chain. If our users or healthcare service providers do not perceive the benefits of our product and service offerings, or if our product and service offerings do not drive user engagement, then the digital health and wellness market may not develop at all, or it may develop more slowly than we expect. Similarly, individual and healthcare industry concerns regarding patient confidentiality and privacy in the context of online healthcare services in general could limit market acceptance of our online healthcare services. If any of such events occurs, our business, financial condition or results of operations will be materially and adversely affected.

**We are subject to extensive and evolving regulatory requirements. Future regulations may impose additional requirements and obligations on our business that could materially and adversely affect our business, reputation, financial condition and results of operations.**

We are subject to legal and regulatory requirements of multiple industries in the PRC because of the complex nature of our business. These legal and regulatory requirements primarily cover the industries of Internet, healthcare, digital healthcare and pharmaceutical retail industries.

Various regulatory authorities of the PRC government are authorised to promulgate and implement regulations governing aspects of the Internet and healthcare industries. The health and wellness industry is under heavy regulation, and, any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

In addition, the regulations of the Internet industry, its digital healthcare sector and pharmaceutical retail industries relatively new and evolving, and it is uncertain how they will be interpreted or enforced. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed to be in violation of applicable laws and regulations. These uncertainties entail risks that may materially and adversely affect our business prospects. See “— The legal system in China embodies uncertainties which could limit the legal protections available to us.” In a regulatory climate that is uncertain, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. We may need to change our business models and practices at an undeterminable and possibly significant financial cost to ensure compliance. These additional monetary expenditures may increase future overheads, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

We have identified what we believe are the primary areas of government regulation that, if changed, would be costly to us. These areas include, but are not limited to, value-added telecommunications services, administration of medical practitioners and medical institutions, sales, supply, distribution and advertising of pharmaceutical products, including prescription drugs and OTC drugs and medical devices, online medical treatment, online operations of pharmaceutical products, Internet advertising, cybersecurity and confidentiality of user information as well as prepaid cards. See “Regulatory Overview.” There could be other laws and regulations applicable to our business that we have not identified or that, if changed, may be costly to us, and we cannot predict all the ways in which implementation of such laws and regulations may affect us.

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In particular, the Draft Implementation Regulations, which has not been formally adopted, made proposed changes in research and development, production, sales, supervision and management of drugs, and the proposed changes related to us mainly relates to our drug sales operation. One of the most important proposed changes in drug administration is Article 83 of the Draft Implementation Regulations which proposes that third-party platform providers shall not be directly involved in online drug sales activities. In addition, the Draft Implementation Regulations made detailed provisions in the management of drug sales operation business, for example, pharmaceutical companies should establish a drug traceability system, sell prescription drugs in closed shelves, and shall not give away or promote prescription drugs and Class A non-prescription drugs. Besides, drug retail chain enterprises should set up a unified management system and meet strict regulatory operating procedures of the transportation and distribution of drugs. We have adopted measures to comply with the anticipated regulatory requirements, however, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation of the Draft Implementation Regulations and we may fail to fully comply with the relevant requirements of the Draft Implementation Regulations when it is implemented, which may have a material adverse effect on our business operation, financial condition and results of operations and its interpretation remains uncertain even after consultation with the relevant authority. See “Business — Legal Proceedings and Compliance”

Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that subsequent laws and regulations would not render our operations non-compliant or that we would always be in full compliance with applicable laws and regulations. In the event that we must remedy any violations, we may be required to modify our business models as well as product and service offerings in a manner that undermines our product and service offerings’ attractiveness to our users. We may also become subject to fines or other penalties or, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

For example, sales of pharmaceutical in China are subject to extensive and evolving government regulation and supervision as well as monitoring by various government authorities. Certain laws, rules and regulations may affect the pricing, demand and sales of pharmaceutical, such as those relating to procurement, prescription and dispensing of drugs by hospitals and other medical institutions, online sales and retail pharmacy. We may fail to comply with new laws and regulations in this area, and any unfavorable regulatory changes in these industries may also increase our compliance burden and materially and adversely affect our business, profitability and prospects, as well as our business sustainability strategies.

Furthermore, the introduction of new product and service offerings may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate permits, licenses or certificates as well as expending additional resources to monitor developments in the relevant regulatory environment. The failure to adequately comply with these future laws and regulations may delay, or possibly prevent, some of our products or services from being offered to users, which may have a material adverse effect on our business operation, financial condition and results of operations.



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**We are in the early stage of development with a limited operating history in an emerging and dynamic industry. We may not be able to sustain our historical growth rates, and our historical performance may not be indicative of our future growth or financial results.**

We operate in the emerging and dynamic digital health and wellness market in the PRC. The digital health and wellness market is relatively new, and it is uncertain whether it would achieve and sustain high levels of demand, user acceptance and market adoption. Risks and challenges we may face in this emerging and dynamic industry include our ability to, among other things:

- develop and maintain relationships with our existing business partners and attract new business partners to our ecosystem;
- enhance and maintain the value of our brand;
- navigate an evolving regulatory environment;
- develop and launch diversified and distinguishable product and service offerings to effectively address the needs of our users and ecosystem participants, by collaborating with third-party partners;
- attract more commercial insurers or connect to the social medical insurance system;
- grow our user base and enhance our user engagement;
- develop or implement additional strategic initiatives to further enhance monetization;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- maintain our innovative corporate culture and continue to attract, retain and motivate talented employees; and
- defend ourselves against litigation, regulatory interference, claims concerning intellectual property, privacy or other aspects of our business.

If we fail to address any of the foregoing risks and challenges, our business, financial condition and results of operations may be materially and adversely affected.

Meanwhile, we have a limited operating history. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, our revenue was RMB584.6 million, RMB1,275.6 million, RMB2,228.6 million, RMB3,678.7 million, RMB779.7 million and RMB987.4 million, respectively, and we experienced losses of RMB103.2 million, RMB273.9 million, RMB919.7 million, RMB1,599.0 million, RMB748.9 million and RMB404.4 million, respectively. Our historical results and growth may not be indicative of our future performance. Nevertheless, there can be no assurance that we would be able to generate profits in the future. Our ability to achieve profitability is affected by a variety of factors, many of which are beyond our control, and our results of operations may vary from period to period in response.

Although our business has grown rapidly during the Track Record Period, our relatively short operating history, together with the emerging and dynamic characteristics of the digital health and wellness industry, makes it difficult to assess our future prospects or forecast our future results. In addition, as our business develops and in response to competition and changes in the industry and regulatory environment, we may continue to introduce new product and service offerings, improve our

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existing product and service offerings or adjust and optimize our business model. There can be no assurance that we may be able to achieve the expected results for any such changes, and our financial condition and results of operations may be materially and adversely affected as a result. Rather than relying on our historical operating and financial results to evaluate us, you should consider our business prospects in light of the risks and difficulties we may encounter as an early stage company operating in emerging and dynamic industries, including, among other things, our ability to attract and retain users, our ability to create value for participants in our ecosystem and increase monetization, our ability to navigate an evolving regulatory environment, our ability to provide high-quality products and satisfactory services, build up our reputation and promote our brand, and our ability to anticipate and adapt to changing market conditions. In particular, our various monetization strategies are new and evolving, some of which are still at the inception or trial stage and may prove unsuccessful. If our current or future monetization strategies do not succeed as we anticipate, we may not be able to maintain or increase our revenue, generate profits or achieve positive operating cash flows, which may materially and adversely affect our business, financial condition and results of operations.

**We face intense competition in our business. If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.**

The health and wellness market in China, in particular the digital health and wellness market, is intensely competitive. We compete for users, sales orders, products and third-party partners. Our current or potential competitors include other major players in China's digital retail pharmacy market and online consultation market. See "Business — Competition." In addition, new and enhanced technologies may increase the competition in the digital retail pharmacy industry. New competitive business models may appear, for example based on new forms of social media or social commerce.

Increased competition may reduce our margins and market share and impact brand recognition, or result in significant losses. When we set prices, we have to consider how competitors have set prices for the same or similar products. When they cut prices or offer additional benefits to compete with us, we may have to lower our own prices or offer additional benefits or risk losing market share, either of which could harm our financial condition and results of operations.

Some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger user bases, higher penetration in certain regions or greater financial, technical or marketing resources than we do. Those smaller companies or new entrants may be acquired by, receive investment from, or enter into strategic relationships with, well-established and well-financed companies or investors which might help enhance their competitive positions. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their websites, mobile apps and systems development than us. We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

**We face intense competition in relation to our delivery services, which may adversely affect our fees for the delivery services to be charges, and consequently affect our financial condition and results of operations.**

During the Track Record Period, if the total amount of a sales order reaches certain monetary threshold, we generally do not charge fees for the delivery services, and most of the sales orders were able to reach such threshold as we adjusted from time to time. We may continue to adopt similar policy in relation to fees for the delivery services light of the keen competition in the digital retail pharmacy market in China, and consequently, the amount of delivery fees we are able to receive may decrease and our fulfilment expenses may go up, which may adversely affect our financial condition and results of operations.

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**Certain pharmaceutical products we provide may be subject to price restrictions and price competition, which could adversely affect our profitability and results of operations.**

Certain pharmaceutical products are currently subject to a relatively market-based pricing system adopted by medical insurance bureaus and relevant authorities. Historically, some of pharmaceutical products have been subject to government price controls in the form of fixed retail prices or retail price ceilings and periodic downward adjustments imposed by the NDRC and other authorities. Pursuant to the Notice Regarding the Opinion on Facilitating the Pharmaceutical Pricing Reform jointly issued by the NDRC, the NHFPC and five other PRC government agencies in May 2015, the price controls imposed by the PRC government on pharmaceutical products other than the narcotic drugs and Class I psychotropic drugs were lifted on June 1, 2015.

Prior to the lifting of government price controls on pharmaceutical products, the prices of prescription drugs in China had been determined by the centralized tender process and the prices of OTC drugs in China had been determined by arm's-length, commercial negotiation and market factors such as brand recognition, market competition and user demand. There is no assurance that the application of the more market-based pricing system will result in a higher product pricing compared to the government-controlled pricing, as competition from other retailers, particularly those offering the same products but with lower prices, may force us to lower our sales prices to the previous government-controlled price levels. Consequently, our profitability may suffer and our business, financial condition and results of operations may also be materially and adversely affected.

In addition, the State Council and other relevant authorities issued a series of policies on deepening the reform of the medical and healthcare system in 2019. According to the Notice on Issuance of the Pilot Plan regarding the Organization of Centralized Procurement and Use of Drugs and the Implementation Opinions on Region Expansion of the Organization of Centralized Procurement and Use of Drugs, the State Council planned to organize centralized procurement and use of certain types of pilot drugs to lower drug price, reduce the burden on patients of drug costs, and lower the transaction costs of pharmaceutical enterprises. The Guidance on Improving "Internet +" Medical Service Price and Medical Insurance Payment Policies issued by the National Healthcare Security Administration proposed to improve project management, optimize the pricing mechanism and clarify the payment policy of "Internet +" medical services. Although such policies may lower the transaction costs of the pharmaceutical enterprises and increase the amount of drugs purchased, they may also reduce the sales prices of drugs and increase market competition within the health and wellness industry, which may materially and adversely affect our business, results of operations and financial condition. There are still uncertainties relating to the actual implementation of such policies.

On February 1, 2020, SAMR issued the Guidance on Investigating and Dealing with Illegal Acts of Price Inflation during the Prevention and Control of the New Coronavirus Infection Pneumonia Epidemic to impose restrictions on the pricing of antiviral drugs, disinfection-related products and personal protective materials, and such restrictions shall be lifted after the COVID-19 pandemic. On June 2, 2022, SAMR issued the Guidance on Investigating and Dealing with Price Inflation Violations (the "Guidance") (《市場監管總局關於查處哄抬價格違法行為的指導意見》) and repealed the Guidance on Investigating and Dealing with Illegal Acts of Price Inflation. The Guidance provides requirements for the identification and punishment of the price inflation violations. We have not committed any of offences which may constitute price inflation violations as prohibited in the aforementioned regulations during the Track Record Period and up to the Latest Practicable Date. As of the date of this prospectus, we have not received any inquiry, notice, warning, or sanctions in such respect.

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There is no narcotic drugs or Class I psychotropic drugs sold on our platforms, and our pricing of antiviral drugs, disinfection-related products and personal protective materials offered on our platforms complies with the relevant laws and regulations. Up to the Latest Practicable Date, we have not received any administrative penalty from the PRC government in respects of the sale of relevant pharmaceutical products. Therefore, the PRC Legal Advisors are of the view that the pricing of pharmaceutical products sold on our platform complies with the relevant price controls policies, laws and regulations in the PRC.

**Our delivery process relies on riders in delivering our products and uses packing materials, which involves environmental, social and climate-related risks and may subject to various environmental, health and safety laws and regulations.**

Our delivery process relies on riders in delivering products and uses a lot of packaging materials, which may be bespoke, both of which entail a certain degree of environmental, social and climate-related risks. In addition, we are subject to applicable environmental, health and safety laws and regulations in relation to our delivery process, and we may face administrative or civil fines or penalties. Further, current and future environmental, health and safety laws, regulations and permit requirements could require us to make changes to our delivery operations, and incur significant costs relating to compliance. Tightened environmental, health and safety regulations may require significant investment to be made in transforming our business and operations. The occurrence of any of the foregoing may materially and adversely affect our business and reputation, as well as our business, results of operations and financial condition.

**If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.**

Our business has continued to grow in recent years, and we expect continued growth in our business and revenues. We plan to further expand the scale of our business, further expand our healthcare product and services offerings, improve our end-to-end capabilities to enhance user experience, further enhance our investment in technologies to improve products and services, and selectively pursue strategic alliances, investments and acquisitions for long-term development. In addition, as we continue to increase our product and service offerings, we will need to work with a large number of new suppliers and third-party partners efficiently and establish and maintain mutually beneficial relationships with our existing and new suppliers and third-party partners. To support our growth, we also plan to implement a variety of new and upgraded managerial, operating, financial and human resource systems, procedures and controls. All these efforts will require significant managerial, financial and human resources. We cannot assure you that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully or that our new business initiatives will be successful. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful, and our business and prospects may be materially and adversely affected.

**Our substantial development in the current product and service offerings and our expansion into new product and service offerings may expose us to new challenges and more risks.**

In recent years, we have been working to provide more convenient access to a wider spectrum of healthcare product and service offerings. We create and provide various applications and solutions designed for different scenarios based on users' respective needs. In addition, we have been expanding our product offerings to include a wide range of products covering OTC drugs, prescription drugs and healthcare products. Our lack of familiarity with these product and service offerings and a lack of relevant user data relating to these product and service offerings may make it more difficult for us to anticipate user demand and preferences. We may misjudge user demand, which would result in inventory buildup and possible inventory write-down as well as adverse user experience. We may face more difficulties in inspecting and controlling quality, overseeing proper handling, storage and delivery of our products and

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ensuring the quality and user reception of our services. We may experience higher return rates on certain new products, receive more user complaints about them and face costly product liability claims as a result of selling them, which would harm our brand and reputation and our financial performance. Furthermore, we may not have much purchasing power in new categories, of products and we may not be able to negotiate favorable terms with suppliers. We may need to price aggressively to gain market share or remain competitive in new categories of products. It may be difficult for us to achieve profitability in the new product categories, and, our profit margin, if any, may be lower than we anticipate, which would adversely affect our overall profitability and results of operations. Our new services offerings may not be able to replicate our success in sales of pharmaceutical and healthcare products to our new services offerings. Our new services offering may not succeed or generate results as we anticipate. We cannot assure you that we will be able to recoup our investments in introducing these new product categories and service offerings.

**If our new smart pharmacies or our expansion into new geographical areas or new cities in China is unsuccessful, our business and prospects may be materially and adversely affected.**

We have a track record of successfully setting up new smart pharmacies and expanding into new geographical areas. We cannot assure you, however, that we will be able to maintain this momentum in the future. We are opening new smart pharmacies and expanding into more lower-tier cities and towns across China. Expansion of business involves new risks and challenges. Our lack of familiarity with, and relevant user data relating to, these geographical areas may make it more difficult for us to choose reasonable locations layout that can satisfy our promise of timely delivery and keep pace with the evolving user demands and preferences. In addition, there may be one or more existing market leaders in any geographical area that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that market, as well as their deeper data insight and greater brand recognition among users. Unsuccessful expansion may have a material adverse effect on our revenue and profitability as well as on our business and prospects. We may lose market share, and our financial condition and results of operations may deteriorate significantly if we fail to expand effectively.

**Growth of our business will depend on our strong brands, and any failure to maintain, protect and enhance our brands or reputation would limit our ability to retain or expand our user base, which would materially and adversely affect our business, financial condition and results of operations.**

We believe that strong recognition of our brands among users and business partners has reduced our user acquisition costs through word-of-mouth marketing and contributed significantly to the growth and success of our business. Accordingly, maintaining, protecting and enhancing the recognition of our brands is critical to our business and market position. Many factors, some of which are beyond our control, are important to maintaining, protecting and enhancing our brands. These factors include our ability to:

- maintain the breadth, quality and attractiveness of the product and service offerings we provide;
- maintain the quality and integrity of the information available on our mobile apps and websites;
- increase brand awareness through marketing and brand promotion activities;
- maintain or improve satisfaction with our user services;
- compete effectively against existing or future competitors;

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- preserve our reputation and goodwill generally and in the event of any negative publicity on our product and service offerings, user safety, Internet security, or other issues affecting us or other service e-commerce companies in China; and
- maintain our cooperative relationships with other participants.

A public perception that we do not provide satisfactory services to users, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brands, undermine the trust and credibility we have established and have a negative impact on our ability to attract and retain users and business partners, and our business, financial condition and results of operations may be materially and adversely affected.

**We may become subject to product liability claims, or claims or administrative penalties for counterfeit, substandard or unauthorized products on our platforms, which could adversely affect our brands or reputation and cause us to incur significant expenses and be liable for significant damages.**

We are exposed to risks inherent in marketing and selling pharmaceutical and healthcare products and providing online healthcare services in China. Claims, user complaints or administrative penalties may arise if any of our products are deemed or proven to be unsafe, ineffective or defective, or they are found to contain illicit substances or infringe on any third-party's intellectual property rights. We may also be subject to allegations of having engaged in practices such as improper filling of prescriptions, sale of counterfeit and substandard medicines or other healthcare products or providing inadequate warnings or insufficient or misleading disclosures of side effects.

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

In recent years, the functionality of healthcare products had been a controversial topic in the PRC, and the functionality of healthcare products are beyond our control. A public perception that we do not provide satisfactory healthcare products to users, even if factually incorrect, could damage our reputation and diminish the value of our brands. In addition, the operation and sale of healthcare products is subject to laws and regulations in the PRC in various areas, including food safety and advertising compliance, and the relevant domestic regulations are constantly being updated and changed. We may become subject to fines or other penalties if we are not able to fully comply with these relevant regulations from time to time. In such case, our business, financial condition and results of operations may be materially and adversely affected.

Any product liability claims made against us could cause negative publicity, impairment of users' confidence in us, significant decrease in sale volume and may result in fines and penalties from regulatory authorities. Any claims made against us could be costly to defend against, result in substantial damage awards against us and divert the attention of our management team from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation. In the event that such product liability claims are attributable to our suppliers or business partners, there can be no assurance that we will obtain full indemnification from them. Even if we do, our reputation may still be severely impaired.

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**We may become subject to medical liability claims or administrative penalties for violation of the Administrative Standard of Pharmaceutical Operating Quality, which could cause us to incur significant expenses and be liable for significant damages.**

We face risks of, or administrative penalties for, violation of the Administrative Standard of Pharmaceutical Operating Quality or medical liability claims against our medical team. We have in the past received claims alleging our violation of relevant licensing requirements and food labelling and packaging regulations, and may in the future continue to receive such claims, among others. Also, our full-time and part-time doctors, external doctors we are connected to, and other medical professionals such as our pharmacists, smart pharmacies, hospitals and other medical institutions, as well as healthcare institutions, may provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice, which could subject us to medical liability claims. With respect to external doctors, as they are not working physically with us, we have limited control over them as well as the quality of their online consultation services. Despite our background check relating to their qualification and their contractual obligations to strictly adhere to the specified work scope and quality requirements and comply with applicable laws, there can be no assurance that our risk management procedures would be sufficient to monitor their performance and control the quality of their work. In the event that the external doctors fail to comply with the contractual obligations and applicable laws in relation to the provision of our online consultation services, our user experience could deteriorate, and we may be subject to claims. If we are unable to defend ourselves against such claims, among other things, we may be subject to the revocation of our business licenses or relevant permits. We might also be required to pay substantial damages or refrain from further sale of the relevant products. Moreover, such claims or administrative penalties could result in negative publicity and our reputation could be severely damaged, which may adversely affect users' trust in our ecosystem.

Furthermore, successful medical liability claims could result in substantial damage awards. As of the Latest Practicable Date, we have purchased professional liability insurance for our full-time doctors. Professional liability insurance premiums may increase significantly in the future, particularly as we expand our services. As a result, adequate professional liability insurance may not be available to our medical team in the future on commercially acceptable terms, or at all. Any claims made against us that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us and divert the attention of our management and our medical team from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation. In addition, in the event that any use or misuse of the products we sell results in personal injury, suicide or death, product liability claims may be brought against us for damages. See “Business — Insurance.”

**Sale of prescription drugs is subject to stringent scrutiny, which may expose us to risks and challenges.**

Sale of prescription drugs is subject to stringent scrutiny, which may expose us to risks and challenges. In particular, under the Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals promulgated by the CFDA in 2007, a company is prohibited from either selling prescription drugs to users without prescription or selling prescription drugs via Internet or by post. A company in violation of such prohibitions will be instructed to rectify any such misdemeanor, given a disciplinary warning, and/or issued with administrative penalty of no more than RMB30,000 per violation. The newly revised Drug Administration Law of the People's Republic of China, or the Drug Administration Law, abolishes the restriction on online sale of prescription drugs and adopts the principle of keeping online and offline sales consistent. In November 2020, NMPA published for public comment the Draft Measures for the Supervision and Administration of Online Pharmaceuticals Sales (the “**Draft Measures**”) (《藥品網絡銷售監督管理辦法(徵求意見稿)》), aiming to enhance the supervision of online pharmaceutical sales and related platform services. The Draft Measures provides specific and explicit

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rules for the online sales of prescription drugs, which is perceived to be more conducive to online prescription drug sellers including us, but also presents challenges for us to be in compliance. The Draft Measures provide that, among others, online prescription drug sellers shall (i) ensure the accuracy and reliability of the source of e-prescription, (ii) keep records of any e-prescription for at least five years and no less than one year after the expiration date of the prescription drugs, and (iii) disclose safety warnings including that “prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists” when displaying information of prescription drugs. As advised by our PRC Legal Advisors, the Draft Measures were released for public comment only and their operative provisions and anticipated adoption or effective date may be subject to change, with substantial uncertainty. We believe that we would be able to fully comply with the requirements set out in the Draft Measures if the Draft Measures, in particular, those intended to “ensure the accuracy and reliability of the source of e-prescription”, were implemented in the current form as of the Latest Practicable Date. We will closely monitor and assess the trajectory of the rule-making process. On April 7, 2021, the General Office of the State Council issued the Opinions on Serving the “Six Stables” and “Six Safeguards” and Further Doing a Good Job in the Reform of “Delegating Power, Delegating Regulation and Serving Service (《關於服務“六穩”“六保”進一步做好“放管服”改革有關工作的意見》) which allows online sales of prescription drugs other than those under special state control on the premise of ensuring the authenticity and reliability of the electronic prescription sources.

The above mentioned new laws and regulations dispel to a great extent concerns on the policy level, however, it remains uncertain how they will be enforced, since there has yet been precedents of their application that we can draw reference from. As a result, it is uncertain whether our sales model will be in full compliance with the enforcement of any new laws and regulations that may be promulgated in the future, which are evolving and subject to changes. Any failure to comply with such laws and regulations could subject us to disciplinary warnings and administrative penalties, which may in turn materially and adversely affect our business, results of operations, financial condition and prospects. Additionally, we cannot assure you that our scrutiny measures and mechanism will be effective or sufficient. There may be loopholes in our scrutiny measures and such measures may not be able to detect prescriptions abuse or fraudulent sales orders effectively and timely. As the methods used to bypass or cheat our scrutiny measures may change frequently and may not be recognized until they succeed, we may be unable to anticipate these methods or to implement adequate preventative measures. Failure to effectively screen the prescriptions abuse or fraudulent sales orders could expose us to liability under PRC laws and regulations, which may incur significant liability and our business, financial condition and results of operations could be materially and adversely affected. In addition, failure by our partner pharmacies and merchants on online platform to effectively screen the prescriptions abuse or fraudulent sales orders could expose them to liability under PRC laws and regulations, which, in turn, may have a negative impact on our reputation and on our financial condition and results of operations.

We will comply with these rules after the Draft Measures takes effect, by taking the following actions: (i) ensuring the accuracy and reliability of the source of e-prescription, (ii) keeping records of the e-prescription for five years and no less than one year after the expiration date of the prescription drugs, and (iii) disclosing safety warnings including that “prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists” when displaying information of prescription drugs. In addition, to ensure the accuracy and reliability of the source of e-prescriptions, we have already adopted internal control measures in response to the requirements under the Draft Measures. We re-direct the users purchasing prescription drugs with e-prescriptions to our online medical consultation services. Our doctors are responsible to check the e-prescriptions provided by the users to ensure the information on e-prescriptions is sufficient and valid, following which, our doctors issue new e-prescriptions after consultations. Users are only able to place orders for prescription drugs with prescriptions issued by our doctors. Our pharmacists are responsible to check if sufficient and accurate information is included on the prescriptions before arranging deliveries. All e-prescriptions are required to be printed, signed and filed at our prescription management centre. Furthermore, approvals from our compliance and legal department are required before the disclosure of drug information on our platforms, and our compliance and legal



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department is also responsible to ensure such information is accurate and complied with relevant rules and regulations. As advised by our PRC Legal Advisors, the Draft Measures was released for public comment only and its operative provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. Our compliance and legal department is responsible to monitor and assess the trajectory of the rule-making process and provide trainings to relevant staff accordingly.

### **We rely on third-party partner pharmacies over which we have limited control.**

We have been enhancing our engagement with partner pharmacies on our platforms, empowering them with our traffic while simultaneously promoting our own brands. We also provide a broad portfolio of product and service offerings for partner pharmacies on our platform. However, we do not have as much control over the procurement, storage and delivery of products sold by, or quality of services provided by, partner pharmacies on our online platforms as we do over the products and services that we sell or provide directly ourselves. Many of our partner pharmacies use their own or third-party facilities to store their products. Many of our partner pharmacies also use their own or third-party delivery partners to deliver their products to our users, which makes it more difficult for us to ensure that our users get the same high quality services for all products sold on our platform. If any of our partner pharmacies does not adequately control the quality of the products or services that it sells or provides on our online marketplace or under our omni-channel initiative, fails to timely deliver its products to users, delivers products or provides services that are faulty or materially different from description, sells products or provides services that are counterfeit or unlicensed, sells products or provides services without licenses or permits as required by the relevant laws and regulations, sells products or provides services that infringe upon the intellectual property rights of a third party, sells products or provides services that lead to serious physical harm or property damage, or sells substandard products or provide substandard services, the reputation of our platform and our brand may be materially and adversely affected. In addition, we could face claims and lawsuits for the losses, and may also be subject to administrative inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies for misconduct by any of our partner pharmacies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects. Moreover, despite our efforts to prevent it, some products sold or services provided on our online marketplace may compete with the products we sell or services we provide directly, which may cannibalize our online retail.

### **We rely on sales through third-party platforms, over which we have limited control.**

We rely on sales through third-party online platforms to sell a substantial portion of our products. For the years ended December 31, 2018, 2019, 2020 and 2021, and for the three months ended March 31, 2021 and 2022, revenue from third-party platforms amounted to 48.0%, 55.9%, 63.5%, 69.5%, 68.9% and 72.6%, respectively, of our total revenue from online direct sales. As such, we may be subject to concentration and counterparty risks from these third-party online platforms. We cannot assure you that we will be able to maintain our relationships with these third-party online platforms, which are not obliged in any way to continue to cooperate with us at a level in the future that is similar to that in the past or at all. Should any of the these third-party online platforms terminate the business relationship with us entirely or fails to process transaction or settlement on time, we may not be able to secure new business from other platforms to compensate for such reduction in sales or loss of businesses. If our relationship with these third-party online platforms deteriorates, or if there is a perceived decline in the quality of service or general reputation of these third-party online platforms among users, we cannot assure you that our sales through these third-party online platforms will not decrease accordingly. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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## RISK FACTORS

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**Any negative publicity or misconduct regarding parties that we provide marketing services to could adversely affect our business.**

During the Track Record Period, we had provided marketing services to various enterprises, including pharmaceutical enterprises that had historically been fined by relevant government authorities. We cannot give assurance that such pharmaceutical enterprises will remain compliant to relevant rules and regulations or their public perceptions will remain positive. Any of such enterprises misconduct or deterioration in reputation may have a significant impact on our brands and subsequently users' choosing our products and services. Although we have internal control measures in place to prevent such enterprises that we collaborate with from conducting wrongdoings which may cause negative impacts on our reputation or brand image, we cannot assure you that such measures would be effective at all times. We will take proactive measures to mitigate impact once similar incidents occur, but we cannot assure you that our business, financial condition and results of operations will not be affected. We may also initiate claims, disputes or legal proceedings against such enterprises for compensation, which may divert our management's attention and incur additional litigation expenses and costs. If any of these situations occurs, our business, financial condition and results of operations could be materially and adversely affected.

**We may fail to retain our current medical professionals or attract new medical professionals to maintain and expand the size of our medical team. In that case, our business, financial condition and results of operations may be materially and adversely affected.**

Our medical team is staffed by our full-time and part-time doctors, external doctors we are connected to, and other medical professionals such as our pharmacists. We believe our offerings and online healthcare services provide compelling value propositions to those medical professionals by offering them access to Internet traffic and an innovative healthcare venue. However, we cannot assure you that such medical professionals would be attracted to join, or motivated to stay in our medical team. For example, as our external doctors have responsibilities at their hospitals, they may not be willing to set aside additional hours from their busy schedule to participate in our online healthcare services. Additionally, they may not share our vision about online healthcare services and may still stick to their traditional practices. If we fail to attract or retain sufficient number of medical professionals, our medical services may not further develop, and we may not be able to provide satisfactory services or user experience. In that case, our business, financial condition and results of operations may be adversely affected.

**We may fail to successfully expand our user base or continue to expand our business. In that case, our business, financial condition and results of operations may be materially and adversely affected.**

We offer convenient access to a wide spectrum of healthcare product and service offering. In order to attract and retain users for our online healthcare services, we must continue to build our brand and reputation as an effective on-demand healthcare service provider, as well as effectively market and precisely target our services to prospective users. To retain and engage our user base, we must provide personalized, superior user experience, offer quality services covering a wide range of user demands and cultivate users' stickiness to our infrastructure. However, we cannot assure you that our users will consider their experience satisfactory or our services effective. For example, users who do not get satisfactory results following the recommendations from our online consultation and prescription renewal service may attribute such failure to the ineffectiveness of our services. In addition, some users may encounter trouble navigating our product and service offerings or experience technical difficulties. If we fail to address, among other things, any of the foregoing challenges, users may become frustrated by, or dissatisfied with, our online healthcare services, may leave without making purchases, and may discontinue using our online healthcare services. If we are unable to solve these problems, we may not be able to successfully expand our user base or continue to expand our business, and our results of operations and financial condition could be materially and adversely affected.

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## RISK FACTORS

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**Any lack of requisite approvals, licenses or permits applicable to our business, such as our Internet hospital business, may have a material and adverse impact on our business, financial condition and results of operations.**

Our business is subject to governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the MOFCOM, the MIIT, and the NHC, National Medical Products Administration, or the NMPA, the SAMR, the Cyberspace Administration of China, or the CAC, and the corresponding local regulatory authorities. Such government authorities promulgate and enforce laws and regulations that cover a variety of business activities that our operations concern, such as provision of Internet information, online healthcare services, online and offline retail, sales and online operation of pharmaceutical and healthcare products, sales of food, and Internet advertisement, among other things. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses, permits, filings and registrations for, the relevant business activities.

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

In addition, our business may be subject to governmental supervision and regulation relating to both general medical institutions and online hospitals. In particular, according to the Measures for the Administration of Internet Diagnosis and Treatment (Trial) published by the NHC on July 17, 2018, Internet-based diagnosis services shall only be permitted to provide re-diagnosis services after first confirming that the patients have been diagnosed with one or more types of such common or chronic diseases in physical medical institutions. In addition, pursuant to the Administrative Regulations on Medical Institutions promulgated by the State Council on February 6, 2016 and its implementation rules, and the Measures for the Administration of Internet Diagnosis and Treatment (Trial), medical institutions including online hospitals shall carry out diagnosis and treatment activities according to the approved and registered medical subjects. It remains uncertain that our relevant services will be in full compliance with new laws and regulations in this area, which are evolving and subject to change.

**We may fail to manage our full-time and part-time doctors, external doctors we are connected to, and other medical professionals such as our pharmacists for licensing problems. Failure of our full-time and part-time doctors, external doctors we are connected to, or other medical professionals such as our pharmacists to provide adequate and proper medical services on our platform may have a material and adverse effect on our reputation, business and results of operations.**

Our management of our doctors and pharmacist in particular requires certain approvals, licenses, permits, certificates and registration for such doctors and pharmacists. Particularly, the practice of doctors is strictly regulated under PRC laws, rules and regulations. Doctors who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions as stated in their licenses. As advised by our PRC Legal Advisors, under applicable PRC regulations, a doctor is required to register the medical institutions at which he or she practices in his or her license. If a doctor is found practicing at a medical institution not registered in his or her license, the doctor would be subject to regulatory penalties from warning to suspension of practice and, in the worst-case scenario, revocation of licenses. A doctor practicing in multiple institutions must apply to register or file with competent in-charge administrative authorities and can only have the right to prescribe medicine at the registered or filed practicing institution (the “**Multi-site Practice Filing**”). If the doctor issues a prescription in a medical institution not registered in his or her license, the relevant medical institution would also be subject to regulatory penalties, including a fine of up to RMB5,000 and, in the worst-case scenario, revocation of the medical institution’s Practicing License for Medical Institutions.

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## RISK FACTORS

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We have established and implemented platform policies to manage the behaviors of our doctors and patients to comply with applicable laws and regulations, but we cannot assure you that the practice of our doctors and patients will follow these requirements under such policy. We face the risk that our full-time and part-time doctors and external doctors we are connected to may fail to complete the registration and relevant government procedures in a timely manner, or at all, or that our full-time and part-time doctors and external doctors we are connected to may practice outside the permitted scope of their respective licenses or not take their individual responsibilities strictly under the applicable laws and regulations in connection with medical services especially Internet healthcare services. Our failure to properly manage or check the registration of our full-time and part-time doctors and external doctors we are connected to may subject us to administrative penalties against our medical institution, including fines, or, in the worst-case scenario, revocation of our Practicing License for Medical Institutions, which could materially and adversely affect our business. Meanwhile, if our full-time and part-time doctors and external doctors we are connected to are found to have deficient registration or found to be practicing beyond the scope permitted by relevant authorities, they may be disciplined and lose their practicing licenses. In the event that the multi-institution practices of our full-time and part-time doctors and external doctors we are connected to are in breach of their contractual obligations owed to other institutions, such as non-compete obligations, we may be exposed to indemnity or other legal liabilities if we are deemed to have aided in these breaches, and are therefore susceptible to legal disputes and potential damages. As a result, we may no longer be able to employ them in offering our online consultation and prescription renewal service, which could materially and adversely affect our business. In addition, there can be no assurance that we could timely find qualified replacements on commercially reasonable terms, or at all.

Due to the uncertainties in the regulatory environment of the industries in which we operate, there can be no assurance that we have obtained or applied for or completed all the approvals, permits, licenses, filings and registrations required for conducting our business and all activities in the PRC, or that we would be able to maintain or renew or pass the annual inspections (as applicable) of our existing approvals, permits and licenses or obtain any new approvals, permits and licenses or complete filings and registrations in a timely manner if required by any future laws or regulations. If we fail to obtain and maintain approvals, licenses or permits or complete filings and registrations required for our business, or to comply with relevant laws and regulations, we could be subject to liabilities, fines, penalties and operational disruptions, or we could be required to modify our business model, which could materially and adversely affect our business, financial condition and results of operations.

**We rely on our full-time and part-time doctors, external doctors to conduct our online medical consultation services, including issuing prescriptions to our users. We may fail to manage our full-time and part-time doctors, external doctors in relation to over-prescription problems, which may have a material and adverse effect on our reputation, business and results of operations.**

We rely on our full-time and part-time doctors, external doctors to conduct our online medical consultation services, including issuing prescriptions to our users. For the years ended December 31, 2018, 2019, 2020 and 2021, and for the three months ended March 31, 2021 and 2022, our online medical consultation service offering recorded a total of 0.1 million, 2.2 million, 4.4 million, 6.8 million and 1.8 million online consultations, respectively. As such, we may be subject to over-prescription risks associated with the doctors during the process of issuing prescriptions to our users. Although we have adopted policies to prevent over-prescription problems, we cannot assure you that the doctors will always comply with our internal policies and relevant laws and regulate, and they may be involved with over-prescription problems. In addition, we may fail to effectively monitor their behaviours on our platform from time to time. Any of such failure could damage our reputation and diminish the value of our brands, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

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## RISK FACTORS

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**We had net loss and total comprehensive expense and accumulated losses, and we recorded net liabilities during the Track Record Period. We cannot ensure future profitability.**

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we incurred a net loss and total comprehensive expense of RMB103.2 million, RMB273.9 million, RMB919.7 million, RMB1,599.0 million, RMB748.9 million and RMB404.4 million, respectively. The increase in our net losses was primarily due to the significant amount of cost of revenue and operating expenses incurred to drive the rapid growth of our product and service offerings, enhance brand awareness and lay a solid foundation to support our future expansion. Significant fair value losses on financial liabilities at fair value through profit or loss also contributed to our net loss and total comprehensive expense, which were primarily attributable to the fair value change of preferred shares. Such preferred shares were subject to further amendments pursuant to a preferred share purchase agreement entered on May 25, 2021 and our Company designated the then Preferred Shares as financial liabilities at FVTPL consequently. All Preferred Shares will be reclassified from financial liabilities to equity as a result of the automatic conversion into our Shares upon the Listing. Afterwards, our net liabilities position would turn into net assets position. Thereafter, we do not expect to recognize any further loss or gain on fair value changes from Preferred Shares. As of December 31, 2018, 2019, 2020, 2021 and March 31, 2022, we had accumulated losses of RMB248.6 million, RMB531.4 million, RMB1,456.9 million, RMB3,035.1 million and RMB3,434.0 million, respectively, and depending on, among other things, our actual results, we may continue to incur additional accumulated losses until Listing. As a result of our significant accumulated loss, we recorded negative equity during the Track Record Period. As of December 31, 2018, 2019, 2020, 2021 and March 31, 2022, we recorded negative equity of RMB161.2 million, RMB437.4 million, RMB1,305.0 million, RMB2,589.8 million and RMB2,924.8 million, respectively.

Our profitability depends on our ability to grow our business to the point where our revenue generated exceeds expenses associated with growing and operating the business. We cannot guarantee that we can reach such point in the near future. Neither can we assure you that we will be able to have positive cash flow from operating activities in the future.

**We have had net operating cash outflow, which may expose us to certain liquidity risks, constrain our operational flexibility as well as adversely affect our financial conditions and ability to expand our business.**

In 2019, 2020 and 2021, we had net operating cash outflow of RMB265.9 million, RMB193.0 million and RMB295.5 million, respectively. If we determine that our cash requirements exceed our cash on hand, we may seek to issue debt or equity securities or obtain a credit facility. We cannot assure you that we would be able to obtain debt or equity financing in the current economic environment. In addition, any issuance of equity or equity-linked securities could dilute our shareholders, while any incurrence of indebtedness could increase our debt service obligations and cause us to be subject to restrictive operating and finance covenants. If we do not have sufficient working capital and are unable to generate sufficient revenues or raise additional funds, we may delay the completion of or significantly reduce the scope of our current business plan or substantially curtail our operations, any of which could materially and adversely affect our business, financial condition and results of operations.

**We may not be able to conduct our marketing activities effectively, properly or at reasonable costs, and we are subject to limitations in promoting our product and service offerings, which will have a negative impact on our business operations.**

We invest resources from time to time in a variety of marketing and brand-promotion efforts designed to enhance our brand recognition and increase sales of our product and service offerings. However, our brand promotion and marketing activities may not be well received and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the PRC digital health

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## RISK FACTORS

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and wellness market are continually evolving, which may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and user preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share and materially and adversely affect our financial condition, results of operations and profitability.

In addition, we are subject to certain limitations in promoting our own product and service offerings. Our full-time and part-time doctors, external doctors we are connected to, and other medical professionals such as our pharmacists in the provision of our medical and wellness services have to comply with rules and regulations that restrict the promotion or dissemination of information about the professional healthcare services and practice provided by licensed doctors, and the publication or marketing efforts for the predominant purpose of promoting the products or services of doctors to users or potential users. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future. Furthermore, if the advertisements for our product and service offerings contain inaccurate or misleading information, our reputation and trust of users in our brand may be adversely affected, and we may be subject to administrative penalties or litigations.

We are also subject to certain limitations in promoting products and services for our partners. Under PRC laws and regulations, all advertisements published online containing drug names, applicable symptoms treated by such drugs (major functions) or other drug-related aspects, and advertisements published online containing medical device names and the applicable scope, performance, structure and composition, function and other contents relevant to medical device are subject to examination by relevant government authorities. We are subject to risks related to advertisements, as we provide advertising services to our pharmaceutical enterprises partners. Unless we are granted a waiver, we are prohibited from publishing advertisements of prescription drugs on the websites that we operate and must ensure that any advertisement of medical treatment, drugs or medical devices does not include any assertion or guarantee as to the function and safety or any statement of curative rate and effectiveness of such medical treatment, drugs or medical devices. Any violation of advertisement-related laws and regulations may subject us to fine, or even suspension of our business or revocation of our business license. Although we have implemented internal procedures to examine the content of advertisements displayed on the websites that we operate, we cannot assure you that all such content meets the requirements under PRC advertising-related laws and regulations at all times.

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

### **Our delivery, return and exchange policies may affect our results of operations.**

We have adopted delivery policies that do not necessarily pass the full delivery costs on to our users. We have also adopted policies that permit the return and exchange of certain of our products in certain circumstances for specified reasons. We may also be required by law to adopt new or amend existing return and exchange policies from time to time. For example, pursuant to the Consumer Protection Law and relevant regulations and rules, users are generally entitled to return products purchased within seven days upon receipt without reason when they purchase the products from business operators on the Internet with certain exception, such as for pharmaceutical products. These policies subject us to additional costs and expenses which we may not recoup through increased revenue. Our ability to handle a large volume of returns is unproven. If we revise these policies to reduce our costs and expenses, our users may be dissatisfied, which may result in loss of existing users or failure to acquire users at a desirable pace, which may materially and adversely affect our results of operations.

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## RISK FACTORS

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If our product return rates increase or are higher than expected, our revenues and costs can be negatively impacted. Furthermore, as we cannot return some products to our suppliers pursuant to our contracts with them, or if return rates for such products increase significantly, we may experience an increase in our inventory balance, inventory impairment and fulfillment cost, which may materially and adversely affect our working capital. As a result, our business, financial condition and results of operations may be materially and adversely affected.

**Failure to maintain optimal inventory levels could increase our operating costs or lead to unfulfilled sales orders, either of which could have a material and adverse effect on our business, financial condition, results of operations and prospects.**

We need to ensure optimal inventory levels for our business. We manage inventories of certain products in our business.

For those products for which we manage inventories, we are exposed to inventory risk as a result of rapid changes in product life cycles, changing user preferences, uncertainty of product developments and launches, manufacturer back orders and other related problems as well as the volatile economic environment in the PRC. There can be no assurance that we can accurately predict these trends and events and avoid over-stocking or under-stocking of products. Furthermore, demand for products could change significantly between the time when the products are ordered and the time when they are ready for delivery. When we begin to sell a new product, it is particularly difficult to forecast product demand accurately. We may be unable to sell such inventory in sufficient quantities or during the relevant sales seasons. Inventory levels in excess of user demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. Conversely, if we underestimate user demand or if our suppliers fail to provide products to us or deliver products to our users in a timely manner, we may experience inventory shortages, which may, in turn, result in unfulfilled sales orders, leading to an adverse effect on our user relationships.

**We face risks related to our leased properties.**

Most of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities. In case of failure to register or file a lease, the parties to the unregistered lease may be ordered to make rectifications (which would involve registering such leases with the relevant authority) before being subject to penalties. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. Although we have proactively requested that the applicable lessors complete or cooperate with us to complete the registration in a timely manner, we are unable to control whether and when such lessors will do so. In the event that a fine is imposed on both the lessor and lessee, and if we are unable to recover from the lessor any fine paid by us, such fine will be borne by us.

The ownership certificates or other similar proof of certain of our leased properties has not been provided to us by the relevant lessors. Therefore, we cannot assure you that such lessors are entitled to lease the relevant real properties to us. If the lessors are not entitled to lease the real properties to us and the owners of such real properties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners. As of the date of this prospectus, we are not aware of any claim or challenge brought by any third parties against us or our lessors with respect to the defects in our leasehold interests. If our lease agreements are claimed as null and void by the owners of the leased real properties, we could be required to vacate the properties and incur additional costs, in the event of which we could only initiate the claim against the lessors under relevant lease agreements for indemnities for their breach of the relevant leasing agreements. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our officers in a timely manner, our operations may be interrupted.

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## RISK FACTORS

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**Failure to renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business.**

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

**Any interruption in the operation of our smart pharmacies or warehouses for an extended period may have an adverse impact on our business.**

Our smart pharmacies may be vulnerable to damage caused by fire, flood, power outage, telecommunications failure, break-ins, earthquake, human error and other events. If any of our smart pharmacies were to operate at a lower capacity or were rendered incapable of operations, then we may be unable to fulfill any sales orders in a timely manner or at all in any of the regions that rely on that center. For example, business operations at our smart pharmacies could be disrupted if any of our employees working therein are suspected of being infected with COVID-19, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, those events that could damage our smart pharmacies infrastructure, such as fire and flood, may also result in damages to our inventory stored in or delivered through our smart pharmacies, and in such event, we would incur losses as a result.

**If we fail to manage and expand our relationships with pharmaceutical enterprises and pharmaceutical distribution enterprises, or otherwise fail to procure products on favorable terms, our business and growth prospects may suffer.**

We source products from pharmaceutical enterprises and pharmaceutical distribution enterprises for our retail business. We cooperate with more than 6,000 pharmaceutical enterprises and pharmaceutical distribution enterprises as of December 31, 2021. Maintaining strong relationships with these companies is important to the growth of our business. In particular, we depend significantly on our ability to procure products from these companies on favorable pricing terms. We typically enter into framework agreements with these companies, and these framework agreements do not ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of the contractual term. In addition, our agreements with these companies typically do not restrict them from selling products to other buyers. We cannot assure you that our current pharmaceutical enterprises and pharmaceutical distribution enterprises will continue to sell products to us on commercially acceptable terms, or at all, after the term of the current agreement expires. Even if we maintain good relationships with these pharmaceutical enterprises and pharmaceutical distribution enterprises, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, customs and import restrictions, natural disasters or other causes. In the event that we are not able to purchase merchandise at favorable prices, our revenues and cost of revenues may be materially and adversely affected. In addition, our trade payable turnover days were 44.4 days in 2018, 32.6 days in 2019, 40.6 days in 2020, 36.6 days in 2021 and 47.5 days for the three months ended March 31, 2022. If these pharmaceutical enterprises and pharmaceutical distribution enterprises cease to provide us with favorable payment terms, our requirements for working capital may increase and our operations may be materially and adversely affected. We will also need to establish new relationships to ensure that we have access to a steady supply of products on favorable commercial terms.



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## RISK FACTORS

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If we are unable to develop and maintain good relationships with pharmaceutical enterprises and pharmaceutical distribution enterprises that would allow us to obtain a sufficient amount and variety of authentic and quality merchandise on acceptable commercial terms, it may inhibit our ability to offer sufficient products sought by our users, or to offer these products at competitive prices. Any adverse developments in our relationships with these companies could materially and adversely affect our business and growth prospects. Any disputes with these companies could adversely affect our reputation and subject us to damages and negative publicity. In addition, as part of our growth strategy, we plan to further expand our product offerings. If we fail to attract new pharmaceutical enterprises and pharmaceutical distribution enterprises to sell their products to us due to any reason, our business and growth prospects may be materially and adversely affected.

**Our failure to properly manage participants in our ecosystem may materially and adversely affect our business.**

We rely on various participants, including, but not limited to, medical professionals, pharmacies, pharmaceutical enterprises, insurance companies, among others, in the provision of services and products in our ecosystem, and the success of our business depends on our ability to properly manage them.

We consider a variety of factors before entering into contractual arrangements with them. Nevertheless, we have limited control over the quality of work and performance of our ecosystem participants in their provision of services and products over our mobile platform, and they may breach such contractual arrangements and subject us to claims and liabilities that may affect our business operations.

We have also implemented quality control standards and procedures to manage our ecosystem participants work and performance in our ecosystem. For example, users access our product and service offerings through mobile devices. To optimize the mobile experience, we are, to some extent, dependent on our users downloading the specific mobile apps for their particular devices.

In the event that it becomes more difficult for our users to access and use our product and service offerings on their mobile devices, or if our users choose not to access or use our product and service offerings on their mobile devices or to use mobile products that do not offer access to our product and service offerings, our user growth could be harmed and our business, financial condition and results of operations may be adversely affected. However, there can be no assurance that our monitoring of their work and performance would be sufficient to control the quality of their work. In the event that a third party fails to meet our quality and operating standards contracted in our agreements or as required by relevant PRC laws and regulations, our operations may suffer and our business, financial condition and results of operations may be materially and adversely affected. Furthermore, because of our contractual relationships, we could be perceived as responsible for the actions of such participants and, as a result, suffer reputational damage. This may adversely affect our ability to attract new business partners and to engage them as providers of our healthcare solution.

Furthermore, for those products for which we actively manage inventories, we sometimes rely on contracted third-party couriers to deliver our products. Interruptions or failures in our delivery services could prevent the timely and successful delivery of our products. These interruptions may be due to unforeseen events that are beyond our control or the control of our third-party couriers, such as inclement weather, natural disasters, transportation disruptions or labor unrest. If our products are not delivered on time or are delivered in a damaged state, users may refuse to accept our products and have less confidence in our services. We have received user complaints from time to time regarding our delivery and return and exchange services during the Track Record Period. Any failure to provide high-quality delivery services to our users may adversely affect the user experience and adversely affect our business as a whole.

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## RISK FACTORS

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**We distribute our products through independent distributors over whom we have limited control and our sales under our online direct sales channel may compete with the business with these distributors which may lead to a cannibalization risk.**

During the Track Record Period, a portion of our products were sold through distributors under our business distribution channel. Although we have established measures to monitor the distributors' performance and adopted measures to avoid potential competition among distributors as well as our sales under our online direct sales channel, including requiring the distributors to abide by selling restrictions stipulated in the distribution agreement with us, we have limited control over daily business activities of our distributors and our control over the ultimate retail sales may be limited. Non-compliance by any of our distributors with the relevant distribution agreements or our sales policies may adversely affect the overall sales of our products and our ability to implement development strategies. Our distributors may engage in activities that violate applicable laws and regulations in connection with the sales or marketing of our products. If our distributors violate laws or otherwise engage in unlawful practices, we could be liable for damages or fines, which could negatively affect our financial condition and results of operations. In light of the above, our brand and reputation and our sales activities could be adversely affected if we become the target of any negative publicity as a result of any actions taken by our distributors. In addition, despite our efforts to prevent it, such as requiring the distributors to abide by selling restrictions stipulated in the distribution agreement with us as mentioned above, some products offered by our distributors under business distribution channel may compete with the products offered by us under our own online direct sales channel and offline retail channel, which may cannibalize our business through online direct sales channel and offline retail channel.

**We may be subject to liability for information or content displayed on, retrieved from or linked to our platform or created by us, that is alleged to be factually incorrect, socially destabilizing, obscene, defamatory, libelous or otherwise unlawful.**

Under PRC laws, we are required to monitor our websites and mobile interfaces for items or content deemed to be factually incorrect, socially destabilizing, obscene, superstitious or defamatory, as well as content, products or services that are illegal to sell online, and promptly take appropriate actions with respect to such content, products or services. We may also be subject to potential liabilities for any unlawful actions of our users or users of our websites or mobile interfaces or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be subject to fines, have our relevant business operation licenses revoked, or be prevented from operating our websites or mobile interfaces in the PRC.

In particular, our marketing service business of other business is subject to relevant laws and regulations in the PRC. Even though we implement measures to review marketing materials in light of the relevant laws and regulations as well as our internal guidelines before they are published on our platforms, such measures may not be effective and may still subject us to potential liabilities. Our business, financial condition and results of operations may suffer as a result. Furthermore, in addition, the internet content providers and internet publishers are prohibited from posting or displaying over the internet any content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, frightening, gruesome, offensive, fraudulent or defamatory. In November 2016, China promulgated the Cybersecurity Law, which came into effect on June 1, 2017, to protect cyberspace security and orders for network operators. If any of our internet information were deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations.

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In addition, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, tort (including personal injury), other unlawful activity or other theories and claims based on the nature and content of information posted on our mobile portals, including news feeds, product reviews and message boards, by our participants such as our users, suppliers and marketplace vendors, among others. Regardless of the outcome of such a dispute or lawsuit, we may suffer from negative publicity and reputational damage as a result, which may adversely affect our business.

**During our course of business, a large amount of data is generated and processed. Any improper use or disclosure of such data, security breaches or attacks against our platform, and any potential breach or failure to protect confidential and proprietary information, as a result, could damage our reputation and adversely impact our business, results of operations and financial condition.**

Our platforms generate and process a large amount of personal, transaction, demographic and behavioral data. Sensitive user information in our business operations is stored in the Internet data center established and owned by us. Such information includes, but is not limited to, personal information (such as username, cell phone number, delivery address, age and gender), consultation record, order record and activity log. We have kept all sensitive user information in our database, such as order records and consultation records, since inception. We face risks inherent in handling large volumes of data and in securing and protecting such data, in particular, the risks of protecting the data in and hosted on our system, including against attacks on our system by external parties or improper behavior by our employees; addressing concerns related to privacy and sharing, safety, security and other factors; and complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any systems failure or security breach or lapse that results in the unauthorized release of our user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.

In the PRC, the rules governing the collection, use, disclosure or security of personal information are separately stipulated in various laws, regulations and rules. On November 7, 2016, the Cyber Security Law was promulgated by the Standing Committee of the National People's Congress, as the PRC's first basic law comprehensively regulating cyberspace security management. Regulatory requirements regarding the protection of such data are constantly evolving and can be subject to significant change, making the extent of our responsibility in that regard uncertain. See "Regulatory Overview — Regulations relating to Personal Information or Data Protection."

Any failure, or perceived failure, by us to comply with our privacy policies or any applicable regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business model or practices, increase our costs and severely disrupt our business. As we expand our operations, we may be subject to additional laws in other jurisdictions where our users and business partners of our ecosystem are located. The laws, rules and regulations of other jurisdictions may impose on us more stringent or conflicting requirements with harsher penalties for non-compliance than those in the PRC, and the compliance with such requirements could require significant resources and result in substantial costs, which may materially and adversely affect our business, financial condition, results of operations and prospects.

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**The proper functioning of our technology infrastructure is essential to our business, and any failure to maintain the satisfactory performance, security and integrity of our technology infrastructure would materially and adversely impair our ability to provide services and affect our business, reputation, financial condition and results of operations.**

The satisfactory performance, reliability and availability of our technology infrastructure are critical to our success and our ability to attract and retain users and provide superior user experience. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our infrastructure could reduce the volume of products sold and the attractiveness of product offerings on our platforms. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill sales orders. Security breaches, computer viruses and hacking attacks have become more prevalent in our industry.

Material performance problems, defects or errors in our existing or new software and applications and services may arise in the future and may result from interface issues between our systems and data that we did not develop and the function of which is beyond our control or undetected in our testing. These defects and errors, and any failure by us to identify and address them, could result in loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential users from utilizing our solution. Correction of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations. Defects or errors may also affect our smart pharmacies, pharmaceutical companies or other users who rely on our technologies in the operation of their businesses, which may have a material adverse effect on our reputation, business, results of operations and prospects.

**Our technology platforms may contain undetected errors, or may not operate properly, which could adversely affect our business, financial condition and results of operations.**

Our self-developed technology platforms provides our users and other participants in our ecosystem with the ability to conduct a variety of actions essential to our business operations and the delivery of our solution. Developing technology platforms by ourselves is time-consuming, expensive and complex, and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our technologies from operating properly and, consequently, adversely affect our platforms and other aspects of our business where we apply our technologies. If our technology platforms do not function reliably or fail to achieve users' and business partners' expectations in terms of performance, we may lose existing, or fail to attract new, users or business partners, which may damage our reputation and adversely affect our business.

Moreover, data services are complex and those we offer may develop or contain undetected defects or errors. Material performance problems, defects or errors in our existing or new software and applications and services may arise in the future. These defects and errors, and any failure by us to identify and address them, could result in loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential users from utilizing our solution. Correction of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations.

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**If we fail to adopt new technologies or adapt to changing user requirements or emerging industry standards, our business may be materially and adversely affected.**

We operate in an industry that features rapid technological evolution, changes in user requirements and preferences, frequent introductions of new product and service offerings embodying new technologies and the emergence of new industry standards and practices. To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our platforms. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices, such as mobile Internet, in a cost-effective and timely way. The development of websites, mobile apps and other proprietary technologies entails significant technical and business risks. We cannot assure you that we will be able to successfully develop or effectively use new technologies, recoup the costs of developing new technologies or adapt the websites and mobile apps that we operate, and our proprietary technologies and platforms to meet user requirements or emerging industry standards. If we are unable to develop technologies successfully or adapt in a cost-effective and timely manner in response to changing market conditions or user requirements, whether for technical, legal, financial or other reasons, our business, prospects, financial condition and results of operations may be materially and adversely affected.

**Our operations depend on the performance of the Internet infrastructure and fixed telecommunications networks in China, and our business could be disrupted by network interruptions.**

Almost all access to mobile and Internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and Internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's public communications networks, such as mobile, Internet or the fixed telecommunications networks. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platforms. We cannot assure you that the public communications infrastructure in China will be able to support the demands associated with the continued growth in usage. In addition, we have no control over the costs of the services provided by public communications service providers. If the prices we pay for their services rise significantly, our financial performance may be adversely affected. Furthermore, if mobile access fees or other charges to mobile users increase, our user traffic may decline, and our business may be harmed.

**Change in business prospects of acquisitions may result in goodwill impairment acquired in a business combination, which could negatively affect our results of operations.**

Goodwill represented a significant portion of the assets on our consolidated balance sheet. Our goodwill as of December 31, 2018, 2019, 2020, 2021 and March 31, 2022 were RMB20.9 million, RMB85.5 million, RMB256.4 million, RMB255.8 million and RMB255.8 million, respectively, representing 6.0%, 11.3%, 14.4%, 8.7% and 8.4% of our total assets, respectively. Our goodwill primarily arose from our acquisition activities. The value of goodwill is based on a number of assumptions made by the management. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of cash-generating units which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires us to estimate the future cash flows expected to arise from the 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. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss,

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which could in turn adversely affect our results of operations. In addition, technological changes and advancements may render our existing technologies less effective or even obsolete, or may cause our services to be less attractive to users and merchants, each of which may in turn result in impairment losses for goodwill associated with our cash generating units. Any significant impairment of goodwill could have a material adverse effect on our business, financial condition and results of operations.

**We are subject to credit risk.**

Our trading terms with some of our customers are on credit. Trade receivables are generally settled in accordance with the terms of the respective contracts. As of December 31, 2018, 2019, 2020, 2021 and March 31, 2022, the majority of our trade receivables were due within three months. During the Track Record Period, our trade receivables increased from RMB11.7 million as of December 31, 2018 to RMB23.4 million as of December 31, 2019, to RMB49.6 million as of December 31, 2020 and then further to RMB91.0 million as of December 31, 2021 before it decreased to RMB88.8 million as of March 31, 2022. Such increases are primarily attributable to the increase in our sales order from users as a result of our expansion of business. If our customers delay settlement of trade receivables with us, we may be subject to credit risk, which could, in turn, adversely affect our results of operations and financial conditions.

**The other intangible assets represents a significant portion of the assets on our consolidated statements of financial position. The impairment losses for intangible assets can adversely affect our results of operations, and our financial condition may be adversely affected.**

As of December 31, 2021 and March 31, 2022, we had other intangible assets of RMB199.2 million and RMB190.4 million. Our other intangible assets primarily consist of intangible assets other than goodwill.

Other intangible assets represented a significant portion of the assets on our consolidated balance sheet. We determine the estimated useful lives and related amortization for our other intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods. In addition, if any of the estimates does not materialize, or if the performance of our business is not consistent with such estimates, we may be required to have a significant write-off of our intangible assets and record a significant impairment loss, which could in turn adversely affect our results of operations. Any significant impairment of other intangible assets could have a material adverse effect on our business, financial condition and results of operations.

**We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.**

Our business operations entail substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to medical disputes, fraud and misconduct, sales and user services and control procedures deficiencies, as well as the protection of personal and confidential information of our users and business partners, among others. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

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

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality agreements with our employees and third parties, to protect our proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, although we are not aware of any copycat websites or mobile apps that attempt to cause confusion or traffic diversion from us at the moment, we may become an attractive target to such attacks in the future because of our brand recognition in the PRC digital health and wellness industry.

In addition, there can be no assurance that our patent applications would be approved, that any issued patents would adequately protect our intellectual property, or that such patents would not be challenged by third parties or found by a judicial authority to be invalid or unenforceable.

With respect to certain registered trademarks, because the relevant licensing agreement has not been filed with the relevant trademark authorities in the PRC for record, these trademarks may be challenged by any bona fide third party against us. The unauthorized reproduction of our trademarks could diminish the value of our brand and market reputation as well as competitive advantages.

In addition, it is often difficult to register, maintain and enforce intellectual property rights in the PRC. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. For example, when a party files a trademark registration application, it is not able to exclude the possibility that a third party may have filed an application to register the same or a similar trademark before it because such application may not have appeared in the relevant trademark authority's database.

Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in the PRC. Policing any unauthorized use of our intellectual property is difficult and costly and the steps that we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. There can be no assurance that we would prevail in such litigation, and even if we manage to prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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

We cannot promise you that our operations or any aspects of our business do not or would not infringe or violate patents, copyrights or other intellectual property rights held by third parties. There could be claims for products sold on or content posted on our platforms that infringe third-party intellectual property rights. There could also be existing patents of which we are not aware that our products may inadvertently infringe. There can be no assurance that holders of patents purportedly relating to some aspect of our technology platforms or business, if any such holders exist, would not seek to enforce such patents against us in the PRC or any other jurisdictions as applicable. Furthermore, the

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application and interpretation of PRC patent laws and the procedures and standards for granting patents in the PRC are still evolving and are uncertain, and there can be no assurance that PRC courts or regulatory authorities would agree with our interpretation. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits, which could be costly. Successful infringement or licensing claims made against us may cause significant monetary liabilities and may materially disrupt our business and operations.

**Our success depends on the continuing efforts of our key management and experienced and capable personnel generally as well as our ability to preserve our corporate culture and values. As our business expands, we need to continuously recruit talents to develop our online and offline capabilities. If we fail to hire, retain and motivate our staff, our business may suffer.**

Our future success is significantly dependent upon the continued service of our management and key personnel. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth, therefore materially and adversely affecting our business, financial condition, results of operations and prospects.

Meanwhile, the size and scope of our ecosystem may require us to hire and retain a wide range of effective and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels, including qualified healthcare professionals, to become our full-time and part-time doctors, external doctors we are connected to, and other medical professionals such as our pharmacists, as we expand our business and operations. Competition for talent in the PRC Internet healthcare industry is intense, and the availability of suitable and qualified candidates in the PRC is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. In addition, even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals would choose to join or continue working for us.

Our key employees are subject to confidentiality terms that prohibit them from disclosing company confidential and proprietary information. However, we cannot assure you that such arrangements can be fully and legally enforced. If any of our senior management or other key personnel joins or establishes a competing business, we may lose some of our users, which may have a material adverse effect on our business.

**We may not be able to detect or prevent fraud or other misconduct committed by our users, employees or other participants in our ecosystem.**

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

In particular, we may face risks with respect to fictitious or other fraudulent activities. There can be no assurance that the measures we have implemented to detect and reduce the occurrence of fraudulent activities would be effective in combating fraudulent transactions or improving overall satisfaction among our suppliers and users.



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

**We rely on assumptions and estimates to calculate certain key operating metrics, and inaccuracies in such metrics may harm our reputation and adversely affect our business.**

Certain key operating metrics, such as number of sales orders and online consultations, in this prospectus are calculated using our internal data. While these numbers are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. In addition, our key operating metrics are derived and calculated based on different assumptions and estimates, and you should be cautious of such assumptions and estimates when assessing our operating performance.

Our measures may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in data availability, sources and methodology. If third parties do not perceive our metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our metrics, our reputation may be harmed and third parties may be less willing to allocate their resources or spending to us, which could adversely affect our business and operating results.

**Our strategic alliances, investments or acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.**

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

**If we are unable to fulfil our performance obligations in respect of contract liabilities, our results of operations and financial condition may be adversely affected.**

As of December 31, 2018, 2019, 2020, 2021 and March 31, 2022, we recorded contract liabilities of RMB30.2 million, RMB31.4 million, RMB60.4 million, RMB68.7 million and RMB63.2 million, respectively. We collected payments in advance from customers primarily for sales of pharmaceutical and healthcare products, marketplace service fees and unearned revenue awards to customers. Our contract liabilities mainly arise from advance from sale of products. See "Financial Information – Discussion of Certain Selected Items from the Consolidated Statements of Financial Position – Contract liabilities." If we fail to fulfil our performance obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the advance

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payments they have made, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operations and financial condition. In addition, if we fail to fulfil our performance obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations in the future.

**Our results of operations, financial condition and prospects have been adversely affected by fair value changes of financial instruments at fair value through profit or loss, in particular, by fair value changes in our preferred shares. Changes in unobservable inputs and other estimates and judgments could also materially affect the fair value of our shares with preferred rights, which in turn may adversely affect our results of operations.**

We issued a series of shares with preferred rights prior to and during the Track Record Period. We recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. As of December 31, 2018, 2019, 2020, 2021 and March 31, 2022, our shares with preferred rights had a fair value of RMB213.2 million, RMB763.9 million, RMB2,343.5 million, RMB4,651.0 million and RMB4,931.6 million, respectively. For further information regarding the shares with preferred rights, see Note 25 to the Accountants' Report in Appendix I to this prospectus. All the shares with preferred rights are unsecured and unguaranteed.

During the Track Record Period, our fair value change on financial liabilities at FVTPL was RMB33.6 million in 2018, RMB150.7 million in 2019, RMB754.6 million in 2020, RMB912.2 million in 2021, and RMB669.4 million and RMB280.6 million for the three months ended March 31, 2021 and 2022, respectively. Such increase was primarily attributable to the increase in the fair value of preferred shares we issued in preceding rounds of financing due to the increase in the valuation of our Company.

The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and back-solve method 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. However, it should be noted that some inputs require management estimates and are inherently uncertain. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Changes in these unobservable inputs and other estimates and judgments could materially affect the fair value of our shares with preferred rights, which in turn may adversely affect our results of operations. We expect continued fluctuation of the fair value of our preferred shares till the Listing Date, upon which all the preferred shares will automatically convert into our Shares.

**Fluctuation of our financial assets at fair value through profit or loss has affected our results of operations during the Track Record Period and may continue to affect our results of operations in the future. The valuation of such assets is subject to uncertainties due to the use of valuation techniques and market observable and unobservable inputs, which may in turn adversely affect our financial performance.**

We made investments in financial products during the Track Record Period. As of December 31, 2018, 2019, 2020, 2021 and March 31, 2022, we recorded the balance of financial assets at FVTPL of RMB81.9 million, RMB43.3 million, RMB321.5 million, nil, and RMB38.8 million, respectively. Our financial assets at FVTPL primarily consist of financial products issued by banks, which are short-term investments with expected rates of return depending on the market rate of underlying financial instruments including treasury bonds, central bank bills, structured deposit and other financial assets. We managed and evaluated the performance of investments on a fair value basis in accordance with our risk management and investment strategy.

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Fair value of our financial assets at fair value through profit or loss is estimated by using valuation techniques and on the basis of market observable and unobservable inputs. The use of unobservable inputs renders valuation uncertain, as changes of unobservable inputs such as expected return rate may change the fair value of the financial products we purchased. The fluctuation of our financial assets at fair value through profit or loss may continue to affect our results of operations in the future. In addition, we are exposed to credit risk in relation to our investments in the financial products, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains on the financial products we invest in or we will not incur any fair value losses on our investments in wealth management products at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. For fair value measurement of financial instruments, see Note 34.4 to the Accountants' Report in Appendix I to this prospectus.

**We cannot guarantee that our new business initiatives will be successfully implemented or generate sustainable revenue or profit.**

To better serve our users and provide them with the ultimate and all-rounded on-demand healthcare products and services, we will continue to expand the scope of our current offerings. Aside from our existing business offerings, we are devoted to further expanding into new business areas, such as on-demand point-of-care testing covering fields including bone and vessel health, as well as cross-border e-commerce for pharmaceutical and healthcare products. We strive to enrich our product and service offerings along our core business, including providing employee welfare benefits plans for corporate clients, offering healthcare management solutions for insurance clients, exploiting research and development services such as patient recruitment and monitoring for real-world studies, among others. The increasing cooperation with these business clients will further enhance the varieties of our product and service offerings.

These business initiatives are new and evolving, some of which are still at the inception or trial stage and may prove unsuccessful. In addition, we may not have sufficient experience in executing these new business initiatives effectively. Our ability to predict our user preferences and needs and to customize our services to users may be limited, which could impede our ability to deliver the user experience expected by our users at the early stage of these business initiatives. Further, we may incur increasing research and development spending, sales and marketing expenditures, personnel expenses and compliance costs as more efforts on product and service development, brand and service promotion, general administration and legal compliance are required for our businesses newly launched or to be launched, and no guarantee on the effectiveness of our efforts can be given. As a result, we cannot assure you that any of these business initiatives will achieve wide market acceptance, increase the penetration of our addressable market or generate revenues or profit. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenues or recover any associated costs, and our business and results of operations may be materially and adversely impacted.

**The wide variety of payment methods that we adopt may subject us to risks related to third-party payment processing.**

We accept payments through a variety of methods, including payment on delivery, bank transfers and online payments through various third-party online payment platforms. We may be charged transaction fees and other fees for certain payment methods, which may increase over time, causing our operating costs to rise and our profit margins to drop. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer. We may fail to deal effectively with any fictitious transactions or other fraudulent conduct.

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

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

We are subject to risks in relation to actions taken by us, our employees, affiliates, suppliers, or third-party partners that constitute violations of the anti-corruption laws and regulations. There have been several instances of corrupt practices in the pharmaceutical industry, including, among other things, receipt of kickbacks, bribes or other illegal gains or benefits by pharmacies, hospitals and medical practitioners from manufacturers, distributors and retail pharmacies in connection with the prescription of pharmaceutical products. While we adopt strict internal procedures and work closely with relevant government agencies to ensure compliance of our business operations with relevant laws and regulations, our efforts may not be sufficient to ensure that we comply with relevant laws and regulations at all times. If we, our employees, affiliates, suppliers, third-party partners or other business partners violate these laws, rules or regulations, we could be subject to fines and/or other penalties. Particularly, in the case of our drug express business, the products involved may be seized and our operations may be suspended. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery or anti-corruption related regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, affiliates, suppliers or third-party partners, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

**We may increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious allegations, all of which could severely damage our reputation and materially and adversely affect our business and prospects.**

We process an extremely large number of transactions on a daily basis, and the high volume of transactions taking place on our platforms as well as publicity about our business create the possibility of heightened attention from the public, regulators and the media. Heightened regulatory and public concerns over user protection and user safety issues may subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues, due to the large number of transactions that take place on our platforms and the increasing scope of our overall business operations. In addition, changes in our services or policies have resulted and could result in objections by members of the public, the traditional, new and social media, social network operators or others. From time to time, these objections or allegations, regardless of their veracity, may result in user dissatisfaction, public protests or

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negative publicity, which could result in government inquiry or substantial harm to our brand, reputation and operations. Moreover, as our business expands and grows, both organically and through acquisitions of and investments in other business, domestically and internationally, we may be exposed to heightened public scrutiny in jurisdictions where we already operate as well as in new jurisdictions where we may operate. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects.

**If other companies copy information from our mobile apps and websites, and publish or aggregate it with other information for their own benefit, traffic to our mobile apps and websites may decline, and our business and prospects may be materially and adversely affected.**

There is no assurance that other companies would not copy information from our mobile apps and websites, through website scraping, robots or other means, and publish or aggregate it with other information for their own benefit. When third parties copy, publish, or aggregate content from our mobile apps and websites, it makes them more competitive, and decreases the likelihood that users will use our mobile apps and websites to find the information they seek, which could materially and adversely affect our business and results of operations. We may not be able to detect such third-party conduct in a timely manner and, even if we could, we may not be able to remove it. In addition, we may be required to expend significant financial or other resources to successfully enforce our rights.

**We have granted options and restricted shares and may continue to grant restricted share units and other types of awards under our employee incentive scheme, which may result in increased share-based compensation expenses.**

We adopted our ESOP Plan for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. We recognize expenses in our consolidated financial statements in accordance with IFRS. Under our ESOP Plan, we are authorized to grant options, restricted shares, restricted share units and other types of awards. The maximum aggregate number of Shares which may be issued pursuant to our ESOP Plan (excluding the Restricted Share Agreement) is 87,993,330 ordinary shares, subject to adjustment and amendment. We believe the granting of share-based compensation is important to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

**Overall tightening of the labor market or any possible labor unrest may affect our business.**

Our business requires a substantial number of personnel. Any failure to retain stable and dedicated labor by us and our delivery partners may lead to disruption to or delay in our services provided to users. Although we or our delivery partners have not experienced any labor shortage to date, we have observed an overall tightening and increasingly competitive labor market. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salary, social benefits and employee headcount. We and our delivery partners compete with other companies in our industry and other labor-intensive industries for labor, and we and our delivery partners may not be able to offer competitive remuneration and benefits compared to them. If we or our delivery partners are unable to manage and control our labor costs, our business, financial condition and results of operations may be materially and adversely affected.

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### **Our results of operations are subject to seasonal fluctuations.**

We experience seasonality in our business, which is caused by a combination of online retail seasonality patterns and new patterns associated with healthcare products in particular. For example, E-commerce companies in China hold special promotional campaigns from time to time, which can affect our results for those quarters. We generally experience more user traffic and sales orders on and around special promotional campaigns, which have significant impact on our results for those quarters. We also experience seasonality in our business as our results of operations is affected by holidays in China. During the Track Record Period, generally, our revenue experienced a steady increase on monthly basis except for the months of Chinese New Year. The reason of the seasonal fluctuation is that our online and offline sales focused in metropolitans populations, while many of them go on vacation out of the city during Chinese New Year. The seasonality of our business is subject to a variety of uncertainties and may increase further in the future. Our financial condition and results of operations for future periods may continue to fluctuate. See “Business — Seasonality.”

### **We face risks related to health epidemics, which could significantly disrupt our business, financial condition and results of operations.**

Our business could be adversely affected by the effects of epidemics. In recent years, there have been outbreaks of epidemics in China and globally. Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. During the COVID-19 outbreak, the PRC government implemented strict measures to control the outbreak in China, including school and business closures, restrictions on mobility and workplace shutdowns. In addition, during the COVID-19 outbreak, since the PRC government restricted the sales of four types of medicines, including colds, fevers, cough relieving and anti-inflammatory, the sales volume of the four medicines significantly reduced. During the COVID-19 outbreak, because people were prompted to order drugs, healthcare products and personal protective equipments and get medical consultation online to avoid in-person contact, although we never suspended operations during the pandemic, at the beginning of the pandemic, our delivery capacity was overwhelmed by the surge in sales orders, causing delay in deliveries.

Whilst the COVID-19 outbreak has been largely under control in China, there has been some COVID-19 cases across China due to the Delta and Omicron variants, and the extent to which COVID-19 will impact our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of restricted measures to contain COVID-19 or treat its impact, evolvement of variants of the virus and effectiveness of the vaccines, among others. If the COVID-19 situation in China deteriorates, it may affect our ability to timely deliver products and the supply of our products and service offerings. We cannot assure you that the outbreak will not persist, or that there will not be similar events in the future. If the COVID-19 outbreak continues, our business, results of operations and financial condition will continue to be adversely affected. See “Financial Information — Impacts of the COVID-19 Outbreak.”

The global spread of the COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, and the duration and extent of the impact of COVID-19 outbreak cannot be reasonably estimated at this time. The extent to which it may affect our results of operations, financial condition and cash flow will depend on the future developments of the outbreak, which are highly uncertain and cannot be predicted. Such uncertainty poses operational challenges to our online service offerings. Our operations could be disrupted if one of our employees is suspected of having COVID-19, H1N1 flu, avian flu or another epidemic in our offices, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the PRC economy in general.

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**We benefited from an increase in sales of disinfection-related products and personal protective materials during the COVID-19 outbreak, which may not recur in the future.**

We achieved improved financial performance in the year ended December 31, 2020, which was in part due to the increasing sales of disinfection-related products and personal protective materials, including masks, wipes, hand sanitizers, medical gloves, safety glasses, thermometers, and disinfection products, during the COVID-19 outbreak, which may not recur in the future. The revenue contribution from sales of disinfection-related products and personal protective materials increased from RMB17.0 million (or 1.3% of our total revenue) in 2019 to RMB175.3 million (or 7.9% of our total revenue) in 2020. We may not be able to experience such increase in the sales of disinfection-related products and personal protective materials during the COVID-19 outbreak in the future.

**We face risks related to natural disasters and other calamities, which could significantly disrupt our business, financial condition and results of operations.**

We are vulnerable to natural disasters and other calamities. Our IT system is primarily hosted and maintained at cloud servers that are not operated by us. We cannot assure you that our cloud service providers will have adequate measures to protect themselves from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology infrastructure failures or Internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide product and service offerings. Apart from that, our operations may be severely disturbed of under extreme weather conditions. For example, our smart pharmacies may close for safety reasons. As a result, our business, financial condition and result of operations may be materially and adversely affected.

**We may need additional capital, which we may not be able to obtain on favorable terms or at all.**

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

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

Operating in the high-technology industry, a number of our PRC operating entities enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. Our PRC subsidiaries and Consolidated Affiliated Entities may, if they meet the relevant requirements, qualify for certain preferential tax treatment.

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For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. The high and new technology enterprise qualification is re-assessed by the relevant authorities every three years. See “Financial Information — Significant Accounting Policies and Estimates — Description of Selected Components of Statements of Profit or Loss — Taxation — PRC.” If such PRC subsidiaries or Consolidated Affiliated Entities fail to maintain their respective qualification under the relevant PRC laws and regulations, their applicable enterprise income tax rates may increase to up to 25%, which could have a material adverse effect on our results of operations.

**If we fail to maintain adequate internal controls, we may not be able to effectively manage our business.**

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

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

We have obtained insurance to cover certain potential risks and liabilities. However, we may not be able to acquire insurance for certain types of risks for all of our operations in the PRC, such as business liability or service disruption insurance, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. For example, we do not maintain business interruption insurance, nor do we maintain key-man life insurance. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

**Our Controlling Shareholders Group have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.**

Our Controlling Shareholders Group have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Immediately following the completion of the Global Offering, our Controlling Shareholders Group will collectively beneficially own approximately 49.21% of the voting power of our outstanding share capital, assuming that the Over-allotment Option is not exercised. The concentration of voting power and the substantial influence of our Controlling Shareholders Group over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the price of our Shares. In addition, the interests of our Controlling Shareholders Group may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Controlling Shareholders Group will continue to have the ability to exercise their substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions which conflict with the best interests of our other shareholders.



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**Any failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions.**

Almost all of our employees are based in the PRC. In accordance with the PRC Social Insurance Law and the Regulation Concerning the Administration of Housing Provident Fund and other relevant laws and regulations, China establishes a social insurance system and other employee benefits including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, housing fund, or collectively the Employee Benefits. An employer shall pay the Employee Benefits for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance and other Employee Benefits that should be assumed by the employees. For example, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue.

Under the Social Insurance Law and the Regulations on the Administration of Housing Fund, PRC subsidiaries shall register with local social insurance agencies and register with applicable housing fund management centers and establish a special housing fund account in an entrusted bank. Both PRC subsidiaries and their employees are required to contribute to the Employee Benefits.

We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. Our PRC Legal Advisors are of the view that, during the Track Record Period and up to the Latest Practicable Date, except as otherwise disclosed in this prospectus, we have complied with the applicable PRC labor law and regulations in all material respects. See “Business — Employees.”

However, we cannot assure you that we will continue to comply with the applicable PRC labor law and regulations in all material respects, especially if our employees are unwilling to cooperate. If we fail to make the outstanding Employee Benefit contributions within the prescribed time frame, we may be subject to a fine of up to three times the amount of the overdue payment. If we are subject to investigations related to non-compliance with labor laws and severe penalties are imposed on us, or we incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

### **RISKS RELATING TO CONDUCTING BUSINESS IN CHINA**

**Adverse changes in economic and political policies of the PRC government could have a material adverse effect on overall economic growth in China, which could materially and adversely affect our business and results of operation.**

A significant portion of our operations are conducted in China and the majority of our revenue is sourced from China. Accordingly, our financial condition, results of operations and prospects are influenced by economic, political and legal developments in China. Economic reforms have resulted in significant economic growth in China in the past few decades. However, any economic reform policies or measures in China may from time to time be modified or revised. China’s economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China’s economy has experienced significant growth in the past few decades, the rate of growth has slowed down since 2012, and growth has been uneven across different regions and among various economic sectors.

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The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although China's economy has grown significantly in the past decade, that growth may not continue and any slowdown may have a negative effect on our business. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China, could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our businesses, lead to reduction in demand for our services and adversely affect our competitive position.

**The legal system in China embodies uncertainties which could limit the legal protections available to us.**

We conduct our business primarily through our PRC subsidiaries and variable interest entities in China. Our operations in China are governed by PRC laws and regulations. The legal system in China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. The legal system in China evolves rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies. However, these laws, regulations and legal requirements are constantly changing and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to Internet-related industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

**We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment.**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or SAT, issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular may reflect the SAT's general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

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However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our Company or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid by us and gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources. Any such tax on the dividends received by our shareholders from us may be withheld at source. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

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

A number of PRC laws and regulations, including the M&A Rules, the Anti-monopoly Law promulgated by the Standing Committee of the National People’s Congress in August 2007, and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM in August 2011, have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. These include requirements in some instances that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review.

We have grown and may continue to grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

**The approval or other administration requirements of the CAC, or other PRC governmental authorities may be required in connection with this offering under PRC law.**

The Revised CAC Measures, which became effective on February 15, 2022, and superseded the Measures for Cybersecurity Review promulgated on April 13, 2020. The Revised CAC Measures provides that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Revised CAC Measures also provides that a platform operator with more

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than one million users' personal information aiming to list abroad must apply for cybersecurity review. Our PRC Legal Advisors advise that Hong Kong does not fall within the definition of "abroad" in the provision. Therefore, although we possess more than one million users' personal information, our PRC Legal Advisors are of the view that the requirement is not applicable to us given that we are seeking a listing in Hong Kong instead of abroad. Given that (i) we do not carry out business outside the PRC, nor do we provide any personal information outside the PRC; (ii) we had not been notified by any authorities of being classified as a critical information infrastructure operator as of the Latest Practicable Date, and we believe that we do not engage in any data processing activities that affect or may affect national security; and (iii) as of the Latest Practicable Date, we had not been involved in any investigations on cyber security review made by the CAC, and we had not received any inquiry, notice, warning, or sanctions in such respect, we believe that the Revised CAC Measures will not have material adverse impact on our business operations.

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

The Draft for Comments, which provides that data processors listing in Hong Kong which affects or may affect national security shall apply for cybersecurity review. However, the Draft for Comments provides no further explanation or interpretation for "affects or may affect national security", and there is substantial uncertainty as to its eventual introduction and entry. As advised by our PRC Legal Advisors, the exact scope of "affects or may affect national security" under the Draft for Comments and the current regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. As of the date of this prospectus, we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to data protection, nor had there been material data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us. If the Draft for Comments was to be implemented in its current form, based on the foregoing and the analysis of provisions of the Draft for Comments, our PRC Legal Advisors do not foresee any material impediments for us to comply with the Draft for comments in all material aspects, given that we have implemented a comprehensive set of internal policies, procedures, and measures to ensure our compliance practice. See "— Cybersecurity, Data Privacy and Protection". Our Directors and our PRC Legal Advisors are of the view that the Draft for Comments, if implemented in its current form, would not have a material adverse impact on our business operations, our financial performance, or the global offering.

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

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

The Draft Provisions and the Draft Measures (together with the Draft Provisions, “the Drafts”), which are open for public comments until January 23, 2022. Pursuant to the Drafts, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Overseas offerings and listings that are prohibited by specific laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden. Failure to complete the filing under the Draft Provisions may subject a PRC domestic company to a warning or a fine of RMB1 million to RMB10 million. If the circumstances are serious, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked. However, as of the date of this prospectus, the Drafts were released for public comments only and the final version and effective date of such regulations are subject to substantial uncertainties.

At the press conference held for these Drafts on December 24, 2021, officials from the CSRC clarified that implementation of the Drafts will follow the nonretroactive principle, which means that only the initial public offerings by China-based companies and additional public offerings by existing overseas-listed China-based companies to be conducted after the effectiveness of the foregoing regulations will be required to fulfill the filing procedure. In addition, the new regulations and rules will allow a proper transition period for existing overseas listed China-based companies that do not have an imminent plan for public offerings to comply with the filing requirement in due course. Further, the officials from the CSRC confirmed that companies with VIE structure that comply with the applicable PRC laws and regulations can still conduct overseas offering and listing upon the completion of the requisite procedures.

Assuming the Drafts are formally implemented in their current form, as advised by our PRC Legal Advisors, if we have not yet completed our overseas securities offering and listing by then, we may be required to conduct the filing procedures according to the Drafts. In addition, uncertainties exist regarding the final form of these regulations in relation to overseas listing as well as the interpretation and implementation thereof after promulgation. Any failure to comply with the rules and regulations relating to overseas listing may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial conditions as well as our ability to complete the global offering.

**The heightened scrutiny over acquisition transactions by PRC tax authorities may have a negative impact on our business operations, our potential acquisition or restructuring strategy or the value of your investment in us.**

Pursuant to the Notice of State Administration for Taxation on Strengthening Administration of Enterprise Income Tax for Share Transfers by Resident Enterprises outside of China, or SAT Circular 698, issued by SAT in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on the foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer.

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Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax.

On February 3, 2015, SAT issued the Announcement of SAT on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises, or SAT Circular 7, which abolished certain provisions in SAT Circular 698, as well as certain other rules providing clarification on SAT Circular 698. SAT Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of PRC taxable assets. Under SAT Circular 7, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC taxable assets, when a non-resident enterprise transfers PRC taxable assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC taxable assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC enterprise income taxes and without any other reasonable commercial purpose. However, SAT Circular 7 contains certain exemptions, including (i) where a non-resident enterprise derives income from the indirect transfer of PRC taxable assets by acquiring and selling shares of an overseas listed company which holds such PRC taxable assets on a public market; and (ii) where there is an indirect transfer of PRC taxable assets, but if the non-resident enterprise had directly held and disposed of such PRC taxable assets, the income from the transfer would have been exempted from PRC enterprise income tax under an applicable tax treaty or arrangement.

On October 17, 2017, SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises, or SAT Circular 37, which became effective on December 1, 2017 and abolished SAT Circular 698 as well as certain provisions in SAT Circular 7. SAT Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to SAT Circular 37, where the party responsible for deducting such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties. The taxable gain is calculated as balance of the total income from such transfer net deducting the net book value of equity interest.

We may conduct acquisitions involving changes in corporate structures. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

**You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares.**

Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is generally applicable to dividends from PRC sources paid to investors that are resident enterprises outside of China, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.

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As discussed above under “— We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our shareholders and have a material adverse effect on our results of operations and the value of your investment, we may be considered a PRC resident enterprise. Although substantially all of our business operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

In addition, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and China and the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009 by SAT, if a Hong Kong resident enterprise owns more than 25% of the equity interest in a PRC company at all times during the twelve-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on dividends is reduced to 5% provided certain other conditions and requirements under the Double Tax Avoidance Arrangement between Hong Kong and China and other applicable PRC laws are satisfied at the discretion of the relevant PRC tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. Based on the Notice on Issues concerning Beneficial Owner in Tax Treaties, or Circular 9, issued on February 3, 2018 by SAT and effective from April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in a third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levies tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If our Hong Kong subsidiaries are determined by PRC government authorities as receiving benefits from reduced income tax rates due to a structure or arrangement that is primarily tax-driven, it would materially and adversely affect the amount of dividends.

**PRC regulations of loans and direct investment by offshore holding companies to PRC and governmental control of currency conversion may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.**

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of Shareholders’ loans or capital contributions after completion of the Global Offering. According to the relevant PRC regulations on foreign invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the registration with the State Administration for Market Regulation or its local counterpart and registration with a local bank authorized by SAFE. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, or FIEs, cannot exceed a statutory limit, or as an alternative, subject to the calculation approach and limitation as provided by the People’s Bank of China, and shall be filed with SAFE or its local counterparts through the online filing system of SAFE after the loan agreement is signed and at least three business days before the borrower withdraws any amount from the foreign loan. Additionally, any medium or long-term loans to be provided by us to our PRC subsidiaries must be registered with the NDRC. We may not be able to obtain these government registrations or approvals, or complete these government filings on a timely basis, if at all. If we fail to receive such

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registrations or approvals or complete such filings, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises, or Circular 19. Circular 19, however, allows foreign-invested enterprises in China to use their registered capital settled in Renminbi converted from foreign currencies to make equity investments, but the registered capital of a foreign-invested company settled in Renminbi converted from foreign currencies remains not allowed to be used for investment in the security markets, offering entrustment loans or purchases of any investment properties, unless otherwise regulated by other laws and regulations. On June 9, 2016, SAFE further issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or Circular 16, which, among other things, amended certain provisions of Circular 19. According to Circular 19 and Circular 16, the flow and use of the Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. If our Consolidated Affiliated Entities require financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our Consolidated Affiliated Entities' operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net proceeds from the Global Offering to our PRC subsidiaries and convert the net proceeds into Renminbi, which may adversely affect our business, financial condition and results of operations.

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

SAFE issued the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or Circular 37, effective on July 4, 2014. Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore special purpose vehicle, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such PRC residents must update their foreign exchange registrations with SAFE or its local branches when the offshore special purpose vehicle in which such residents directly hold the equity interests undergoes material events relating to any change of basic information (including change of such PRC individual shareholder, name and operation term), increases or decreases in investment amount, share transfers or exchanges, or mergers or divisions.

If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.



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On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, effective June 1, 2015. In accordance with SAFE Notice 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under Circular 37, with qualified banks, instead of SAFE. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our shareholders or beneficial owners who are PRC residents to ensure their compliance with Circular 37 or other related rules. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by Circular 37 or other related rules in a timely manner. Even if our shareholders and beneficial owners who are PRC residents comply with such request, we cannot provide any assurance that they will successfully obtain or update any registration required by Circular 37 or other related rules in a timely manner due to many factors, including those beyond our and their control. If any of our shareholders who is a PRC resident as determined by Circular 37 fails to fulfill the required foreign exchange registration, our PRC subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business.

**We principally rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.**

We are a holding company, and we principally rely on dividends and other distributions on equity that may be paid by our PRC subsidiaries and remittances from our Consolidated Affiliated Entities, for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our ordinary shares and service any debt we may incur. If our PRC subsidiaries or our Consolidated Affiliated Entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Under PRC laws and regulations, PRC enterprises may pay dividends only out of their retained earnings as determined in accordance with PRC accounting standards and regulations. In addition, a PRC enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. In addition, a PRC enterprise may allocate a portion of their after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Any limitation on the ability of our Consolidated Affiliated Entities to make remittance to our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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### **Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.**

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Pursuant to Circular 19, a foreign-invested enterprise may convert up to 100% of the foreign currency in its capital account into Renminbi on a discretionary basis according to the actual needs. Circular 16 provides for an integrated standard for conversion of foreign exchange under capital account items on a discretionary basis, which applies to all enterprises registered in China. In addition, Circular 16 has narrowed the scope of purposes for which an enterprise must not use the Renminbi funds so converted, which include, among others, (i) payment for expenditure beyond its business scope or otherwise as prohibited by the applicable laws and regulations, (ii) investment in securities or other financial products other than banks' principal-secured products, (iii) provision of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope of the enterprise, and (iv) construction or purchase of non-self-used real properties, except for real estate developers. The PRC government may at its discretion further restrict access to foreign currencies for current account transactions or capital account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency needs, we may not be able to pay dividends in foreign currencies to our shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

### **Fluctuations in exchange rates could result in foreign currency exchange losses.**

The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. In July 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow band. In June 2010, the People's Bank of China increased the flexibility of the exchange rate and between June 30, 2010 and December 31, 2013, the value of the Renminbi appreciated approximately 12.0% against the U.S. dollar, although the value of the Renminbi depreciated approximately 2.5% against the U.S. dollar in 2014. In August 2015, the People's Bank of China changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. As a result, in 2015, the value of the Renminbi depreciated approximately 5.8% against the U.S. dollar. On November 30, 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the

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basket of currencies that make up the Special Drawing Right, or SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen, and the British pound. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

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

**It may be difficult to effect service of process upon us or our Directors or officers named in this prospectus who reside in China or to enforce foreign court judgments against them in China.**

Most of our assets are situated in China and most of our Directors and officers named in this prospectus reside in, and most of their respective assets are located in, China. As a result, it may be difficult to effect service of process outside China upon most of our Directors and officers, including with respect to matters arising under applicable securities laws. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and many other countries. Consequently, it may be difficult for you to enforce against us or our Directors or officers in China any judgments obtained from courts outside of China.

In 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

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**Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.**

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or SAFE Circular 7, replacing the previous rules issued by SAFE in March 2007. Under the SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. In addition, Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares are subject to these regulations. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

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

We are an exempted company incorporated in the Cayman Islands and substantially all of our current operations are conducted in China as well. In addition, a majority of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

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

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

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the provision of value-added telecommunications services, online hospital services and other related businesses.

We are a company incorporated under the laws of the Cayman Islands and the WFOE, our PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct Relevant Businesses in the PRC through our Consolidated Affiliated Entities based on the Contractual Arrangements. Such Contractual Arrangements enable us to: (i) receive substantially all of the economic benefit from our Consolidated Affiliated Entities in consideration for the services provided by the WFOE to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Consolidated Affiliated Entities when and to the extent permitted by PRC laws. The Contractual Arrangements allow the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRS as if they were wholly-owned subsidiaries of our Group (except certain minority interest therein). See “Contractual Arrangements — Our Contractual Arrangements.”

Our PRC Legal Advisors are of the opinion that (i) the ownership structure of the Consolidated Affiliated Entities does not violate the current PRC laws enacted by the National People’s Congress and its Standing Committee and the current mandatory and prohibitive administrative regulations formulated by the State Council, and (ii) except for certain clauses regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration and liquidation arrangement of the Consolidated Affiliated Entities, see “— We conduct our business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable under PRC laws,” the Contractual Arrangements, taken individually or collectively, are valid, legally binding, enforceable against each party of such agreements in accordance with their terms, subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors’ rights generally, the discretion of relevant Government Agencies in exercising their authority in connection with the interpretation and implementation thereof and the application of relevant PRC Laws and policies thereto, and to general equity principles. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisors stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. If the PRC government determines that we are in violation of PRC laws or regulations or lack the necessary permits or approvals to operate our business, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations or failures, including, but not limited to:

- revoking our business and/or operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;

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- imposing conditions or requirements with which we or the WFOE and our Consolidated Affiliated Entities may not be able to comply;
- requiring us or the WFOE and our Consolidated Affiliated Entities to restructure the relevant ownership structure or operations; or
- restricting or prohibiting our use of the proceeds from the Listing or other of our financing activities to finance the business and operations of our Consolidated Affiliated Entities and their respective subsidiaries.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of the Consolidated Affiliated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated Affiliated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entities, we may not be able to consolidate the Consolidated Affiliated Entities into our consolidated financial statements in accordance with IFRS.

**Our Contractual Arrangements may not be as effective in providing operational control as direct ownership, and Dingdang Medicine Express Technology or the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.**

We rely on a series of Contractual Arrangements with the Consolidated Affiliated Entities to control and operate the Relevant Businesses. The Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities and allow us to obtain economic benefits from them. See “Contractual Arrangements.”

These Contractual Arrangements may not be as effective in providing control over the Consolidated Affiliated Entities as direct ownership. If we had direct ownership of the Consolidated Affiliated Entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the Consolidated Affiliated Entities, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current Contractual Arrangements, we rely on the performance by Dingdang Medicine Express Technology and the Registered Shareholders under the contracts to exercise control over the Consolidated Affiliated Entities. If Dingdang Medicine Express Technology or the Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of the Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from the Contractual Arrangements will be resolved through arbitration in China. However, there are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the outcome of arbitration. Such uncertainties could limit our ability to enforce the Contractual Arrangements. In the event we are unable to enforce the Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities and may lose control over the assets owned by the Consolidated Affiliated Entities. As a result, we may be unable to consolidate the Consolidated Affiliated Entities in our consolidated financial statements, and our ability to conduct our business may be adversely affected.

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

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

Under the Contractual Arrangements, the Registered Shareholders covenanted that they shall not sell, transfer, pledge or dispose of in any other manner any assets or the legal or beneficial interest in Dingdang Medicine Express Technology, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement, without the prior written consent of the WFOE. In addition, the Registered Shareholders covenanted that they shall not request Dingdang Medicine Express Technology to distribute dividends or profits in any form, propose resolutions in relation to this at a general meeting, or vote to pass such resolutions without the prior written consent of the WFOE. In the event that the Registered Shareholders breach the relevant covenants, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding is uncertain.

**The Registered Shareholders may have conflicts of interest with us, which may materially and adversely affect our business.**

Our control over the Consolidated Affiliated Entities is based upon the Contractual Arrangements with Dingdang Medicine Express Technology and the Registered Shareholders. The Registered Shareholders may potentially have conflicts of interest with us and breach their contracts or undertaking if it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts arise, the Registered Shareholders will act in the best interest of our Company or that conflicts will be resolved in our favor. The Registered Shareholders may breach or cause Dingdang Medicine Express Technology to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from our Consolidated Affiliated Entities. If we cannot resolve any conflict of interest or disputes between us and the Registered Shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

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

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. Uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the Consolidated Affiliated Entities, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

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## RISK FACTORS

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The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests, assets or properties of the Consolidated Affiliated Entities, compulsory relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of the Consolidated Affiliated Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim relief to a party when requested for the purpose of preserving the assets and properties or enforcement measures, subject to the requirements under the PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Furthermore, the provision provides that in the event of a mandatory liquidation required by PRC laws, the Consolidated Affiliated Entities shall sell all the assets to WFOE or its designated party at the lowest price to the extent allowed by the PRC laws. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by the Consolidated Affiliated Entities and/or its shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities, which could materially and adversely affect our ability to conduct our business.

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

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”) promulgated by the State Council, foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services (excluding e-commerce business, domestic multi-party communications, store-and-forward and call centers). In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC must possess a proven track record and experience in operating value-added telecommunications businesses (the “**Qualification Requirements**”). On March 29, 2022, the State Council promulgated the Decision on Amending and Abolishing Some Administrative Regulations (《關於修改和廢止部分行政法規的決定》) (the “**Order No. 752**”), according to which, the Qualification Requirements has been removed since May 1, 2022. Nevertheless, under the amended FITE Regulations, whilst foreign investors are able to invest in entities holding an ICP License (holding up to 50% equity interest), whether an entity held by foreign shareholders may hold a value-added telecommunication license is still subject to the examination of substance and merits by relevant authority. If the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in the PRC in the future, we may be still subject to the examination by the relevant authority before we are able to unwind the Contractual Arrangements, or if we attempt to unwind the Contractual Arrangements before we passed the examination of the relevant authorities, we may be ineligible to operate our value-added telecommunication enterprises and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition and results of operations.

Pursuant to the Contractual Arrangements, WFOE or its designated person(s) has the irrevocable, unconditional and exclusive right to purchase all or any part of the equity interests in Dingdang Medicine Express Technology from the Registered Shareholders in the WFOE’s absolute discretion to the extent permitted by PRC laws. The consideration shall be equivalent to the amount of registered share capital contributed by the Registered Shareholders and is returnable to the WFOE or its designated person(s) as permitted under the PRC laws and regulations.

The equity transfer may be subject to the approvals from, or filings with, the MOFCOM, the MIIT, SAMR and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities.



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## RISK FACTORS

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

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

Meanwhile, the Implementation Rules to the PRC Foreign Investment Law came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of consolidated affiliated entity contractual arrangements. While FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council, we cannot assure you that future laws and regulations will not stipulate contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our Consolidated Affiliated Entities through Contractual Arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, our Contractual Arrangements may be deemed as invalid and illegal, and we may be required to unwind the Contractual Arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing Contractual Arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance, financial condition and business operations.

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

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

### **The difference of PRC enterprise income tax and VAT rate between Dingdang Medicine Express Technology and the WFOE may incur additional tax expenses to the Group under the Contractual Arrangements.**

Dingdang Medicine Express Technology, the party to the Exclusive Business Cooperation Agreement, was subject to a preferential income tax rate of 15% as a result of its qualification as a High-New Technology Enterprises during the four years ended December 31, 2021. Subject to the condition that there are taxable profits of Dingdang Medicine Express Technology in the future, an RMB1

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transaction between Dingdang Medicine Express Technology and WFOE under the Contractual Arrangements would result in an RMB0.1 enterprise income tax difference between Dingdang Medicine Express Technology and WFOE. Therefore, the difference of PRC enterprise income tax rate of Dingdang Medicine Express Technology and the WFOE may subject the Group to additional tax expenses under the Contractual Arrangements. In addition, Dingdang Medicine Express Technology is registered as a VAT general taxpayer (“增值稅一般納稅人”) and therefore is subject to a 6% VAT output tax rate with the permission to deduct VAT input tax from its VAT output tax, while the WFOE is registered as a VAT small-scale taxpayer (“增值稅小規模納稅人”) and hence subject to a 3% VAT charge rate but without VAT input tax deduction permission. Therefore, the difference of VAT status and charge rate of Dingdang Medicine Express Technology and the WFOE may subject the Group to additional tax expenses under the Contractual Arrangements.

### RISKS RELATING TO THE LISTING

**There has been no prior public market for our Shares and the liquidity and market price of our Shares may be volatile.**

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering.

**The trading price of our Shares may be volatile, which could result in substantial losses to you.**

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

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

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

The Shares held by our Controlling Shareholders Group are subject to certain lock-up periods. See “Underwriting — Underwriting Arrangements and Expenses.” While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

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

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

**We cannot guarantee the accuracy of facts and other statistics with respect to certain information contained in this prospectus.**

The information and statistics set out in the “Industry Overview” section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan.

We engaged Frost & Sullivan to prepare an independent industry report in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

**Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.**

Prior to the publication of this prospectus, there has been coverage in the media regarding us and the Global Offering, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

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

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In preparation for the Listing, we have applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules and an exemption from the SFC from strict compliance with the disclosure requirements of the Companies Ordinance:

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transaction after the Listing which will constitute our non-exempt continuing connected transactions under Chapter 14A of the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. See “Connected Transactions” for further details.

### MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Given that (i) our core business operations are principally located, managed and conducted in the PRC and the Company’s head office is situated in Beijing, the PRC; (ii) most of our executive Directors and senior management team principally reside in the PRC; and (iii) the management and operation of the Company have mainly been under the supervision of our executive Directors and senior management, who are principally responsible for the overall management, corporate strategy, planning, business development and control of the Group’s businesses and it is important for them to remain in close proximity to the Group’s operation located in the PRC, the Company considers that it would be more practical for its executive Directors and senior management to remain ordinarily resident in the PRC where the Group has substantial operations. For the above reasons, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized Representatives:** we have appointed Mr. Xu Ning (“**Mr. Xu**”), the executive Director, and Mr. Lam Yiu Por, the joint company secretary, (“**Mr. Lam**”) as the authorized representatives (“**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. Mr. Lam ordinarily resides in Hong Kong whereas Mr. Xu ordinarily resides in the PRC, and Mr. Xu possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See “Directors and Senior Management” for more information about our Authorized Representatives.

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

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2. **Directors:** to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details of each Director. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.
  
3. **Compliance Advisor:** we have appointed Maxa Capital Limited as our compliance advisor (the “**Compliance Advisor**”) in compliance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, also provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange during the period from the Listing Date to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately after the Listing. The Compliance Advisor will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

### WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that our Company must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules.

According to Rule 3.28 of the Listing Rules, the Company must appoint an individual, who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

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

- (a) a Member of The Hong Kong Chartered Governance Institute;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

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

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

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

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The Company has appointed Mr. Wang Yongzhi (“**Mr. Wang**”) and Mr. Lam as the joint company secretaries of the Company. Mr. Wang also serves as the board secretary of the Company and is primarily responsible for the overall secretarial matters of the Group. Mr. Wang served as the deputy general manager and/or board secretary of several listed companies prior to joining the Group and has substantial experience in handling corporate, legal and regulatory compliance and administrative matters. He works closely with the Directors and senior management of the Company and has accumulated abundant knowledge about our business operations and corporate governance with a strong recognition of our corporate culture. However, Mr. Wang currently does not possess the specified qualifications under Rules 3.28 and 8.17 of the Listing Rules and may not be able to solely fulfill the requirements of the Listing Rules.

Mr. Lam, an associate member of The Hong Kong Chartered Governance Institute, a member of the Hong Kong Institute of Certified Public Accountants, a chartered financial analyst of the CFA Institute and a fellow of the Association of Chartered Certified Accountants, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules, is the other joint company secretary of our Company. Mr. Lam also serves as the chief financial officer of the Company since January 15, 2021 and works on a full-time basis for our corporate and financial affairs. Further biographical details of Mr. Wang and Mr. Lam are set out in the section headed “Directors and Senior Management” in this prospectus.

The following arrangements have been or will be put in place to assist Mr. Wang to acquire all qualifications and experience as the secretary of the Company as required under Rule 3.28 of the Listing Rules:

- (a) Mr. Lam will work closely with Mr. Wang on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to the Company and its affairs. Mr. Lam is able to leverage his expertise to assist Mr. Wang to better discharge his responsibilities as the Company’s joint company secretary and will provide guidance and assistance to Mr. Wang to acquire the relevant experience as required under Rule 3.28 of the Listing Rules.
- (b) The Company will ensure that Mr. Wang has access to the relevant trainings and support to enable him to familiarize himself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Mr. Wang has undertaken to attend such training.
- (c) Mr. Wang undertakes to attend no less than 15 hours of relevant professional training courses in each financial year to familiarize himself with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong as required under Rule 3.29 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the two conditions as set out in the Guidance Letter HKEX-GL108-20 issued by the Stock Exchange, i.e., (i) Mr. Wang must be assisted by Mr. Lam, who possesses the qualification or experience as required under Rule 3.28 and is appointed as a joint company secretary of the Company throughout the three years from the Listing Date and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company. The waiver would be immediately revoked if: (a) Mr. Lam ceases to provide assistance to Mr. Wang as the joint company secretary during the three years following the Listing; or (b) if there are material breaches to the Listing Rules by our Company. Prior to the expiry of the initial three year period, we will demonstrate and seek the Stock Exchange’s confirmation on whether Mr. Wang, having benefited from the assistance of Mr. Lam for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

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

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### WAIVER AND EXEMPTION IN RELATION TO THE COMPANY'S PRE-IPO SHARE OPTION SCHEME

Rule 17.02(1)(b) of the Listing Rules requires that full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per Share arising from the exercise of such outstanding options be disclosed in this prospectus.

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

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

As of the Latest Practicable Date, our Company has granted options under the Pre-IPO Share Option Scheme (the “**Options**”) to an aggregate of 96 individuals (the “**Grantees**”) to subscribe for a total of 11,480,000 Shares under the terms and conditions of the Pre-IPO Share Option Scheme. All of these Grantees are employees within the Group, and none of them are Directors, members of the senior management of the Company or the connected persons of our Group. For further details, see the section headed “Statutory and General Information — D. ESOP Plans — Share Incentive Schemes — 3. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

Our Company has applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and (ii) the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the Pre-IPO Share Option Scheme and the Grantees on the ground that full compliance with such disclosure requirements would be unduly burdensome for our Company and the waiver and the exemption would not prejudice the interest of the investing public for the following reasons:

- (a) given that 96 Grantees are involved, our Directors consider that it would be unduly burdensome to disclose full details of all the Options granted by us in this prospectus, which would involve a substantial number of pages of content to be inserted into the prospectus, significantly increasing the cost and timing for information compilation and prospectus preparation. For example, we would need to collect and verify the addresses of all Grantees to meet the disclosure requirement. Further, the disclosure of the personal details of each Grantee, including their names, addresses and the number of Options granted, may require obtaining consent from the Grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for our Company to obtain such consents given the number of Grantees;

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- (b) the disclosure of key information of the Pre-IPO Share Option Scheme, including (i) a summary of the latest terms of the Pre-IPO Share Option Scheme; (ii) the aggregate number of Shares subject to the Options and the percentage of our Shares of which such number represents; (iii) the impact on loss per Share upon full exercise of the options immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised); (iv) the details of the Options granted under the Pre-IPO Share Option Scheme by the range of underlying Shares, including the date of grant, the exercise period and the exercise price for the Options; and (v) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC, in this prospectus provides potential investors sufficient information to make an informed assessment in their investment decision making process. The above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Guidance Letter HKEX-GL11-09 issued in July 2009 and updated in March 2014 by the Stock Exchange;
- (c) the grant and exercise in full of the Options under the Pre-IPO Share Option Scheme will not cause any material adverse impact to the financial position of our Group. Further, there is no potential dilution effect on the shareholding as the Shares underlying the Options granted under the Pre-IPO Share Option Scheme are already in issue and held by Excel Returns Group Limited;
- (d) the lack of full compliance of the disclosure requirements set out above will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Group and will not prejudice the interest of any potential investors. Strict adherence to the disclosure requirements, including to disclose the names, addresses, and entitlements on an individual basis of all Grantees without reflecting the materiality of the information does not provide any additional meaningful information to the investing public; and
- (e) the full disclosure of the details of the Grantees (including their names and addresses) as well as the Options granted to each of them, would provide the Group's competitors with our Group's employees' compensation details and facilitate their soliciting activities which could adversely impact our Group's ability to recruit and retain valuable personnel.

In light of the above, our Directors believe that the grant of the waiver and exemption sought under this application and the non-disclosure of the required information will not hinder potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the public investors.

The Stock Exchange has granted to us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules with respect to the options granted under the Pre-IPO Share Option Scheme subject to the conditions that:

- (a) the grant of a certificate of exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements by the SFC;
- (b) on an individual basis, full details of all the Options granted by the Company under the Pre-IPO Share Option Scheme to each of the Directors, senior management, connected persons of the Company (if any), including all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in the prospectus;
- (c) in respect of the Options granted by our Company to the remaining Grantees other than those referred to in sub-paragraph (b) above, the following details will be disclosed in the prospectus, on an aggregate basis, (1) the number of Grantees and number of Shares underlying the Options granted under the Pre-IPO Share Option Scheme, (2) the consideration paid for the grant of the Options, and (3) the exercise period and the exercise price of the Options granted under the Pre-IPO Share Option Scheme;



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

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- (d) the aggregate number of Shares underlying the outstanding Options granted and the percentage of the Company's total issued share capital represented by such number of Shares as at the Latest Practicable Date will be disclosed in the prospectus;
- (e) the impact on loss per Share upon the full exercise of the Options will be disclosed in the section headed "Statutory and General Information — D. ESOP Plans — Share Incentive Schemes — 3. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus;
- (f) a summary of the principal terms of the Pre-IPO Share Option Scheme will be disclosed in the section headed "Statutory and General Information — D. ESOP Plans — Share Incentive Schemes — 3. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus;
- (g) the particulars of the waiver be set out in the prospectus; and
- (h) a full list of all the Grantees who have been granted Options (including the persons referred to in sub-paragraph (b) above), containing all details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V to the prospectus.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance subject to the conditions that:

- (a) full details of all the Options granted by our Company under the Pre-IPO Share Option Scheme to each of the Directors, senior management, connected persons of our Company and other Grantees who has been granted with Options to subscribe for 5,000,000 Shares or more under the Pre-IPO Share Option Scheme are disclosed in the prospectus, such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the Options granted by our Company under the Pre-IPO Share Option Scheme to such Grantees other than those referred to in sub-paragraph (a) above, the following details be fully disclosed in this prospectus: (i) the aggregate number of the Grantees and number of Shares subject to the Options; (ii) the consideration paid for the grant of the Options; and (iii) the exercise period and the exercise price for the Options;
- (c) a full list of all the Grantees (including the persons referred to in sub-paragraph (a) above) who have been granted Options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to the prospectus;
- (d) the particulars of the exemption be set out in the prospectus; and
- (e) this prospectus is issued on or before September 1, 2022.

Further details of the Pre-IPO Share Option Scheme are set out in the section headed "Statutory and General Information — D. ESOP Plans — Share Incentive Schemes — 3. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

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

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

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public about us. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

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

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises the International Offering of initially 30,183,000 Offer Shares and the Hong Kong Public Offering of initially 3,354,000 Offer Shares, each subject to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus and without taking into account the Over-allotment Option. For applicants under the Hong Kong Public Offering, this prospectus contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

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

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

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for our Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus

### **RESTRICTIONS ON SALE OF SHARES**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of

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

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

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

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

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All the Offer Shares will be registered on the branch register of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the Listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

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

Details of the arrangements relating to the Over-allotment Option and Stabilization are set out in the section headed “Structure of the Global Offering” in this prospectus.

### **PROCEDURE FOR APPLICATION OF HONG KONG OFFER SHARES**

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

Particulars of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus

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

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

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### **COMMENCEMENT OF DEALINGS IN SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, September 14, 2022. Shares will be traded in board lots of 500 Shares each.

### **SHARE REGISTER AND HONG KONG STAMP DUTY**

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. The current and valorem rate of Hong Kong stamp duty of 0.13% on the higher of the consideration for or the market value of the Shares and it is charged to the purchaser on every purchase and to the seller on every sale of the Shares. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares. For further details of Hong Kong stamp duty, please seek professional tax advice.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, officers, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

### **EXCHANGE RATE**

Solely for your convenience, this prospectus contains translations of certain currencies based on the exchange rates prevailing on the Latest Practicable Date published by the PBOC for foreign exchange transactions. Unless otherwise specified, (i) translations of Renminbi into Hong Kong dollars are based on the rate of RMB0.8733: HK\$1.00; (ii) translations of Hong Kong dollars into US dollars are based on the implied rate of HK\$7.8464: US\$1.00; and (iii) translations of Renminbi into US dollars are based on the rate of RMB6.8523: US\$1.00.

No representation is made that any amount in Hong Kong dollars, Renminbi or US dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### **ROUNDING**

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

*For further information on our Directors, please refer to the section headed “Directors and Senior Management” of this prospectus.*

### DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. Yang Wenlong (楊文龍)	No. 72, Yaodu Road Zhangshu City Jiangxi Province PRC	Chinese
Mr. Xu Ning (徐寧)	No. 1005, Gate 1 Building 6 Jiao Dao Kou Dong Da Street Dongcheng District Beijing PRC	Chinese
Mr. Yu Lei (俞雷)	No. 608, Building 6 Yuxin Garden Xisanqi East Road Haidian District Beijing PRC	Chinese
Mr. Yu Qinglong (于慶龍)	Room 405 North Tower, Ya An International Apartment No. 2 Jinbao Street Dongcheng District Beijing PRC	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Name	Address	Nationality
<i>Non-executive Directors</i>		
Ms. Lian Suping (連素萍)	Room 501, Building 5 No. 89, Liuxin 1st Road Vanke Cloud City (Phase 1) Nanshan District Shenzhen City Guangdong Province PRC	Chinese
Ms. Cai Li (蔡俐)	Room 902, Tower 11 Central Park No. 6 Chaowai Avenue Chaoyang District Beijing PRC	Chinese
<i>Independent Non-executive Directors</i>		
Mr. Zhang Shouchuan (張守川)	Room 1006, Building 28 Linken Park Unit B Wenhuyuan West Road Beijing Economic and Technological Development Area Beijing PRC	Chinese
Mr. Fan Zhenhong (樊臻宏)	Room 301, Unit 1, Building 2 No. 233 Wensan Road Xihu District Hangzhou Zhejiang PRC	Chinese
Mr. Jiang Shan (姜山)	Flat A, 3/F, Tower 5 The Visionary 1 Ying Hong Road Tung Chung, New Territories Hong Kong	Chinese

Further information about the Directors and other senior management members are set out in the section headed “Directors and Senior Management” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

#### Joint Sponsors

*(in no particular order)*

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**CMB International Capital Limited**  
45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

#### Joint Global Coordinators

*(in no particular order)*

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**CMB International Capital Limited**  
45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

#### Joint Bookrunners

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**CMB International Capital Limited**  
45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

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

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Joint Lead Managers

**China International Capital Corporation  
Hong Kong Securities Limited**  
29/F, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**CMB International Capital Limited**  
45/F, Champion Tower  
3 Garden Road  
Central  
Hong Kong

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

**Silverbricks Securities Company Limited**  
Rooms 1004-1006, 10/F  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Sheung Wan  
Hong Kong

### Legal Advisors to the Company

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

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

*As to PRC law:*

**Jingtian & Gongcheng**  
45/F, K. Wah Center  
1010 Huaihai Road (M)  
Xuhui District  
Shanghai City  
PRC

*As to Cayman Islands law:*

**Maples and Calder (Hong Kong) LLP**  
26th Floor, Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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

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

**Paul Hastings**  
22/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

*As to PRC law:*

**CM Law Firm**  
Rm 2805, Plaza 66 Tower 2  
1366 Nanjing West Road  
Jingan District  
Shanghai  
PRC

**Auditor and Reporting Accountants**

**Deloitte Touche Tohmatsu**  
Registered Public Interest Entity Auditor  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc., Shanghai  
Branch Co.**  
Suite 2504, Wheelock Square  
1717 Nanjing West Road  
Shanghai  
PRC

**Receiving Bank**

**CMB Wing Lung Bank Limited**  
CMB Wing Lung Bank Building  
45 Des Voeux Road Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
<b>Head Office and Principal Place of Business in the PRC</b>	Building 1, Yard 50 Dengshikou Street Dongcheng District Beijing PRC
<b>Principal Place of Business in Hong Kong</b>	Unit 3512, 35/F The Center, 99 Queen's Road Central Central Hong Kong
<b>Company's Website</b>	<b><u><a href="http://www.ddjkt.com">www.ddjkt.com</a></u></b> <i>(The information on the website does not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	<b>Mr. Wang Yongzhi</b> Room 401, Unit 2 Building 16 Xihuashi Nanli East Dongcheng District Beijing PRC  <b>Mr. Lam Yiu Por</b> <i>(member of the Hong Kong Institute of Certified Public Accountants, associate of The Hong Kong Chartered Governance Institute, chartered financial analyst of the CFA Institute and fellow of the Association of Chartered Certified Accountants)</i> Flat D, 8/F Tower 3 Ocean Shores Tseung Kwan O, N.T. Hong Kong

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## CORPORATE INFORMATION

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### Authorized Representatives

**Mr. Xu Ning**  
No. 1005, Gate 1  
Building 6  
Jiao Dao Kou Dong Da Street  
Dongcheng District  
Beijing  
PRC

**Mr. Lam Yiu Por**  
Flat D, 8/F  
Tower 3  
Ocean Shores  
Tseung Kwan O, N.T.  
Hong Kong

### Audit Committee

Mr. Jiang Shan (Chairman)  
Mr. Zhang Shouchuan  
Mr. Fan Zhenhong

### Nomination Committee

Mr. Yang Wenlong (Chairman)  
Mr. Fan Zhenhong  
Mr. Zhang Shouchuan

### Remuneration Committee

Mr. Fan Zhenhong (Chairman)  
Mr. Zhang Shouchuan  
Ms. Cai Li

### Compliance Advisor

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

### Hong Kong Share Registrar

**Computershare Hong Kong Investor Services Limited**  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

### Cayman Islands Principal Share Registrar and Transfer Agent

**Maples Fund Services (Cayman) Limited**  
PO Box 1093  
Boundary Hall  
Cricket Square  
Grand Cayman, KY1-1102  
Cayman Islands

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## CORPORATE INFORMATION

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**Principal Banker(s)**

**Agricultural Bank of China, Beijing Branch,  
Dongcheng Sub-branch**  
No. 58, Jinbao Street  
Dongcheng District  
Beijing  
PRC

**China Merchants Bank, Beijing Branch,  
Xizhimen Sub-branch**  
1/F, Tower A, Fenglan International Center  
32 Xizhimen North Street  
Beijing  
PRC

**Bank of Beijing, Dengshikou Sub-branch**  
Haorun Plaza  
50 Dengshikou Street  
Dongcheng District  
Beijing  
PRC

**Pingan Bank, Beijing Branch**  
1/F, Yuanyang Plaza  
158 Fu Xing Men Nei Street  
Xicheng District  
Beijing  
PRC

**CMB Wing Lung Bank**  
45 Des Voeux Road Central  
Hong Kong

**China Merchants Bank, Hong Kong Branch**  
31/F, Three Exchange Square  
8 Connaught Place  
Hong Kong

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## INDUSTRY OVERVIEW

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

### THE HEALTH AND WELLNESS MARKET IN CHINA

#### Overview of the Health and Wellness Market in China

The health and wellness market in China has been growing significantly in recent years. According to the Frost & Sullivan Report, the total healthcare expenditure in China exceeded RMB7.2 trillion in 2020, and is expected to reach RMB11.5 trillion in 2025, representing a CAGR of 9.7% from 2020 to 2025.

Such rapid development of the health and wellness market in China is driven by a number of key factors, including the increase in per capita disposable income, the aging of the population and the development of medical insurance policies. The disposable income of Chinese residents continued to increase in recent years, along with the trends of economic growth and urbanization, resulting in growing health awareness and more active management of health and wellness in China. At the same time, China's population aged 65 and above has been constantly growing, and is expected to increase at a CAGR of 5.4% from 2021 to 2025, accounting for 17.3% of the total population by 2025. Besides, the commercial medical insurance as a percentage of the total healthcare expenditure in China is expected to increase from 4.0% in 2020 to 8.7% in 2025, according to the Frost & Sullivan Report.

The health and wellness market primarily consists of the following segments: (i) the healthcare services market, (ii) the healthcare products and devices market, (iii) the consumer healthcare market, and (iv) the healthcare infrastructure market. By 2025, these segments in China are expected to reach RMB7.2 trillion, RMB4.2 trillion, RMB2.4 trillion and RMB0.6 trillion respectively, representing a CAGR of 10.9%, 10.3%, 26.8% and 24.1% from 2020 to 2025, according to the Frost & Sullivan Report.

China's healthcare providers consist of hospitals, primary healthcare institutions, and other healthcare institutions, among which hospitals play the most important role. There were 35,394 hospitals in China by the end of 2020, among them there were 12,252 Class I hospitals (35%), 10,404 Class II hospitals (29%), 2,996 Class III hospitals (8%) and 9,742 unrated hospitals (28%). The number of outpatient visits increases at a steady pace from 2016 to 2020. There are mainly two kinds of institutions accepting outpatient visits: hospitals and primary healthcare institutions. From 2016 to 2020, the total number of outpatients visit increases from 7,932 million to 7,741 million, with a CAGR of -0.6%. Between the two kinds, primary healthcare institutions take more outpatient visits: over 50% of outpatient visits happen in primary healthcare institutions. From 2016 to 2020, the CAGR of primary healthcare institutions is -1.5%. In 2021, China total healthcare expenditure is divided into four parts. Amongst, basic medical insurance expenditure takes 29.1%, out-of-pocket health expenditure occupies 27.7%, and commercial medical insurance expenditure only dominates 4.0%. With the reform of China medical insurance system, the percentage of commercial medical insurance expenditure is expected to increase to 8.7% of the total expenditure in 2025. Meanwhile, basic medical insurance expenditure is projected to slightly increase to 29.5% and out-of-pocket health expenditure would be 27.0%. Due to the increasing number of aged populations, higher disposable income and growing number of younger generations affected with diseases due to heavy workload and unhealthy life style, the total healthcare service spending in China grew at a

## INDUSTRY OVERVIEW

CAGR of 15.1% from 2016 to 2020, and is expected to keep growing in the following years. Particularly, the CAGR of commercial medical insurance expenditure will be the greatest, with the CAGR from 2016 to 2020 being 30.7% and that from 2020 to 2025 being 28.0%.

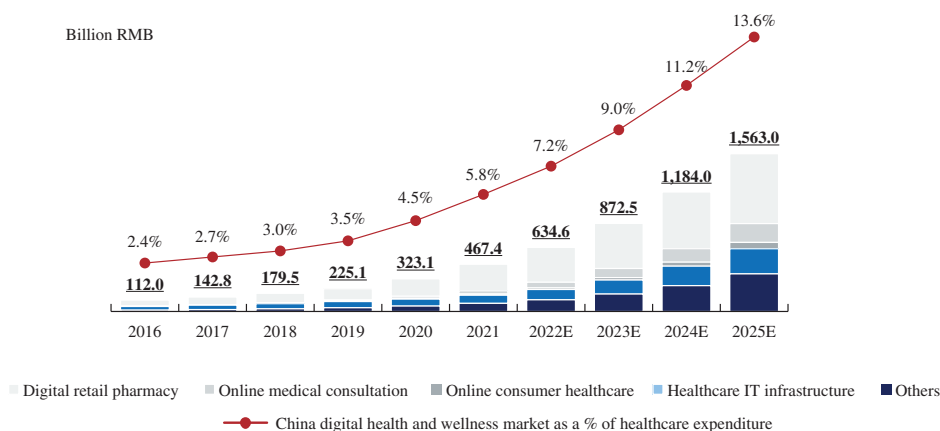
### Overview of the Digital Health and Wellness Market in China

The advancement of digital technologies, such as big data, cloud storage and AI technologies, has substantially transformed the way healthcare products and services are provided. Chinese consumers are expanding their spending on online services. The advancement in technologies, coupled with Chinese consumers' increasing spending on online services, resulted in the rapid digitalization of the health and wellness market in China, and shaped the foundation of the digital healthcare industry in China.

The digital health and wellness market in China reached RMB467.4 billion in 2021, and is expected to grow rapidly to reach RMB1.6 trillion in 2025, representing a CAGR of 35.2% from 2021 to 2025. The digital health and wellness market is mainly comprised of digital retail pharmacy, online medical consultation, online consumer healthcare and health IT infrastructure. The digital retail pharmacy market accounts for the largest segment within the digital health and wellness market by transaction volume, with a GMV of RMB262.6 billion in 2021, and is expected to reach a GMV of RMB692.3 billion in 2025, representing a CAGR of 27.4% from 2021 to 2025.

### Breakdown of China Digital Health and Wellness Market by GMV, 2016-2025E

CAGR	Digital retail pharmacy	Online medical consultation	Online consumer healthcare	Healthcare IT infrastructure	Others	Total
2016-2021	34.7%	70.1%	53.7%	17.4%	43.6%	33.1%
2021-2025E	27.4%	55.7%	50.0%	32.7%	46.8%	35.2%



Source: Frost & Sullivan Report

In the backdrop of the COVID-19 pandemic, digital health and wellness market is currently ushering unprecedented growth opportunities. The digital health and wellness market as supplementary to the traditional health and wellness market has been widely recognized by the government and medical service users in China. The pandemic cultivated consumer habits, thus fostered stable digital health customers base. According to China Internet Network Information Center (CNNIC), until December of 2021, the

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## INDUSTRY OVERVIEW

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number of online users of digital medical services is 0.298 billion with the penetration rate of 28.9%. The total number of internet hospital in China has surpassed 1,600 until June 2021 and the first half year of 2021 alone has increased 500 internet hospitals. The pandemic also prompted the government and policy support for digital health and wellness market. Multiple favorable policies have been introduced to support online diagnosis and treatment. Some restrictions on the digital health and wellness market also get relieved. These positive factors brought by COVID-19 pandemic effectively drive the medical resources to be optimized and allocated to remote areas, empowering the growth of digital health and wellness market.

### **Growth Drivers of the Digital Health and Wellness Market in China**

The rapid growth of the digital health and wellness market in China is primarily driven by the following factors:

- *Increasing demand for digital healthcare services.* The number of active mobile Internet users in China has been constantly growing in recent years, and had reached 10.3 billion as of December 2021. Meanwhile, Chinese consumers are becoming increasingly conscious of health and time, leading to a higher willingness to pay for convenient and professional digital healthcare services. At the same time, the relatively scarce and unevenly distributed medical resources in China call for accessible and convenient solutions for healthcare services, such as remote provision of medical services. Such unmet needs stimulate the growing market demand for digital healthcare services, such as drug express delivery, online medical consultation and online medical insurance reimbursement.
- *Advancement in technologies.* Technology advancement has significantly changed the way traditional services are provided in the health and wellness industry. AI technologies and big data are supporting a hierarchical diagnosis system while IoT and 5G are innovating health management methods in monitoring, prevention, diagnosis and after-care. Technologies advancement is improving the efficiency of the healthcare industry in China and the accuracy of medical diagnosis, and forming new business models.
- *Policy support.* Policies favorable to the digital health and wellness market in China have been promulgated in recent years. See “The Health and Wellness Market in China — Major favorable policies fostering the digital health and wellness market in China.”

### **Major Favorable Policies Fostering the Digital Health and Wellness Market in China**

Favorable policies to the digital health and wellness industry have been promulgated in China in recent years, influencing and reshaping the digital health and wellness market in China. Such policies include, among others:

- *The “online-order and offline-delivery” model.* The “online-order and offline-delivery” model refers to the business model where consumers receive drugs ordered on Internet platforms through pick-up at offline pharmacies, or offline delivery from such pharmacies. According to the Frost & Sullivan Report, since 2015, Chinese government has been recognizing and promoting the “online-order and offline-delivery” model. For example, in 2019, Chinese National Health Commission issued “*the Outline of Promoting the High-quality Development of Health and Wellness Industry (2019-2022)*,” which permitted the delivery of prescription drugs ordered online to consumers by third-party delivery.

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- *The establishment of the regulatory framework for online consultation.* The development of digital technologies has accelerated the progress of medical treatment and online consultation. According to the Frost & Sullivan Report, since 2018, favorable policies formulated by central and local governments fostered the online consultation market. For example, in 2018, the National Health Commission of China issued “Measures for the Administration of Internet Hospital”, which set out detailed requirement for market access, practice discipline and supervision of online medical services.
- *The promotion of the development of DTP pharmacies.* According to Frost & Sullivan Report, China’s related policies have strongly promoted the development of DTP pharmacies in recent years. In particular, the Guidance on Establishing and Improving the National Medical Insurance Negotiating Drug Dual-Channel Management Mechanism (《關於建立完善國家醫保談判藥品雙通道管理機製的指導意見》) was promulgated in May 2021 to promote the sale of new drugs. New drugs can be reimbursed in public health insurance. As the policy has a relatively short history and doctors are still relatively unfamiliar with it, new drugs are still not available in outpatient pharmacies and patients often purchase them through retail pharmacies, creating favorable conditions for the operating of DTP Pharmacy.

### 5G Empowered Digital Healthcare

Consumers are becoming more comfortable with online consultations and digital retail pharmacies due to the continued impact of COVID-19, and the construction of new infrastructure such as 5G networks is conducive to further promoting the cultivation of new replicable and replicable 5G smart healthcare products. The Chinese government has consistently promoted the process of digitalization of healthcare. For example, the Ministry of Industry and Information Technology and the State Health and Welfare Commission announced in August 2021 the “5G+ Healthcare Application Pilot Project List”, covering various directions such as online consultation, online treatment and online healthcare management.

### More standardized industry management

The quality of digital healthcare has always been a key concern for patients, and the achievement of goals such as traceability of the treatment process and the online drug sales is conducive to the further expansion of the online healthcare services market in China. There are a number of policies in recent years have demonstrated the Chinese government’s protection of the regulated and sustainable development of the digital health and wellness market. For example, at the end of October 2021, NHC issued “the Announcement on the Public Consultation on the Rules for the Regulation of Internet Medical (Draft for Comments)” to ensure that digital health and wellness market enters a phase of regulated and high-quality development.

- *Prescription outflow.* Prescription outflow refers to a process that enables in-hospital prescription to be fulfilled by out-hospital channels. According to the Frost & Sullivan Report, the market of prescription outflow was RMB369.6 billion with a penetration rate of 25.5% in 2021 and is expected to reach RMB749.7 billion with a penetration rate of 40.0% in 2025. Such trend of prescription outflow is expected to boost online medical consultation and drug delivery business significantly.
- *The reimbursement of online medical service.* The approval of the online payment covered by the basic medical insurance fostered a favourable policy background for the reimbursement of online medical service, along with a series of policies promulgated by Chinese central and local governments. For example, in August 2019, Chinese National Health Commission issued policies such as “Guidance on Improving Policy for “Internet + Medical” Service Price and medical insurance payment,” which set out requirements for promoting the online payment covered by the basic medical insurance.



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### Future Trends of the Digital Health and Wellness Market in China

The above-mentioned growth factors are expected to lead to rapid penetration of Chinese digital health and wellness market in the foreseeable future. The key trends of the digital health and wellness market in China are as follows:

- *The increase in the penetration rate of digital pharmacies.* The penetration rate of health products in online retail channels in online retail channels are expected to increase according to the Frost & Sullivan Report. The trend of digitalization reshaped the traditional pharmaceutical retail market with digital health and wellness products and service offerings, and enabled different types of digital pharmacies to flourish, addressing consumers' demand for access to medical products and services that are expressly delivered, conveniently prepared, 24/7 accessible, individually tailored, and with user-friendly protection of privacy. Digital pharmacies are operated primarily under two business models including e-commerce and on-demand.
- *The empowerment of medical professionals and offline medical institutions by digitalization.* More medical professionals and offline medical institutions will provide healthcare products and services through online channels and platforms, which further facilitates consumers to switch to online medical services.
- *Advancement of the online chronic disease and healthcare management.* With the in-depth cooperation with hospitals and medical institutions, the online platforms for chronic disease and healthcare management are expected to improve treatment efficiency. Such online platforms will empower doctors by allowing them to reach a broader patient base, have efficient follow-up management of patients and convenient communication with patients.

### THE DIGITAL RETAIL PHARMACY MARKET IN CHINA

#### Overview of the Digital Pharmacy Market

The healthcare products and devices market refers to the market of selling pharmaceutical products to medical institutions, retail pharmacies, other distributors and other manufacturers, which represents a significant component of the health and wellness market in China. The healthcare products and devices market has developed rapidly at a CAGR of more than 6.7% from 2016 to 2020, and 10.3% from 2020 to 2025, respectively, and is expected to exceed RMB4.2 trillion in 2025.

The retail pharmacy represents the place or platform can realize retail of medical products, which is composed of offline retail pharmacy and digital retail pharmacy. The digital retail pharmacy represents a pharmacy operating model which focuses more on the function of online drug sales, providing prescription services and realizing fast drug delivery compared to the traditional offline retail pharmacy model. It also provides value-added health management services for patients with chronic diseases. The digital retail pharmacies provide their products by home delivery and are mostly 24-hour open online pharmacies. The offline retail pharmacy represents a pharmacy operating model that mainly provides services of selling drugs and medical devices, occasionally providing disease diagnosis services and assisting in guiding the use of drugs. The patients need to pick-up in a pharmacy and only a small number of offline pharmacies provide 24-hour service.

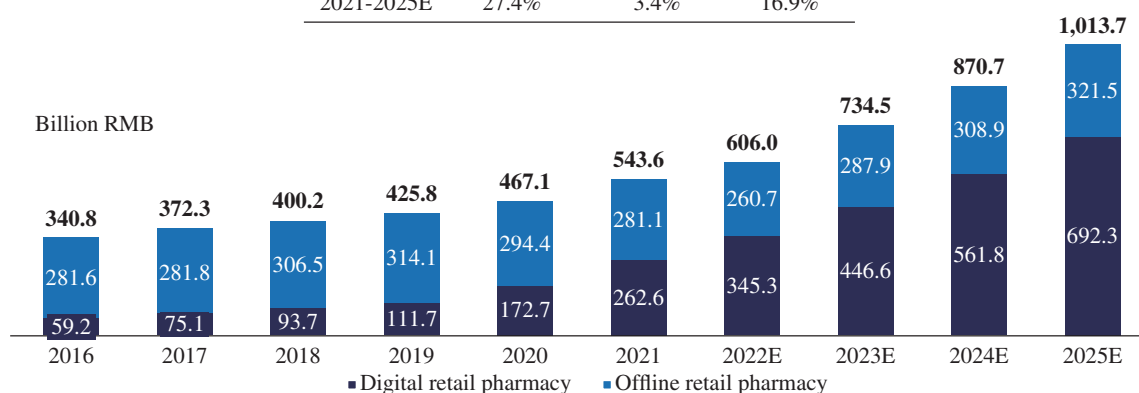
The retail pharmacy market accounts for a significant portion of the healthcare products and devices market. The size of the retail pharmacy market in China has rapidly expanded at a CAGR of more than 9.8% from 2016-2021, and 16.9% from 2021-2025, respectively, and is expected to exceed RMB1.0 trillion in 2025. The growth rate of the retail pharmacy market is the highest among all the segments in

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healthcare products and devices market, which is mainly due to the development of digital retail pharmacy market. Digital retail pharmacy market consists of pharmaceutical e-commerce business model and the on-demand digital pharmacy which adopts the online-order and offline-delivery model. The digital retail pharmacy market has grown rapidly at a CAGR of 34.7% from 2016 to 2021 and 27.4% from 2021 to 2025E respectively, and is expected to exceed RMB692.3 billion in 2025.

### China Retail Pharmacy Market, 2016-2025E

CAGR	Digital retail pharmacy	Offline retail pharmacy	Total retail pharmacy
2016-2021	34.7%	0.0%	9.8%
2021-2025E	27.4%	3.4%	16.9%



Source: Frost & Sullivan Report

\* Total retail pharmacy means digital retail pharmacy market and offline retail pharmacy market.

As online drug purchase is convenient and cost-effective, an increasing number of consumers choose to order pharmaceutical products online and receive delivery offline. To capitalize on the trend of online drugs purchase, retail pharmacies in China have gradually launched online business. The business model of retail pharmacy is evolving and experiencing the following three stages:

	Stage one: Traditional offline retail pharmacy	Stage two: Hybrid retail pharmacy	Stage three: Digital Pharmacy	
Core business model . . . .	Offline pharmacy stores	Offline pharmacy stores combined with third-party online platforms	Pharmaceutical e-commerce	On-demand digital pharmacy
			Mixture of online and offline business	Mixture of online and offline business
			Business activities and transactions between pharmacy and consumer are taken place on Internet.	Self-operated and third-party online platform with offline stores

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	Stage one: Traditional offline retail pharmacy	Stage two: Hybrid retail pharmacy	Stage three: Digital Pharmacy	
			Pharmaceutical e-commerce	On-demand digital pharmacy
Services available . . . . .	Sales of pharmaceutical products, medical appliances and supplements; Face-to-face advice on the use of drugs or medical appliances		Combination of online diagnosis with drugs; Provision of value-added services for patients with chronic diseases; Offering online order and offline delivery services	
Store density and location . . . . .	Mainly located near hospitals, sub-districts, business districts and residential districts.		Large-scale warehouses for inventory management	Optimized location selection based on AI algorithms for efficiency and coverage
Sales per unit area (per day* per square metre) . . . . .	Approximately RMB45-90	Approximately RMB45-90	N.A.	Approximately RMB140-180
Inventory efficiency . . . . .	Low	Low	High	High
Delivery mode . . . . .	Pick-up from store	Pick-up from store and express delivery	Express delivery	Pick-up from store, On-demand express delivery
Management mode . . . . .	Chain management	Chain management	Information management	Information management
Operation hours . . . . .	Most are not 24/7	Most are not 24/7	24/7	24/7

Compared with traditional offline pharmacies, the on-demand digital pharmacies primarily have the following advantages:

- *Better customer experience.* Healthcare consumers continue to seek for high-quality health products and services that provide premium customer experience. Digital pharmacies are able to provide convenient, on-demand, customized healthcare product and service offerings, on a 24/7 basis, thus providing customers with improved consumption experience.
- *Less affected by the location.* Traditional pharmacies are mostly located in geographic locations with massive traffic, such as regions near hospitals, downtown areas and commercial districts. With the increasing rental cost of commercial properties, the rental cost of traditional pharmacies has been increasing accordingly. As digital pharmacies are often strategically located in areas where they can achieve optimal efficiency and coverage, and are operated online as well as offline, the performance of digital pharmacies are less affected by their locations and therefore are able to achieve high efficiency.
- *Higher operational efficiency.* Empowered by technologies and equipped with more intelligent operating systems in information management, supply chain management and inventory management, digital pharmacies are able to overcome the obstacles hindering the operations of traditional pharmacies, thus achieving higher operational efficiency, as evidenced by higher level of sales per unit area.

However, the gross profit margin of digital retail pharmacy ranges from 20% to 30%, which is generally lower than the gross profit margin of traditional offline pharmacies, which ranges from 30% to 40%. This is because traditional offline pharmacies are generally located near hospitals and residential areas to meet the timely medicine usage demand of users within a specific scope. Moreover, after a long period of development, it has a stable customer base within a specific geographical area. Due to the

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geographical advantage and stable customer base, traditional offline pharmacies have stronger bargaining power. Compared with traditional offline retail pharmacies, the digital digital retail pharmacies have to adopt a more public pricing strategy to cover more customers.

### Competitive Landscape in the Digital Retail Pharmacy Market in China

Key players in this market are major digital healthcare companies and retail pharmacies in China. The following diagram illustrates the competitive landscape of China's digital retail pharmacy market by revenue in 2021:

Rank	Company Name	Revenue <sup>(1)</sup> , Billion RMB	Market Share	Background Description	Operating History
1	Company A	26.2	10.0%	The company is a listed company. It has an integrated internet and medical healthcare layout relying on its core logistics system, and its widely arranged online and offline channels have connected the product manufactures with terminal users in China. The company presents a clear technology advantage in the digital retail pharmacy market and possesses profound strength in platform operation efficiency and diverse product portfolio.	It started healthcare business as a stand-alone business unit of its parent group in 2014; It launched online consultation services in 2017; It launched its online medical insurance payment in 2019.
2	Company B	17.1	6.5%	The company is a listed company. As one of the technological innovation-based enterprise, the company fully utilizes its natural endowment and position to drive the digital retail pharmacy market from an inherent medical e-commerce and online consultation towards a more extensive service ecosystem. To improve the drug accessibility and service quality, the company has established a one-stop service chain based on its online platform and self-operated pharmacy.	It acquired the right to operate online pharmaceutical business on an e-commerce platform in 2015; It launched new retail pharmaceutical service and launched 'online drug purchase, delivery drug home' service in 2018; It launched its online health insurance payment platform for chronic disease management in 2019; It launched its mobile APP to provide online healthcare services in 2020.

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Rank	Company Name	Revenue <sup>(1)</sup> , Billion RMB	Market Share	Background Description	Operating History
3	Our Company	2.6	1.0%	We provide express digital healthcare services, including on-demand pharmaceutical retail, online medical consultation and chronic disease management, primarily with online-to-offline solutions.	We launched our mobile APP to provide drug delivery and comprehensive healthcare services in 2015; We planned the layout of smart pharmacies in Beijing and Shanghai in 2016; Our Hainan Internet Hospital obtained the Medical Institution Practicing License in Hainan and launched our online medical consultation service in 2019; We launched the innovative “DTP to Home” business by incorporating on-demand service onto DTP smart pharmacies in 2020.
4	Company C	2.2	0.8%	The company is a listed company. The company integrates pharmaceutical R&D, manufacturing, distribution and logistics as one and operates nationally especially has a deep root in the South China.	It established a integrated retail and chain operating system in 2007. It issued short-term financing, which was the first time financing towards public market in 2012. It becomes a company with both B2B/B2C certificates in 2016. It passed the evaluation from authority and expand the business to medical device in 2020.
5	Company D	2.1	0.8%	The company is not a listed company. The company provides online pharmacies, Internet hospitals, online consultation, chronic disease management and other services for users.	It launched its official website in 2011; Its wireless business department was established in 2013; It launched its mobile APP in 2014; It opened its first offline store in 2015.

Source: Frost & Sullivan Report

(1) Revenue refers to all revenue generated from online direct sales.

### Overview and Competitive Landscape of DTP pharmacies in China

DTP pharmacy is a patient-centric provider of new specialty drugs and pharmacist service to better manage patients taking specialty medicines, and to better procure, store and dispense specialty medicines. Specialty medicines are high-value prescription medicines, usually innovative drugs for critical diseases such as cancer and autoimmune diseases.

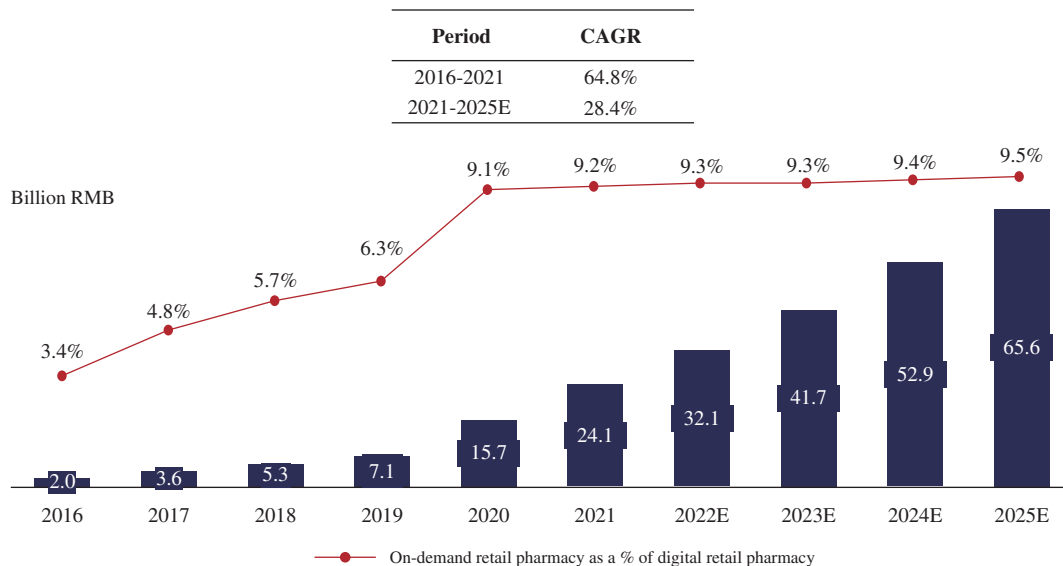
DTP is a new distribution channel of pharmaceutical products in China, which still in the exploratory stage with a relatively low market concentration. The main players in China’s DTP pharmacy market including three types, including traditional retail pharmacies, pharmaceutical commercial companies and digital retail pharmacies. Among them, traditional retail pharmacies have begun to focus on the DTP pharmacy with high-end prescription drugs, with the advantages of wide distribution of chain pharmacies, many types of cooperation between pharmaceutical industry enterprises, and rich experience in patient membership management. The pharmaceutical commercial company started from wholesale and retail integration of companies to transform to self-built DTP pharmacy, they have a broad foundation for cooperation between pharmaceutical industry enterprises, a strong hospital development market access capability and outstanding logistics capabilities. Digital retail pharmacies empower DTP formats through new technologies, innovate multi-dimensional services, and create smart DTP pharmacies.

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### On-demand Digital Pharmacy Business

The market of on-demand digital pharmacy grew significantly from RMB2.0 billion in 2016 and expanded at a CAGR of 64.8% from 2016 to 2021, and is expected to reach RMB65.6 billion in 2025, representing a CAGR of 28.4%. Furthermore, it is expected that the proportion of on-demand digital pharmacy in the digital retail pharmacy market increased to 9.5% in 2025 from 9.2% in 2021. Currently, we are the largest player of China’s on-demand digital pharmacy market, with a market share of 6.8%.

**China On-demand Digital Retail Pharmacy Market, 2016-2025E**



Source: Frost & Sullivan Report

In general, the business model of on-demand digital pharmacy has the following advantages over pharmaceutical e-commerce:

- Timeliness and convenience.* Pharmaceutical e-commerce provides online stores supplied by large-scale warehouses, which features with the vast product categories and sufficient stock to satisfy customers’ various demand. Products are packed and shipped through systematic logistics network from warehouses. As the pharmaceutical e-commerce platforms rely on logistics for drug delivery, there is usually a time lag of one to two days between order placement and drug delivery, which cannot fulfil the demand of emergency drug delivery. On-demand digital pharmacy is a boosted business model that enables “online-order and offline-delivery”. Stores are evenly distributed throughout the commercial district with a large flow of people. Most of the on-demand digital pharmacies provide consumers with offline on-demand delivery service with professional delivery team equipped with tailored equipments for drug express. Products purchased online can be picked up or delivered offline within half an hour after online purchase. Compared to e-commerce platforms, on-demand digital pharmacy brings more conveniences and higher timeliness for customers who are in need of emergency medicines for sudden diseases. The on-demand pharmacies and offline outlets are usually equipped with pharmacists.

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- Higher inventory efficiency.** Compared with pharmaceutical e-commerce platforms which rely on centralized warehouses to fulfil the user demands, on-demand digital pharmacies use scattered offline stores for dispensed storage. According to the Frost & Sullivan Report, the warehouse of pharmaceutical e-commerce platforms needs to maintain over 10,000 SKUs, while on-demand digital pharmacies only need to maintain 3,000-5,000 SKUs. Lower storage pressure in each store enables on-demand digital pharmacies to keep an overall higher inventory efficiency.

The business model of on-demand digital pharmacy has sorts of entry barriers, including but not limited to: strong delivery capability, which enables the pharmacies to timely deliver medical products to users; the ability to integrate online and offline sources; the excellent supply chain management capability; a reliable brand recognition and quality service to attract users; and pharmaceutical products covered by medical insurance and corporate welfare.

Key players in this market are major digital healthcare companies and retail pharmacies in China. The following diagram illustrates the competitive landscape of China on-demand digital pharmacy by revenue in 2021:

Rank	Company Name	Revenue <sup>(1)</sup> , Billion RMB	Background Description	Operating History
1	Our Company	1.6	We provide express digital healthcare services, including on-demand pharmaceutical retail, online medical consultation and chronic disease management, primarily with online-to-offline solutions.	We launched our mobile APP to provide drug delivery and comprehensive healthcare services in 2015; We planned the layout of smart pharmacies in Beijing and Shanghai in 2016; Our Hainan Internet Hospital obtained the Medical Institution Practicing License in Hainan and launched our online medical consultation service in 2019; We launched the innovative “DTP to Home” business by incorporating on-demand service onto DTP smart pharmacies in 2020.
2	Company E	1.3	The company is not listed. It is a large pharmacy chain that started as a traditional retail pharmacy, most of whose stores are mainly community pharmacies. With the wide application of information technology, it provides a full range of services to patients through its Internet hospital, including online consultation, online drug purchase, home delivery of drugs and other services.	It officially entered the field of e-commerce and expanded online channels in 2010; Its WeChat mall was officially launched in 2017.
3	Company F	1.2	The company is not listed. It is a subsidiary of a major Chinese pharmaceutical distribution company that leverages its parent company’s nationwide retail/distribution network to provide consumers with fast, convenient and immediate delivery of pharmaceutical retail services, with integrated online channels with the Internet.	It is essentially a business-to-customer online pharmacy and has built a retail + distribution business model since 2015.

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Rank	Company Name	Revenue <sup>(1)</sup> , Billion RMB	Background Description	Operating History
4	Company G	0.9	The company is a listed company. It is a Sino-foreign joint venture that provides pharmaceutical and medical devices wholesale and retail products and services including pharmaceutical manufacturing, research and development. The company builds a national medical products logistic network and operates as nationwide general agent of many pharmaceuticals.	It starts the national retail pharmacy layout in 2003. It formed a new developing model in pharmaceutical B2C field by expanding its e-commerce business in 2011. Its Chinese herbal medicine B2C platform was launched in 2015. Its self-owned APP was launched and become one of the main participants in the pharmaceutical O2O industry in 2016.
5	Company H	0.7	The company is not a listed company. It is a company built on the chain retail pharmacy business model, it focuses on the traditional Chinese medicine and western medicine. It has an advantage especially in tonic herbal field and cover all level needs.	It starts its cross-district chain operation mode in 1998. It expanded its business to upstream pharmaceutical manufacturing by merge and acquisition in 2006. It established franchise operation model in 2019.

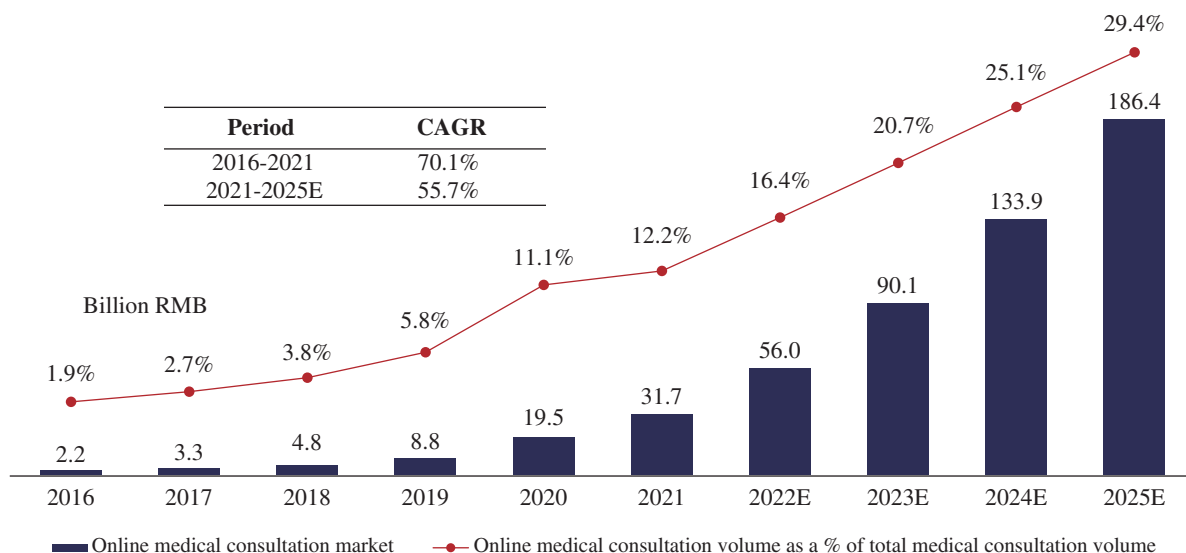
Source: Frost & Sullivan Report

(1) Revenue refers to self-operated on-demand business.

### THE ONLINE MEDICAL CONSULTATION MARKET IN CHINA

Online medical consultation refers to healthcare consultation services such as general medical consultation, follow-up diagnosis and online treatment conducted through online platform. The development of new technologies such as big data, AI and 5G technologies have established consumer's habit of using online medical consultation. Individuals' health profiles can be better stored and analyzed online to allow more precise matching between patients and possible therapeutic options. The online healthcare services can collect more data to provide personalized therapeutic options to users. China's online medical consultation market grew significantly at a CAGR of 70.1% from 2016 to 2021 and is expected to reach RMB186.4 billion in 2025.

#### Online Medical Consultation Market in China, 2016-2025E



Source: Frost & Sullivan Report



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With the continuous expansion of the digital health and wellness market and the advancement of Internet technologies, China's online medical consultation market will integrate with digital retail pharmacy to form a closed-loop ecosystem to provide one-stop healthcare service. According to Frost & Sullivan Report, the key drivers of the future, online medical consultation market in China are:

- *Advancement in technologies that propel the transition from hospital-based standardized consultation to consumer-based personalized consultation.* With the advancement in relevant technologies, the online medical consultation industry is undergoing the transition from hospital-based services to consumer-based services. The pharmacy platforms will be deeply integrated with intelligent technologies and provide tailor-made healthcare services to match each patient's demand and consumption capacities.
- *Greater participation of medical experts.* The coordination among commercial application, academia and research, and the cooperation among physicians have become a symbol of the popularization of digital health and wellness. Relying on the digital health and wellness platforms, deeper cooperation among medical experts, well-known physicians and medical expert groups may facilitate the improvement of the overall healthcare level of the society and the expansion of the healthcare market.
- *Inclusion into medical insurance.* The "Internet + medical insurance" is gradually becoming the mainstream of medical insurance payment. The integration of online medical consultation with medical insurance payment can help reduce the burden of medication for chronic disease patients. The behaviors of consultation and drug purchase online will become more frequent in the future, and the online medical consultation platform will generate greater social value.

Since online medical consultation is an important part of digital health and wellness market, digital retail pharmacies and digital healthcare providers are main types of players in the online consultation market. We are one of the top 10 players in online medical consultation market by online consultation volume reached 6.8 million in 2021 with a market share of 0.6%.

### THE CHRONIC DISEASE MANAGEMENT MARKET IN CHINA

As the aging process of China's population continues to accelerate, various chronic diseases significantly affect the health of Chinese people. According to the Frost & Sullivan Report, the occurrence of chronic diseases such as hypertension, podagra, diabetes, AIDS, chronic kidney disease and hepatitis increased from 2016 to 2025. The scale of the chronic disease expenditure in China is expected to expand significantly in the next five years and exceed RMB7.8 trillion by 2025, at a scale of three times larger than that of 2016. Chronic disease management refers to the establishment of an integrated system of intervention and management for chronic disease throughout different stages of the continuum of chronic disease care, ultimately strengthening disease control, preventing disease deterioration, and controlling the overall medical cost, it is a good channel for players in digital healthcare industry to acquire customers. According to the Frost & Sullivan Report, the development of chronic disease management market is driven by a number of factors, including the aging population, the increase of young chronic disease patients, and the growing health awareness, and almost all players in digital healthcare industry have laid out chronic disease management, resulting in a more fragmented chronic disease management market in China at present.

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There are two major future trends of chronic disease management, including the digital management of chronic disease and personalized treatment. The medical experts can use advanced digital solutions to manage chronic diseases by monitoring patients' health profiles and managing treatment outcomes throughout the chronic disease lifecycle. Meanwhile, by using digital management tools, medical professionals may provide users with health management suggestions through big data analytics. Furthermore, chronic disease management can closely combine with precision medicine, which gives patients a better treatment tailored to their own conditions. Personalized treatment plans can be made based on insights into user's health profiles, backed by data analytics and AI technologies.

### SOURCE OF INDUSTRY INFORMATION

We have engaged Frost & Sullivan, an independent global market research and consulting company, to conduct an analysis and prepare an industry report on China health and wellness, healthcare service and Internet healthcare markets in this prospectus. We incurred a total of RMB1,000,000 in fees and expenses for the preparation of the Frost & Sullivan Report. Frost & Sullivan prepared its report based on data released by government institutions and non-government organizations and its primary research.

Forecasts and assumptions from the Frost & Sullivan Report are inherently uncertain because of events that cannot be reasonably foreseen, including but not limited to the actions of government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include but not limited to inherent risks, financial risks, labor risks, supply risks, regulatory risks and environmental factors in China health and wellness, healthcare service and Internet healthcare markets.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

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## REGULATORY OVERVIEW

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### Regulations relating to Healthcare Services

#### *General policies*

According to the Guiding Opinions on Vigorously Advancing the “Internet Plus” Action (《國務院關於積極推進“互聯網+”行動的指導意見》) (the “**Opinions**”) issued by the State Council on July 1, 2015, Internet enterprises are encouraged to cooperate with medical institutions in establishing online medical information platforms, strengthen the integration of regional health care service resources, and make full use of the Internet, Big Data and other means to improve the capability to prevent and control major diseases and unexpected public health incidents.

Pursuant to the Opinions on Promoting the Development of “Internet Plus Health Care” 《國務院辦公廳關於促進“互聯網+醫療健康”發展的意見》 issued by the General Office of the State Council on April 25, 2018, which encouraged medical institutions to apply the Internet and other information technologies to expand the space and content of medical services, and develop an online-offline integrated medical service model covering stages before, during and after diagnosis. The development of Internet hospitals depending on medical institutions shall be permitted. Medical institutions may use Internet hospital as the second name and, based on physical hospitals, use Internet technology to provide safe and appropriate medical services, allowing online subsequent visits for some common diseases and chronic diseases. After reviewing documents of the medical records and profiles of patients, doctors shall be allowed to prescribe online for some common diseases and chronic diseases.

Pursuant to The 13th Five-year Plan for Health and Wellness (《“十三五”衛生與健康規劃》) (the “**Plan**”), which was promulgated by the State Council on December 27, 2016, it is proposed to strengthen the informatization of the population health and fully implement “Internet Plus” medical and healthcare people-benefiting service. The Plan also encourages the establishment of regional telemedicine platform and enhances the flow of high-quality healthcare resources to the Midwest and the primary level. On July 17, 2018, the National Health Commission (the “NHC”) and the National Administration of Traditional Chinese Medicine jointly promulgated three documents, including the Measures for the Administration of Internet Diagnosis and Treatment (Trial) (《互聯網診療管理辦法(試行)》), the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》) and the Specifications for the Administration of Remote Medical Services (Trial) (《遠程醫療服務管理規範(試行)》). Pursuant to the Measures for the Administration of Internet Hospitals (Trial), “Internet hospitals” include: (a) Internet hospitals as the second name of physical medical institutions, and (b) Internet hospitals that are independently established on the support of physical medical institutions.

#### *Internet hospital*

According to the Measures for the Administration of Internet Hospitals (Trial), the state implements access management for Internet hospitals pursuant to the Administrative Regulations on Medical Institutions (《醫療機構管理條例》) and the Implementation Measures of the Administrative Regulations on Medical Institutions (《醫療機構管理條例實施細則》). Before implementing access for Internet hospitals, provincial health administrative departments shall establish provincial Internet medical service supervision platforms to connect with information platforms of Internet hospitals to achieve real-time supervision. Establishing an Internet hospital is governed by the administrative approval process as stipulated in the Measures for the Administration of Internet Hospitals (Trial). According to the Measures for the Administration of Internet Hospitals (Trial), applying for establishing an Internet hospital is required to submit an application to the practice registration authority of its supported physical medical institution, and submit the application form, the feasibility research report on the establishment, the address of the supported physical medical institution, and the agreement jointly signed by the applicant and the supported physical medical institution in relation to establishing an Internet hospital through cooperation.

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In terms of practicing rules on Internet hospitals, the Measures for the Administration of Internet Hospitals (Trial) provides that where a third-party institution jointly establishes an Internet hospital on the support of its physical medical institution, it shall provide the physical medical institution with professional services such as physicians and pharmacists, and information technology support services, and clarify the responsibilities and rights of all parties in respect of medical services, information security, and privacy protection through agreements and contracts. In terms of supervision and management of Internet hospitals, the Measures for the Administration of Internet Hospitals (Trial) clarifies that provincial health administrative departments and the registration authorities for Internet hospitals jointly implement supervision on Internet hospitals through the provincial Internet medical service supervision platform, focusing on the supervision on Internet hospitals' personnel, prescriptions, diagnosis and treatment behaviors, patients' privacy protection and information security. Administrative Regulations on Medical Institutions and Implementation Measures of the Administrative Regulations on Medical Institutions set out the regulatory framework for the management and operation of the medical institutions, and the operation of Internet hospitals shall comply with Administrative Regulations on Medical Institutions and Implementation Measures of the Administrative Regulations on Medical Institutions as well. Additionally, the Basic Standards for Internet Hospitals (Trial) (《互聯網醫院基本標準(試行)》) as attached to the Measures for the Administration of Internet Hospitals (Trial) sets forth specific requirements for diagnosis and treatment items, departments, personnel, buildings and device and equipment, and rules and regulations of Internet hospitals.

On May 23, 2020, the Health Commission of Hainan issued the Measures for the Administration of Internet Hospitals (Trial) (《海南省互聯網醫院管理辦法(試行)》) to further set forth requirements for the conduct of Internet hospital and doctors, and provide guideline for Internet diagnosis medical records, rational drug use, medical quality supervision and data security.

Our Consolidated Affiliated Entity, Hainan Internet Hospital and Hainan Telemedicine Center, has obtained the Practicing License for Medical Institution on August 2, 2019 to conduct Internet hospital service.

### *Medical institutions*

According to the Administrative Regulations on Medical Institutions (Revised in 2016) (《醫療機構管理條例》(2016修訂)) (the “**Regulations**”), promulgated by the State Council, effective on September 1, 1994, and revised on February 6, 2016 and was partially amended on March 29, 2022, hospitals, health centers, sanatoriums, out-patient departments, clinics, health clinics, health posts (rooms) and first aid stations are medical institutions. The health administrative departments of the local people's governments at or above the county level shall be responsible for the supervision and administration of the medical institutions within their respective administrative regions. The establishment of medical institutions by entities or individuals, in accordance with the provisions of the State Council which should be set up with written approval, shall be subject to the examination and approval of the health administrative department of the local people's governments at or above the county level, and obtain approval to set up medical institution. Furthermore, according to the Regulations, the practice of medical institutions shall complete the registration and obtain Practicing License for Medical Institution.

### *Patient diagnosis service*

According to the Measures for the Administration of Internet Diagnosis and Treatment (Trial), Internet diagnosis and treatment activities shall be provided by the medical institutions that have obtained a “Practicing License for Medical Institution”, and the Internet-based diagnosis services provided by a medical institution shall be consistent with its diagnosis subjects. Physicians and nurses carrying out Internet diagnosis and treatment activities shall be able to be found in the national electronic registration system of physicians and nurses. A medical institution shall conduct electronic real-name verification for the medical staff members carrying out Internet diagnosis and treatment activities.

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According to the Measures for the Administration of Internet Hospitals (Trial), Internet hospitals must inform the patients of the risks and obtain their consents. When a patient receives medical treatment in a physical medical institution and the physician receiving such patient invites other physicians to hold group consultation of physicians through the Internet hospital, the physicians attending the group consultation may issue diagnosis opinions and a prescription; and when a patient does not receive medical treatment in a physical medical institution, a physician may only provide subsequent visits for a patient of some common diseases and chronic diseases through the Internet hospital. Internet hospitals may provide contract signing service for family doctors. When a patient's condition changes or there are other circumstances under which online diagnosis and treatment services are inappropriate, the physician shall direct the patient to receive medical treatment in a physical medical institution. Internet diagnosis and treatment activities shall not be carried out for any patient receiving initial diagnosis.

### *Medical practitioners*

On August 20, 2021, the Standing Committee of the National People's Congress (the "SCNPC") issued the Law on Medical Practitioners of the People's Republic of China (the "Medical Practitioners Law") (《中華人民共和國醫師法》) and effective on March 1, 2022. According to the Medical Practitioners Law, when taking medical, preventive or healthcare measures and when signing relevant medical certificate, the medical practitioners shall conduct diagnosis and investigation personally and fill out the medical files without delay as required. No medical practitioners may conceal, forge or destroy any medical files or the relevant data.

On November 5, 2014, the National Health and Family Planning Commission of PRC (the "NHFPC", currently known as the National Health Commission of PRC), the National Development and Reform Commission (the "NDRC"), the Ministry of Human Resources and Social Security, the State Administration of Traditional Chinese Medicine, and the China Insurance Regulatory Commission (currently known as the China Banking and Insurance Regulatory Commission), jointly issued the Several Opinions on Promoting and Standardizing Multi-Place Practice of Physicians (《關於推進和規範醫師多點執業的若干意見》), which puts forward to simplify the registration procedure of the multiple place practice and proposes the feasibility of exploring the "record management". According to Administrative Measures for the Registration of Medical Practitioners (《醫師執業註冊管理辦法》), promulgated by the NHFPC on February 28, 2017, effective on April 1, 2017, medical practitioners shall obtain the Practice Certificate for Medical Practitioners to practice upon registration. Person who fails to obtain the Practice Certificate for Medical Practitioners shall not engage in medical treatment, prevention and healthcare activities. If a medical practitioner practices in an additional institution not at the registered place of practice, he or she shall apply for registering such addition to the administrative health and family planning authority approving the practice of such institution.

### *Prescription management*

For the purpose of regulating the administration of prescriptions, the Measures for the Administration of Prescriptions (《處方管理辦法》) (the "Measures") was released by the NHFPC on February 14, 2007 and as effective from May 1, 2007. Under the Measures, a certified medical practitioner shall obtain the corresponding prescription right at the registered practice place and the certified medical practitioner shall issue prescriptions according to the requirements of medical treatment, disease prevention, healthcare, and subject to the treatment standards and drug instructions. Under any of the following circumstances, the health administrative department at or above the county level shall request the medical institutions to make corrections within a grace period, and may impose the fine no more than RMB5,000; and under serious circumstances, Practicing License for Medical Institution shall be revoked: (1) prescribing by a pharmacist who has not obtained the right to prescribe or whose prescription right has been canceled; (2) prescribing narcotic drugs and the psychotropic drugs of category I by pharmacists who have not obtained the prescription right for such narcotic drugs and psychotropic drugs; (3) employing

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persons who have not obtained the qualifications for the professional and technical positions of pharmaceutical science to conduct the prescription adjustment. If the medical practitioners issue prescriptions without obtaining prescription rights at a medical institution not registered in their licenses, during their practicing activities, they will be given a warning or be ordered to suspend their practicing activities for a period of not less than six months but not more than one years and under the serious circumstances, their Practice Certificates for Medical Practitioners will be revoked.

### Regulations relating to Pharmaceutical Operation

In September 1984, the SCNPC promulgated the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), which was amended in 2001, 2013, 2015 and 2019 respectively to regulate all entities or individuals engaging in research, manufacture, operation, use, supervision and management of drugs within the PRC. According to the Drug Administration Law, no pharmaceutical operation, including pharmaceutical whole sale and pharmaceutical retail business, is permitted without obtaining the Pharmaceutical Operation License. Where the trading of drugs is conducted without a Pharmaceutical Operation License, the illegal incomes by selling drugs shall be confiscated and the local Food and Drug Administration (the “FDA”, now known as the Medical Products Administration, or the “MPA”) shall impose the fine ranging from 15 to 30 times of the value of the illegally sold drugs (including sold or unsold drugs). The Implementation Rules for the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》), was promulgated by the State Council in August 2002 and amended in 2016 and 2019, which emphasized the detailed implementation rules of drugs administration. The China Food and Drug Administration (“CFDA”, now known as the National Medical Products Administration, or the “NMPA”) promulgated the Measures for the Administration of Pharmaceutical Operation License (《藥品經營許可證管理辦法》) in February 2004 as amended in 2017, which stipulates the procedures for applying the Pharmaceutical Operation License and the requirements and qualifications for pharmaceutical wholesalers or pharmaceutical retailers with respect to their management system, personnel, facilities and etc. The valid term of the Pharmaceutical Operation License is five years and shall be renewed through application six months prior to its expiration date.

According to the Measures on Prescription Drugs and OTC Drugs Classification Management (Trial) (《處方藥與非處方藥分類管理辦法(試行)》) and the Interim Provisions on the Circulation of Prescription and OTC Drugs (《處方藥與非處方藥流通管理暫行規定》), which were both promulgated by the State Drug Administration, which was restructured and integrated into the CFDA, and became effective in January 2000, drugs are divided into prescription drugs and over-the-counter drugs, or OTC drugs. For prescription drugs, the dispensing, purchase and use can only be based on the prescription issued by the certified medical practitioner or certified medical assistant practitioner. In addition, the prescription drugs can only be advertised and promoted in professional medical magazines. OTC drugs, on the other hand, are further divided into Class A and Class B and they both can be purchased and used without a prescription and promoted in public upon approval by the relevant governmental authorities. The pharmaceutical wholesale enterprises distributing prescription drugs and/or OTC drugs, as well as pharmaceutical retail enterprises selling prescription drugs and/or Class-A OTC drugs are required to obtain the Pharmaceutical Operation License.

According to the Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals (《藥品流通監督管理辦法》), promulgated by the CFDA in January 2007 and effective in May 2007, pharmaceutical manufacture and operation enterprises and medical institutions shall be responsible for the quality of pharmaceuticals they manufacture, provide or use. The operation of prescription drugs is highly regulated under these rules. Prescription drugs may not be sold by pharmaceutical retail enterprises without valid prescriptions and an enterprise in violation of such restriction will be instructed to rectify any violation, given a disciplinary warning, and/or imposed a fine of no more than RMB1,000. In addition, a pharmaceutical manufacture or operation enterprise shall not sell prescription drugs directly to the public by post or over Internet, and the enterprise in violation of such

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restriction shall be instructed to rectify, given a disciplinary warning, and imposed a fine of not more than two times the value of the pharmaceuticals sold, but not more than RMB30,000. The Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals promulgated by the CFDA in 2007 is still in force. However, the newly revised Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) in 2019 (the “**Drug Administration Law**”) abolishes the restriction on online sale of prescription drugs and adopts the principle of keeping online and offline sales consistent. Also, the Drug Administration Law does not explicitly prohibit companies from selling prescription drugs to users through the Internet. Furthermore, according to the Administrative Standard of Pharmaceutical Operating Quality (《藥品經營質量管理規範》), promulgated by the CFDA in April 2000 and amended in 2012, 2015 and 2016 respectively, the pharmaceutical operation enterprises shall take effective quality control measures over the process of procurement, storage, transportation and sale of drugs in order to ensure their quality. On April 7, 2021, the General Office of the State Council issued the Opinions on Serving the “Six Stables” and “Six Safeguards” and Further Doing a Good Job in the Reform of “Delegating Power, Delegating Regulation and Serving Service” (《關於服務“六穩”“六保”進一步做好“放管服”改革有關工作的意見》) (the “**Opinions**”) which allows online sales of prescription drugs other than those under special state control on the premise of ensuring the authenticity and reliability of the electronic prescription sources. The Group conducted its pharmaceutical and healthcare business in compliance with the Drug Administration Law and the Opinions in all material aspects during the Track Record Period.

Certain of our subsidiaries and Consolidated Affiliated Entities have obtained a Pharmaceutical Operation License.

The Draft Implementation Regulations, which has not been formally adopted, made proposed changes in research and development, production, sales, supervision and management of drugs, and the proposed changes related to us mainly relates to our drug sales operation. One of the most important proposed changes in drug administration is Article 83 of the Draft Implementation Regulations which proposes that third-party platform providers shall not be directly involved in online drug sales activities. In addition, the Draft Implementation Regulations made detailed provisions in the management of drug sales operation business, for example, pharmaceutical companies should establish a drug traceability system, sell prescription drugs in closed shelves, and shall not give away or promote prescription drugs and Class A non-prescription drugs. Besides, drug retail chain enterprises should set up a unified management system and meet strict regulatory operating procedures of the transportation and distribution of drugs.

According to the verbal consultation with the National Medical Products Administration conducted by our PRC legal advisors and the Joint Sponsors on July 11, 2022, (i) currently, there is no further official explanation or interpretation on “directly involved in online drug sales activities” as stipulated in Articles 83 of the Draft Implementation Regulations, and it remains unclear on the subsequent revisions of this regulation, and (ii) assuming the Draft Implementation Regulations is adopted in its current form and the latter possible interpretation as described below is applied, our business shall be in compliance with Article 83 of the Draft Implementation Regulations with the operation adjustments as proposed below. Our PRC Legal Advisors confirmed that the National Medical Products Administration is the competent authority and its officer who accepted the consultation is the competent person to provide the foregoing confirmation and interpretation.

According to our PRC Legal Advisors, “directly involved in online drug sales activities” as stipulated in Articles 83 of the Draft Implementation Regulations may have two possible interpretations: (i) a group may use separate entities to conduct third-party platform business and online drug sales activities respectively; and (ii) a group shall not act as a third-party platform provider and conduct online drug sales activities at the same time, even using separate entities. Given that our third party platform business and self operated online drug sales business are currently conducted by separate entities, if the former interpretation is applied when the Draft Implementation Regulations is formally adopted, according

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to our PRC Legal Advisors, our businesses do not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form), including our cooperation with third-party partner pharmacies on our self-operated online platforms and our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies. If the latter interpretation is applied when the Draft Implementation Regulations is formally adopted, we will (a) cease cooperation with third-party partner pharmacies' operating on self-operated online platforms and cease operating our self-operated online platforms as third-party platform providers; and (b) utilize our self-operated online platforms only for our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies. Our PRC Legal Advisors are of the view that, if the latter interpretation is applied, and assuming we adjust the operation of our self-operated online platforms as the aforementioned, our self-operated online platforms will not be regarded as third-party platform providers, and therefore our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies will not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form). Revenue generated from the collaboration with partner pharmacies was immaterial compared to our total revenue during the Track Record Period, which was RMB10.4 million, RMB2.7 million, RMB4.9 million, RMB2.8 million and RMB1.0 million, respectively, representing 1.8%, 0.2%, 0.2%, 0.1% and 0.1% of our total revenue in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022.

Furthermore, if the Draft Implementation Regulations is promulgated in its current form and the latter interpretation is applied, in a worst-case scenario, our sales under the business distribution channel may be indirectly affected since some of our customers under the business distribution channel may be affected if they are deemed as third-party platform providers while being directly involved in online drug sales activities. If they decide to cease their self-operated business directly involving in online drug sales activities for the purpose of compliance with the laws and regulations, they may cease their procurements from us under our distribution channel for the drugs distributed by their self-operated business. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the revenue generated from the sales of OTC drugs and prescription drugs (affected by the Draft Implementation Regulations if it is implemented in its current form) sold by us under the business distribution channel was RMB14.1 million, RMB27.3 million, RMB54.4 million, RMB101.6 million and RMB21.3 million, representing 2.4%, 2.1%, 2.4%, 2.7% and 2.2% of our total revenue.

However, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation of the Draft Implementation Regulations. We will closely monitor and assess any development in the rule-making process.

According to the Guidance on Establishing a Mechanism for Improving the Dual Channel Management of National Health Insurance Negotiated Drugs (《關於建立完善國家醫保談判藥品“雙通道”管理機制的指導意見》) issued by the National Health Insurance Administration and the National Health and Health Commission on April 22, 2021, designated retail pharmacies, together with designated medical institutions, are included in the supply channel of some innovative drugs with high clinical value, urgent needs of patients and low substitutability, and are included in the mechanism of health insurance payment at the same time. For patients with relevant needs, these innovative drugs are now available through DTP pharmacies and can be reimbursed by the same co-ordinated health insurance as in hospitals.

### **Regulations relating to Internet Pharmaceutical Transaction Services**

According to Interim Provisions on the Examination and Approval of Internet Drug Transaction Services (《互聯網藥品交易服務審批暫行規定》), promulgated by CFDA on September 29, 2005 and effective since December 1, 2005, the enterprises engaging in the Internet pharmaceutical transaction service shall be subject to examination and acceptance, and obtain the Qualification Certificate for Providing Internet Pharmaceutical Dealing Services. The Qualification Certificate for Providing Internet



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Pharmaceutical Dealing Services shall be valid for five years. The CFDA is in charge of examination and approval of the services provided for Internet pharmaceutical transactions between pharmaceutical production enterprises, pharmaceutical marketing enterprises and medical institutions, and the provincial FDA shall implement the examination and approval of the services provided for Internet pharmaceutical transactions with third-party enterprises engaged by pharmaceutical production enterprises, pharmaceutical wholesales enterprises on their own websites, as well as Internet pharmaceutical transactions services to individual consumers. The Interim Provisions on the Examination and Approval of Internet Drug Transaction Services further stipulates that any enterprise engaging in online pharmaceutical product trading services to individual consumers shall be established in the form of a pharmaceutical retail chain enterprise. According to the Drug Administration Law and the Administrative Standard of Pharmaceutical Operating Quality, the operation of pharmaceutical retail chain enterprise shall be in compliance with the acceptance standards provided by regulations and the CFDA. After obtaining the Qualification Certificate for Providing Internet Pharmaceutical Dealing Services issued by the competent food and drug supervision and administration authority, the applicant shall obtain the permit for operation of telecommunications services as required by the Internet Measures, or go through the formalities for record-filing. According to the Decision on the Cancellation of the Third Batch of Items Subject to Administrative Permission by Local Governments Designated by the Central Government (《國務院關於第三批取消中央指定地方實施行政許可事項的決定》), promulgated by the State Council on January 12, 2017, except for the third party platform, all the examination and approval of Internet drug trading service company implemented by FDAs of provincial level are canceled. According to the Sponsors' and the PRC legal advisor's verbal consultation with one official of NMPA on February 1, 2021, the Qualification Certificate for Providing Internet Pharmaceutical Dealing Services is no longer required for enterprises engaging in Internet pharmaceutical transaction service as long as such enterprises have obtained the relevant qualifications such as the Pharmaceutical Operation License or the Qualification Certificate for Providing Internet Pharmaceutical Information Services. According to the Decision on the Cancellation of Various Items Subject to Administrative Permission (《國務院關於取消一批行政許可事項的決定》) by the State Council, on September 22, 2017, the CFDA shall no longer accept applications for examination and approval of Internet drug transaction service enterprises engaging the business as the third party platform.

In November 2020, NMPA published for public comment the Draft Measures for the Supervision and Administration of Online Pharmaceuticals Sales (the “**Draft Measures**”) (《藥品網絡銷售監督管理辦法(徵求意見稿)》), aiming to enhance the supervision of online pharmaceutical sales and related platform services. The Draft Measures provides specific and explicit rules for the online sales of prescription drugs, which is perceived to be more conducive online prescription drug sellers including us. The Draft Measures provides that, among others, online prescription drug sellers shall (i) ensure the accuracy and reliability of the source of e-prescription, (ii) keep records of any e-prescription for at least five years and no less than one year after the expiration date of the prescription drugs, and (iii) disclose safety warnings including “prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists” when displaying information of prescription drugs. The Draft Measures also imposes certain obligations on platform service providers for online pharmaceutical sales, including, among others, that platform service providers should (i) enhance the scrutiny on the required licenses and permits of online pharmaceutical merchants for online pharmaceuticals sales, (ii) establish the examination and inspection system for drug information published on the platforms and report to competent governmental authorities when discovering any significant issue in connection with drug quality and safety, and (iii) promptly stop any illegal behavior upon discovery and report it to the relevant local governmental authorities. As advised by our PRC Legal Advisors, the Draft Measures was released for public comment only and its operative provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. We will closely monitor and assess the trajectory of the rule-making process. We will comply with these rules after the Draft Measures takes effect, as both a platform and an online pharmaceuticals seller by taking the following actions: (i) ensuring the accuracy and reliability of the source of e-prescription, (ii) keeping records of the e-prescription for five years and

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no less than one year after the expiration date of the prescription drugs, and (iii) disclosing safety warnings including that “prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists” when displaying information of prescription drugs.

One of our subsidiaries and Consolidated Affiliated Entities, Dingdang Medicine Express Technology has obtained the Qualification Certificate for Providing Internet Pharmaceutical Dealing Services as the third party platform on August 8, 2016, before such approval was canceled.

### **Regulations relating to Online Drug Information Services**

According to the Measures Regarding the Administration of Drug Information Service over the Internet (《互聯網藥品信息服務管理辦法》), promulgated by CFDA on July 8, 2004 and amended on November 17, 2017, the Internet drug information service refers to the activities of providing medical information (including medical devices) and other services to Internet users through the Internet, and where any website intends to provide Internet drug information services, it shall, prior to applying for an operation permit or record-filing from the State Council’s department in charge of information industry or the telecom administrative authority at the provincial level, file an application with the provincial FDA, and shall be subject to the examination and approval thereof for obtaining the qualifications for providing Internet drug information services. The validity term for a Qualification Certificate for Internet Drug Information Services is five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority. Pursuant to the Measures Regarding the Administration of Drug Information Service over the Internet, the Internet drug information services are classified into two categories, namely, profit-making services and non-profit making services. Profit-making services refer to that of providing Internet users with drug information in return for service fees whilst non-profit-making services refers to that of providing Internet users with drug information which is shared and accessible by the public through the Internet free of charge. Furthermore, the information relating to drugs shall be accurate and scientific in nature, and its provision shall comply with the relevant laws and regulations. No product information of stupeficient, psychotropic drugs, medicinal toxic drugs, radiopharmaceutical, detoxification drugs and pharmaceuticals made by medical institutes shall be distributed on the website. In addition, advertisements relating to drugs (including medical devices) shall be approved by the NMPA or its competent branches, and shall specify the approval document number.

Certain Consolidated Affiliated Entities have obtained a Qualification Certificate for Internet Drug Information Service, including Dingdang Medicine Express Technology.

### **Regulations relating to Medical Devices Operation**

The Measures on the Supervision and Administration of the Business Operations of Medical Devices (《醫療器械經營監督管理辦法》) (the “Measures on Medical Devices”), which was promulgated by CFDA on March 10, 2022 and amended on May 1, 2022, applies to any business activities of medical devices as well as the supervision and administration thereof conducted within the territory of the PRC. Pursuant to the Measures on Medical Devices, CFDA shall be responsible for the supervision and administration of nationwide business operations concerning medical devices. Medical devices are divided into three classes depending on the degree of risks of medical devices. Entities engaged in distribution of Class III medical devices shall obtain a medical device operating license and entities engaged in distribution of Class II medical devices shall complete filings with the competent local MPA, while entities engaged in distribution of medical devices of Class I are not required to conduct any filing or obtain any license. In addition, in accordance with Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), promulgated by the State Council on February 9, 2021 and effective as of June 1, 2021, Class II and Class III medical devices shall be registered with the NMPA or its local branches, while Class I medical devices shall be filed with the competent local MPA. In the event that the business operator in distribution of Class III medical devices without a medical device operating

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license or the business operator in distribution of Class II or Class III medical devices that are not registered with the NMPA or its local branches, the business operator may be imposed fine or be shut down by the authorities. Certain of our subsidiaries and Consolidated Affiliated Entities have obtained a medical device operating license and/or completed filing for sales of Class III and/or Class II medical devices.

### **Regulations relating to Online Sales of Medical Device**

On December 20, 2017, the CFDA promulgated the Administration and Supervision Measures of Online Sales of Medical Devices (《醫療器械網絡銷售監督管理辦法》) (the “Online Medical Devices Sales Measures”), which became effective on March 1, 2018. According to the Online Medical Devices Sales Measures, enterprises engaged in online sales of medical devices must be medical device manufacture and operation enterprises with medical devices production licenses or operation licenses or being filed for record in accordance with laws and regulations, unless such licenses or record-filing is not required by laws and regulations. Pursuant to the Online Medical Devices Sales Measures, an enterprise engaging in online sales of medical devices shall carry out online sale of medical devices through its own website or a third-party platform for online trading services for medical devices. An enterprise engaging in online sale of medical devices through its own website shall obtain an Internet Drug Information Services Qualification License. Either enterprises engaging in online sales of medical devices or enterprises to provide a third-party platform for provision of medical devices online transaction services shall take technical measures to ensure the data and materials of medical devices online sales are authentic, completed and retrospective, for example, the records of sale information of medical devices shall be kept for two years after the valid period of the medical devices, and for no less than five years in case of no valid period, or be kept permanently in case of implanted medical devices. For the enterprises engaging in online sales of medical devices, such enterprises shall display its medical device production and operation license or record-filing certificate on visible place of its homepage, and the information of the medical devices published on the website shall be consistent with the related contents registered or filed for record; in addition, the business scope shall not exceed the scope of its production and operation license or the scope filed for record. For the enterprises to provide a third-party platform for provision of medical devices online transaction services, such enterprises shall be filed for record with the local provincial FDA, and shall verify the materials submitted by any enterprise applying for entering the platform.

### **Regulations relating to Internet Security**

Internet information in China is regulated and restricted from a national security standpoint.

The SCNPC, has enacted the Decisions on Maintaining Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, amended on August 27, 2009, which may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The Ministry of Public Security of the PRC has promulgated the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》) on December 16, 1997 and the State Council of the PRC has amended it on January 8, 2011 to prohibit use of the Internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. If an Internet information service provider violates these measures, the Ministry of Public Security and the local security bureaus may revoke its operating license and shut down its websites.

On November 7, 2016, the SCNPC promulgated the Cyber Security Law of the PRC, or the Cyber Security Law (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. The Cyber Security Law requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. The Cyber Security

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Law further requires network operators to take all necessary measures in accordance with applicable laws, regulations and compulsory national requirements to safeguard the safe and stable operation of the networks, respond to cyber security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

The Revised CAC Measures, which stipulates that operators of critical information infrastructure purchasing network products and services, and network platform operators carrying out data processing activities that affect or may affect national security, shall conduct cyber security review. Pursuant to Article 7 of the Revised CAC Measures, any network platform operator with data on more than 1 million users must go through a cybersecurity review by the cybersecurity review office before listing in a foreign country (original text read as follows: “掌握超過100萬用戶個人信息的網絡平台運營者赴國外上市,必須向網絡安全審查辦公室申報網絡安全審查”). The Draft for Comments, which provides that data processors listing in Hong Kong which affects or may affect national security shall apply for cybersecurity review. However, the Draft for Comments provides no further explanation or interpretation for “affects or may affect national security”, and there is substantial uncertainty as to its eventual introduction and entry. As of the Latest Practicable Date, the Draft for Comments have not been formally adopted.

### **Regulations relating to Personal Information or Data Protection**

The Data Security Law of the PRC (中華人民共和國數據安全法), promulgated by the Standing Committee of the National People’s Congress on June 10, 2021, effective from September 1, 2021, stipulates that relevant entities carrying out data processing activities should comply with laws, regulations and codes of ethics, establish and improve the whole process data security management system in the process of data processing, strengthen risk monitoring, conduct regular risk assessments and report to the competent authorities. In December 2011, the Ministry of Industry and Information Technology (the “MIIT”) issued Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which provides that an Internet information service provider may not collect any user’s personal information or provide any such information to third parties without such user’s consent. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services, Internet information service providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users’ personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users’ personal information, and in case of any leak or possible leak of a user’s personal information, online lending service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC in December 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》), issued by the MIIT in July 2013, any collection and use of any user personal information must be subject to the consent of the user, and abide to the applicable law, rationality and necessity of the business and fall within the specified purposes, methods and scopes in the applicable laws. In addition, the Cyberspace Administration of China, or the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (常見類型移動互聯網應用程序必要個人信息範圍規定) in March 2021, effective from May 1, 2021, specifying that the operator of an internet application shall not refuse an user to use the App’s basic functional services on the ground that the user disagree with the collection of unnecessary personal information.

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In addition, The Cyber Security Law provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of data collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cyber Security Law, network operators of key information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC. On August 22, 2019, CAC issued the Provisions on the Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》), which became effective on October 1, 2019 and apply to the collection, storage, use, transfer and disclosure of the personal information of the minors under the age of 14, or the Children, via the Internet.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), issued by the SCNPC in August 2015, which became effective in November 2015, any Internet service provider that fails to fulfill its obligations related to Internet information security administration as required under applicable laws and refuses to rectify upon orders shall be subject to criminal penalty. In addition, Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Personal Information (《關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), issued on May 8, 2017 and effective as of June 1, 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. In addition, on May 28, 2020, the National People's Congress adopted the Civil Code of the PRC (《中華人民共和國民法典》) (the "Civil Code"), which became effective on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

Pursuant to the Regulations for Medical Institutions on Medical Records Management (《醫療機構病歷管理規定》) released on November 20, 2013, and effective from January 1, 2014, the medical institutions and medical practitioners shall strictly protect the privacy information of patients, and any leakage of patients' medical records for non-medical, non-teaching or non-research purposes is prohibited. The NHFPC released the Measures for Administration of Population Health Information (Trial) (《人口健康信息管理辦法(試行)》) on May 5, 2014, which refers the medical health service information as the population healthcare information, and emphasizes that such information cannot be stored in offshore servers, and the offshore servers shall not be hosted or leased. Pursuant to the Management Measures of Standards, Safety and Service of National Health and Medical Big Data (Trial) (《國家健康醫療大數據標準、安全和服務管理辦法(試行)》), promulgated by the NHC on July 12, 2018, the medical institutions should establish relevant safety management systems, operation instructions and technical specifications to safeguard the safety of healthcare big data generated in the process of health management service or prevention and cure service of diseases. And it also stipulates that such healthcare big data should be stored in onshore servers and shall not be provided overseas without safety assessment.

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### Regulations relating to Foreign Investment

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment (the “Encouraging Catalog”), and the Special Management Measures (Negative List) for the Access of Foreign Investment (the “Negative List”), which were promulgated and are amended from time to time by the Ministry of Commerce of the PRC (the “MOFCOM”) and NDRC. The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in the PRC, classifying businesses into three categories with regard to foreign investment: “encouraged”, “restricted” and “prohibited”. Industries not listed in the Encouraging Catalog and the Negative List are generally deemed as falling into a fourth category “permitted”. The NDRC and MOFCOM promulgated the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) (the “2020 Encouraging Catalog”), on December 27, 2020, and the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “2021 Negative List”), on December 27, 2021, to replace the previous encouraging catalog and negative list thereunder. According to the 2021 Negative List, the value-added telecommunications services (excluding e-commerce business, domestic multi-party communications, store-and-forward and call centers) fall into the “restricted” category and medical institutions are limited to the form of joint venture. The 2021 Negative List lacks clear guidance on the categorization of operation of “Internet hospital services” in terms of foreign investment restriction.

On March 15, 2019, the NPC, promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “FIL”), which has come into effect on January 1, 2020 and replaced the trio of laws regulating foreign investment in the PRC, namely, the PRC Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法》) and the PRC Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》). Its implementation of regulations promulgated by the State Council in December 2019 also came into effect on January 1, 2020. The FIL, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list”. The FIL provides that foreign invested entities operating in foreign “restricted” or “prohibited” industries will require entry clearance and other approvals. The FIL does not comment on the concept of “de facto control” or contractual arrangements with consolidated affiliated entities, however, it has a catch-all provision under definition of “foreign investment” to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment. In addition, a foreign investment information reporting system shall be established and foreign investors or foreign-funded enterprises shall submit the investment information to competent departments for commerce through the enterprise registration system and the enterprise credit information publicity system.

Furthermore, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementing of the FIL, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law (《中華人民共和國公司法》) and other laws and regulations governing the corporate governance.

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On December 26, 2019, the State Council promulgated the Implementation Rules to the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which became effective on January 1, 2020. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

### **Regulations relating to Value-added Telecommunication Services**

#### *License for value-added telecommunications services*

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “Telecommunications Regulations”), promulgated by the State Council on September 25, 2000 and amended on July 29, 2014 and February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulations, which was promulgated by the Ministry of Information Industry (the “MII”, now known as MIIT) on February 21, 2003 and amended by the MIIT on December 28, 2015 and June 6, 2019, the Internet information services and the online data processing and transaction processing services fall within the value-added telecommunications services.

The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on March 1, 2009 and amended on July 3, 2017, sets forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses. The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “Internet Measures”), promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, requires that a commercial operator of Internet content provision services must obtain a value-added telecommunications business operating license for the provision of Internet information services from the appropriate telecommunications authorities.

#### *Foreign investment in valued-added telecommunications business*

Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008, February 6, 2016 and March 29, 2022. The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises requires foreign-invested value-added telecommunications enterprises in China to be established as sino-foreign equity joint ventures, which the foreign investors may acquire up to 50% of the equity interests of such enterprise. However, the requirement that main foreign investor investing in a value-added telecommunications enterprise in the PRC shall demonstrate a positive track record and experience in operating a value-added telecommunications business has been repealed by the Decision of the State Council on Amending and Abolishing Some Administrative Regulations (《國務院關於修改和廢止部分行政法規的決定》) effective from May 1, 2022. In July 2006, the MII released the Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《信息產業部關於加強外商投資經營增值電信業務管理的通知》) (the “MII Notice”), pursuant to which, domestic telecommunications enterprises are prohibited to rent, transfer or sell a telecommunications business operation license to foreign investors in any form, or provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China. In addition, under the MII Notice, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunication service operator shall be legally owned by that operator (or its shareholders).

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### Recent development on rules relating to overseas listing

The Draft Provisions and the Draft Measures (together with the Draft Provisions, “the Drafts”) were open for public comments until January 23, 2022. Pursuant to the Drafts, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Failure to complete the filing under the Draft Provisions may subject a PRC domestic company to a warning or a fine of RMB1 million to RMB10 million. If the circumstances are serious, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked. As of the Latest Practicable Date, the Drafts have not been formally adopted yet, and it is uncertain when the final regulations will be issued and take effect, how they will be enacted, interpreted and implemented, and whether or to what extent they will affect the Company.

### Regulations relating to Online Trading

The MOFCOM promulgated the Provisions on the Procedures for Formulating Transaction Rules of Third Party Online Retail Platforms (Trial) (《網絡零售第三方平台交易規則制定程序規定(試行)》) in December 2014, which became effective in April 2015, to guide and regulate the formulation, revision and enforcement of transaction rules by online retail third-party platforms operators.

The Ministry of Finance of the PRC (the “MOF”), General Administration of Customs and the State Taxation Administration of the PRC (the “SAT”) issued the New Cross-Border E-commerce Retail Imports Tax Notice (《關於跨境電子商務零售進口稅收政策的通知》) in March 2016. Pursuant to this circular, goods imported through the cross-border e-commerce retail are subject to tariff, import value-added tax, or VAT, and consumption tax based on the types of goods. Individuals purchasing any goods imported through cross-border e-commerce retail are taxpayers, and e-commerce companies, companies operating e-commerce transaction platforms or logistic companies are required to withhold the taxes.

In August 2018, the SCNPC promulgated the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), effective on January 1, 2019, which aims to regulate the e-commerce activities conducted within the territory of the PRC. Pursuant to the E-Commerce Law, an e-commerce platform operator shall (i) collect, verify and register the truthful information submitted by the third-party merchants that apply to sell products or provide services on its platform, including the identities, addresses, contacts and licenses, establish registration archives and update such information on a regular basis; (ii) submit the identification information of the third-party merchants on its platform to market regulatory administrative department as required and remind the third-party merchants to complete the registration with market regulatory administrative department; (iii) submit identification information and tax-related information to tax authorities as required in accordance with the laws and regulations regarding the administration of tax collection and remind the individual third-party merchants to complete the tax registration; (iv) record and retain the information of the products and services and the transaction information for no less than 3 years; (v) display the platform service agreement and the transaction rules or links to such information on the homepage of the platform; (vi) display the noticeable labels regarding the products or services provided by the platform operator itself on its platform, and take liabilities for such products and services; (vii) establish a credit evaluation system, display the credit evaluation rules, provide consumers with accesses to make comments on the products and services provided on its platform, and restrain from deleting such comments; and (viii) establish intellectual property protection rules, and take necessary measures when any intellectual property holder notify the platform operator that his intellectual property rights have been infringed. An e-commerce platform operator shall take joint liabilities with the relevant third-party merchants on its platform and may be subject to warnings and fines up to RMB2,000,000 where (i) it fails



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to take necessary measures when it knows or should have known that the products or services provided by the third-party merchants on its platform do not meet the personal or property safety requirements or such third-party merchants' other acts may infringe on the lawful rights and interests of the consumers; or (ii) it fails to take necessary measures, such as deleting and blocking information, disconnecting, terminating transactions and services, when it knows or should have known that the third-party merchants on its platform infringe any intellectual property rights of any other third party. With respect to products or services affecting the consumers' life and health, if an e-commerce platform operator fails to verify the third-party merchants' qualification or fails to fulfill its obligations to safeguard the safety of consumers, which results in damages to the consumers, it shall take corresponding liabilities and may be subject to warnings and fines up to RMB2,000,000.

In March 2021, the State Administration for Market Regulation promulgated the Measures for the Supervision and Administration of Online Trading (《網絡交易監督管理辦法》), effective on May 1, 2021, which aims to regulate business activities involving the sale of commodities or provision of services through Internet and other information networks. Pursuant to the Measures for the Supervision and Administration of Online Trading, an online trading business shall continuously publicize the information of business entities or a link to such information in a prominent position on the homepage of its website or the main page of its business activities. An online trading business is encouraged to link to the electronic business license display system of the SAMR and publicize its business license information. An online trading platform operator shall require a business that applies for selling commodities or providing services on the platform to submit true information on its identity, address, contact information, and administrative licensing, among others, conduct verification and registration, establish registration archives, and verify and update relevant information once at least every six months.

### Regulations relating to Internet Advertising

The SCNPC released the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) on October 27, 1994 and latest amended on April 29, 2021, which provides that the Internet information service providers shall not publish medical, drugs, medical machinery or health food advertisements in disguised form of introduction of healthcare and wellness knowledge.

The Interim Measures for Administration of Internet Advertising (《互聯網廣告管理暫行辦法》) (the “**Internet Advertising Measures**”) regulating the Internet-based advertising activities, were adopted by the SAIC on July 4, 2016. According to the Internet Advertising Measures, Internet advertisers are responsible for the authenticity of the advertisements content. Publishing and circulating advertisements through the Internet shall not affect the normal use of the Internet by users. It is not allowed to induce users to click on the content of advertisements by any fraudulent means, or to attach advertisements or advertising links in the emails without permission.

Pursuant to the Interim Administrative Measures for Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Foods for Special Medical Purpose (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), which were promulgated by the State Administration for Market Regulation on December 24, 2019, effective on March 1, 2020, an enterprise seeking to advertise its drugs, medical devices, dietary supplement or food for special medical purpose must apply for an advertisement approval number. The validity period of the advertisement approval number concerning a drug, medical device, dietary supplement or food for special medical purpose shall be consistent with that of the registration certificate or record-filing certificate or the production license of the product, whichever is the shortest. Where no validity period is set forth in the registration certificate, record-filing certificate or the production license of the product, the advertisement approval number shall be valid for two years. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the advertisement is needed, a new advertisement approval shall be obtained.

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### **Regulations relating to Mobile Internet Applications Information Services**

Mobile Internet applications (the “**APPs**”) and the Internet application store (the “**APP Store**”) are especially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》) (the “**APP Provisions**”), which was promulgated by the CAC on June 28, 2016 and amended on August 1, 2022. The APP Provisions regulate the APP information service providers and the APP Store service providers, while the CAC and local offices of cyberspace administration shall be responsible for the supervision and administration of nationwide or local APP information respectively. The APP information service providers shall acquire relevant qualifications required by laws and regulations and implement the information security management responsibilities strictly and fulfill their obligations provided by the APP Provisions.

### **Regulations relating to Food Safety**

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the “**Food Safety Law**”), promulgated on February 28, 2009 and latest amended on April 29, 2021, and the Implementation Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》), or the Implementation Regulations, issued on July 20, 2009 and latest amended on October 11, 2019 and effective on December 1, 2019, with the purpose of guaranteeing food safety and safe guarding the health and life safety of the public, the PRC sets up a system of the supervision, monitoring and appraisal on the food safety risks, compulsory adoption of food safety standards. To engage in food production, sale or catering services, the business operators shall obtain a license in accordance with the laws and regulations. Furthermore, the State Council implements strict supervision and administration for special categories of foods such as healthcare food, special formula foods for medical purposes and infant formula.

Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》) promulgated by CFDA on August 31, 2015 and amended on November 17, 2017, regulates the food operation licensing activities, strengthens supervision and management of food operation, and ensures food safety. Food operation operators shall obtain the food operation license for each business venue where they engage in food operation activities. The food operation license is valid for five years.

### **Regulations relating to Consumer Protection and Product Quality**

#### *Consumers protection*

The Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) promulgated by SCNPC, which was latest amended on October 25, 2013 and effective on March 15, 2014, sets out the obligations of business operators and the rights and interests of the consumers in China. Pursuant to this law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide consumers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Consumer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacement of commodities, repairing, ceasing damages, compensation, and restoring reputation, and even subject the business operators to criminal penalties. Where the operators of the online trading platforms are unable to provide the real names, addresses and valid contact details of the sellers or service providers, the consumers may also claim damages to the providers of the online trading platforms. Operators of online trading platforms that clearly knew or should have known that sellers or service providers use their platforms to infringe upon the legitimate rights and interests of consumers but fail to take necessary measures must bear joint and several liabilities with the sellers or service providers. Moreover, if business operators deceive consumers or knowingly sell substandard or defective products, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services.

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### *Product quality*

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) applies to all production and sale activities in China. Pursuant to this law, products offered for sale must satisfy relevant quality and safety standards. Enterprises may not produce or sell counterfeit products in any fashion, including forging brand labels or giving false information regarding a product's manufacturer. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury or damage of property, the victim may claim compensation from the manufacturer or from the seller of the product. If the seller pays compensation and it is the manufacturer that should bear the liability, the seller has a right of recourse against the manufacturer. Similarly, if the manufacturer pays compensation and it is the seller that should bear the liability, the manufacturer has a right of recourse against the seller.

### **Regulations relating to Single-Purpose Commercial Prepaid Cards**

Pursuant to the Administrative Measures on Single-Purpose Commercial Prepaid Cards (Trial Implementation) (《單用途商業預付卡管理辦法(試行)》) (the “**Administrative Measures on Single purpose Prepaid Cards**”), promulgated by MOFCOM on September 21, 2012 and amended on August 18, 2016, single-purpose commercial prepaid cards are prepaid certificates issued by an enterprise engaging in retail industry, accommodation and catering industry and residential services industry which are limited to be used as payment for goods or services by the enterprise or within the group to which the enterprise belongs or within the franchise system of the same brand, including physical cards in various forms such as magnetic stripe cards, chip cards, and paper coupons as well as virtual cards. In accordance with the Administrative Measures on Single-purpose Prepaid Cards, card-issuers shall complete filing formalities within 30 days from the date of carrying out single-purpose card businesses. The limit of a single registered card shall not exceed RMB5,000 and the limit of a single non-registered card shall not exceed RMB1,000. A registered card shall not have a validity period and a validity period of a non-registered card shall not be less than three years. Violation of the aforementioned regulations may result in an order of rectification. Where the card issuer fails to rectify the violation within a stipulated period, a fine ranging from RMB10,000 to RMB30,000 may be imposed.

### **Regulations relating to Anti-Monopoly in China**

The PRC Anti-monopoly Law (《中華人民共和國反壟斷法》), which was promulgated on August 30, 2007 and latest as amended on June 24, 2022, and became effective on August 1, 2022, prohibits monopolistic conduct such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition.

A business operator with a dominant market position may not abuse its dominant market position to conduct acts such as selling commodities at unfairly high prices or buying commodities at unfairly low prices, selling products at prices below cost without any justifiable cause, and refusing to trade with a trading party without any justifiable cause. Sanctions for the violations of the prohibition on the abuse of dominant market position include an order to cease the relevant activities, confiscation of the illegal gains and fines (from 1% to 10% of sales revenue from the previous year). On June 26, 2019, the SAMR issued the Interim Provisions on the Prohibitions of Acts of Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為暫行規定》), which took effect on September 1, 2019 and amended on March 24, 2022 to further prevent and prohibit the abuse of dominant market positions. In February 2021, the Anti-Monopoly Committee of the State Council, published the Guidelines of the Anti-monopoly Commission of the State Council for Anti-monopoly in the Field of Platform Economy (《關於平台經濟領域的反壟斷指南》) (the “**Guidelines**”), aiming to improve anti-monopoly administration on online platforms.

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### Regulations relating to Taxation

#### *Enterprise income tax*

On March 16, 2007, the NPC promulgated the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which was latest amended on December 29, 2018, and the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax of the PRC (《中華人民共和國企業所得稅法實施條例》) which were latest amended on April 23, 2019 (collectively, the “**EIT Law**”). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

#### *Value-added tax*

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and latest amended on November 19, 2017, and the Implementation Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993 and latest as amended on October 28, 2011, and became effective on November 1, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay value-added tax (the “**VAT**”).

On March 20, 2019, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or Announcement 39, to further slash value-added tax rates. According to the Announcement 39, (i) for general VAT payers’ sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iv) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%. The Announcement 39 came into effect on April 1, 2019 and shall prevail in case of any conflict with existing provisions.

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## REGULATORY OVERVIEW

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### *Dividend withholding tax*

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), or Circular 81, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Furthermore, the Administrative Measures for Non-Resident Taxpayer to Enjoy Treatments under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》), or SAT Circular 60, which became effective in November 2015, require that non-resident enterprises which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to ongoing administration by the tax authorities. In the case where the non-resident enterprises do not apply to the withholding agent to claim the tax treaty benefits, or the materials and the information stated in the relevant reports and statements provided to the withholding agent do not satisfy the criteria for entitlement to tax treaty benefits, the withholding agent should withhold tax pursuant to the provisions of the PRC tax laws. The SAT issued the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告), the SAT Circular 35 on October 14, 2019, which became effective on January 1, 2020. The SAT Circular 35 further simplified the procedures for enjoying treaty benefits and replaced the SAT Circular 60. According to the SAT Circular 35, no approvals from the tax authorities are required for a non-resident taxpayer to enjoy treaty benefits, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, but it shall gather and retain the relevant materials as required for future inspection, and accept follow-up administration by the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. According to the Circular on Several Issues regarding the “Beneficial Owner” in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》), or Circular 9, which was issued on February 3, 2018 by the SAT, effective as of April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties.

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## REGULATORY OVERVIEW

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### Regulations relating to Intellectual Property

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

**Copyright.** Copyright in the PRC is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》) and its implementation rules. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC and related rules and regulations, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impacts, publicly apologize, and pay damages, etc. In addition, the Regulations on the Protection of Rights to Information Network Communication (《信息網絡傳播權保護條例》) promulgated by the State Council on May 18, 2006 as amended in 2013, provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers.

**Patent.** The Patent Law of the PRC (《中華人民共和國專利法》) provides for three types of patents, “invention”, “utility model” and “design”. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. The National Intellectual Property Administration is responsible for examining and approving patent applications.

**Trademark.** The Trademark Law of the PRC (《中華人民共和國商標法》) and its implementation rules protect registered trademarks. The Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration.

**Domain Name.** Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT. The MIIT is the major regulatory body responsible for the administration of the PRC Internet domain names, under supervision of which the CNNIC is responsible for the daily administration of “.cn” domain names and Chinese domain names. CNNIC adopts the “first to file” principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an Internet-based information service provider in providing Internet-based information services must be registered and owned by such provider in accordance with the law. If the Internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior manager.

### Regulations relating to Foreign Exchange

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) which was promulgated by the State Council on January 29, 1996 and was latest amended on August 5, 2008. Pursuant to this regulation and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange (the “SAFE”) or its local counterpart is obtained.

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## REGULATORY OVERVIEW

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On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), according to which, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration. On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**Circular 19**”). According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter-enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular of Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) or SAFE Circular 13, which became effective on June 1, 2015 and was amended on December 30, 2019, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》) (the “**Circular 16**”), was promulgated by SAFE on June 9, 2016. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Laws, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

On January 18, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

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## REGULATORY OVERVIEW

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On October 23, 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which, among other things, allows all foreign invested enterprises to use Renminbi converted from foreign currency denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment.

According to the Circular of SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通告》) (the “SAFE Circular 8”) promulgated and effective on April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

### Regulations relating to Labor

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) as promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012 and effective as from July 1, 2013, and its implementation rules provide requirements concerning employment contracts between an employer and its employees. If an employer fails to enter into a written employment contract with an employee within one year from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee’s salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. The Labor Contract Law and its implementation rules also require compensation to be paid upon certain terminations. In addition, if an employer intends to enforce a non-compete provision with an employee in an employment contract or non-competition agreement, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or ending of the labor contract. Employers in most cases are also required to provide a severance payment to their employees after their employment relationships are terminated.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated by the SCNPC on October 28, 2010 and became effective on July 1, 2011 and as amended on December 29, 2018, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated time limit and be subject to a late fee. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to the Regulations on Management of Housing Fund (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and became effective on April 3, 1999 and as amended on March 24, 2019, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated time limit; otherwise, an application may be made to a local court for compulsory enforcement.



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## REGULATORY OVERVIEW

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### Regulations relating to Leasing

Pursuant to the Law of the PRC on Administration of Urban Real Estate (《中華人民共和國城市房地產管理法》), when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines.

According to the PRC Civil Code (《中華人民共和國民法典》), the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the lessor transfers the premises, the lease contract between the lessee and the lessor will still remain valid. Where the mortgaged property has been leased and the possession thereof has been transferred before the creation of mortgage, the original lease relations shall not be affected by the mortgage.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on August 20, 2014. As part of the Reorganization, our Company became the holding company of our Group for the purpose of the listing with our businesses conducted through our subsidiaries and Consolidated Affiliated Entities. Please refer to the paragraphs headed “Reorganization”.

### HISTORY AND DEVELOPMENT

Our history can be traced back to September 2014, when Dingdang Medicine Express Technology, being one of our main Consolidated Affiliated Entities, was established by Mr. Yang Yibin (楊益斌) and Mr. Yang Xiao (楊瀟) with their own accumulated funds to primarily engage in health management and consulting, technology development and technical services. Mr. Yang Yibin and Mr. Yang Xiao primarily engage in investment management and healthcare business. Mr. Yang Yibin serves as the general manager of Dingdang Medicine Express Technology and deputy director of Kuaiyi Department (快醫事業部), primarily responsible for IT system update and contract negotiation relating to the online hospital business and daily administration work.<sup>(1)</sup> Mr. Yang Xiao is the director of Renhe Pharmacy and participates in the decision-making and supervision of corporate affairs as a member of the board of directors of Renhe Pharmacy.<sup>(2)</sup> Upon establishment, Dingdang Medicine Express Technology was held by Mr. Yang Yibin and Mr. Yang Xiao as to 50% and 50%, respectively. In March 2015, Dingdang Medicine Express Technology increased its registered capital from RMB1 million to RMB2.5 million, and Mr. Yang Wenlong (楊文龍), the father of Mr. Yang Yibin and Mr. Yang Xiao, subscribed the increased RMB1.5 million registered capital. Upon completion of this round of capital increase, Dingdang Medicine Express Technology was owned by Mr. Yang Wenlong, Mr. Yang Yibin and Mr. Yang Xiao as to 60%, 20% and 20%, respectively. Further, in April 2015, Dingdang Medicine Express Technology increased its registered capital from RMB2.5 million to RMB50 million, with each of Mr. Yang Wenlong, Mr. Yang Yibin and Mr. Yang Xiao subscribing for the increased registered capital in proportion, thus the above shareholding percentages remained unchanged.

In August 2016, to optimise the shareholding structure, 20% of the equity interest held by Mr. Yang Xiao was transferred to Dingdang No. 1 and Dingdang No.2 on average, 20% of the equity interest held by Mr. Yang Yibin was transferred to Dingdang No.3, and 40% of the equity interest held by Mr. Yang Wenlong was transferred to Dingdang No.4. Upon completion of the aforementioned share transfer, Dingdang Medicine Express Technology was held by Mr. Yang Wenlong, Dingdang No. 1, Dingdang No.2, Dingdang No.3 and Dingdang No.4 as to 20%, 10%, 10%, 20% and 40% of its equity interest, respectively. Dingdang No. 1, Dingdang No.2, Dingdang No.3 and Dingdang No.4 are managed by the same general partner, Dingdang Wisdom, which is owned by Mr. Yang Wenlong and Mr. Yang Yibin as to 83.33% and 16.67% of its equity interest, respectively. In September 2016, Dingdang Medicine Express Technology adopted the 2016 ESOP Plan, pursuant to which the 17 Restricted Share Participants became the limited partners of Dingdang No.1 and Dingdang No.2. The 2016 ESOP Plan was replaced by the ESOP Plans as a result of the Reorganization. For details, please refer to “Appendix IV — Statutory and General Information — D. ESOP Plans”.

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#### Notes:

- (1) Mr. Yang Yibin stepped down as executive director of Dingdang Medicine Express Technology based on the following considerations: (i) the Group determined to engage professional management with rich experience as the executive director to promote the development of Dingdang Medicine Express Technology; and (ii) though resigned as executive director, Mr. Yang Yibin continues to serve as the general manager of Dingdang Medicine Express Technology and deputy director of Kuaiyi Department (快醫事業部), primarily responsible for the daily administration work and the execution of business plan and development strategy in relation to online hospital business as determined by the current executive director of Dingdang Medicine Express Technology, including IT system update and contract negotiation.
- (2) Mr. Yang Yibin and Mr. Yang Xiao have not been appointed as directors of the Company for the following reasons: (i) Mr. Yang Yibin only serves as the general manager of Dingdang Medicine Express Technology and deputy director of the Kuaiyi Department; (ii) Mr. Yang Xiao holds no position within the Group and he has not been and will not be involved in the operation and corporate affairs of the Group; and (iii) the Company is of the view that it is in the best interest of the Company to engage professional management as Directors and leverage on their wealth of experience and industry insights.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

From December 2016 to May 2021, Dingdang Medicine Express Technology and our Company have received several rounds of Pre-IPO Investments. For details, please refer to the paragraphs headed “Pre-IPO Investments” in this section.

Over the years, we gradually developed into a service provider in providing express digital healthcare service in China. Our primary businesses comprise drug express, online medical consultation and chronic disease and healthcare management.

The table below shows the key milestones in the history of the Company:

Year	Event
September 2015	We officially launched Dingdang Drug Express APP to provide drug delivery and comprehensive healthcare services, aiming at delivering products to users within 28 minutes on a 24/7 basis in regions covered by our express delivery service.
January 2016	We started planning the layout of our smart pharmacies in Beijing and Shanghai.
April 2018	The number of registered users of our mobile APP reached over 10 million.
September 2019	Hainan Internet Hospital obtained the Medical Institution Practicing License in Hainan and we launched our online medical consultation service.
October 2019	The number of our smart pharmacies exceeded 200, covering 11 cities.
December 2019	Our online medical consultations exceeded 600,000 times in a single month.
December 2020	We launched the innovative “DTP to Home” business by incorporating on-demand service onto DTP smart pharmacies.
December 2021	The number of registered users of our mobile APP reached over 33 million.

### OUR MAJOR SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

As of the Latest Practicable Date, the following subsidiaries and Consolidated Affiliated Entities principally affected the results, assets, liabilities or businesses of the Group:

Name of subsidiary Consolidated Affiliated Entity	Place of incorporation	Date of incorporation	Registered share capital	Shareholding/Voting rights held by our Company	Principal business activities
Dingdang Medicine Express Technology . . . . .	PRC	September 2, 2014	RMB52.9 million	Control through Contractual Arrangements	Online retail of pharmaceutical and healthcare products
Jiangxi Dingdang E-Commerce . . . . .	PRC	February 22, 2016	RMB27 million	100%	Investment holding of the smart pharmacies of the Company
Hainan Dingdang Kuaiyi . . . . .	PRC	April 18, 2019	RMB5 million	Control through Contractual Arrangements	Provision of online hospital services

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of subsidiary					
Consolidated Affiliated Entity	Place of incorporation	Date of incorporation	Registered share capital	Shareholding/Voting rights held by our Company	Principal business activities
Jiangxi Renhetang . . . . .	PRC	March 12, 2015	RMB5 million	85% <sup>(1)</sup>	E-commerce operating company of pharmaceutical healthcare products
Yaofangwang . . . . .	PRC	August 8, 2001	RMB33 million	52% <sup>(2)</sup>	Online and offline retail of drugs and healthcare products

*Notes:*

- (1) the remaining 15% equity interest of Jiangxi Renhetang is held by Liu Ying (劉英), who is the executive director and general manager of Jiangxi Renhetang.
- (2) the remaining 48% equity interest of Yaofangwang is held by Hongji (Zhuhai) Enterprise Chain Management Center (Limited Partnership) (宏濟(珠海)企業連鎖管理中心(有限合夥)) (“**Hongji Zhuhai**”), which is an Independent Third Party other than being the substantial shareholder of Hongji Zhuhai.

### MAJOR ACQUISITIONS

On November 30, 2020, Dingdang Medicine Express Technology entered into a share transfer agreement with Renhe Pharmacy to acquire 45% of equity interest in Yaofangwang at a cash consideration of RMB188.82 million. On December 1, 2020, Dingdang Medicine Express Technology entered into a share transfer agreement with Hongji Zhuhai to further acquire 7% of equity interest in Yaofangwang at a cash consideration of RMB29.372 million. The acquisitions have been completed on December 15, 2020 and the considerations were determined at arm’s length negotiation between the parties with reference to the valuation report of Yaofangwang as at July 31, 2020 (being RMB419.6 million), as reported by an independent valuer. For details, please refer to the paragraphs headed “Reorganization” in this section.

As advised by our PRC Legal Advisors, the acquisitions above have been properly and legally completed and settled with all relevant regulatory approvals duly obtained. Upon completion of the acquisition, Yaofangwang was held as to 52% of its equity interest by Dingdang Medicine Express Technology.

Yaofangwang is a company incorporated in the PRC on August 8, 2001, mainly engaged in online and offline retail of drugs and healthcare products, including prescription drugs, OTC drugs and healthcare products. As such, the acquisition of Yaofangwang will enlarge our retail business operations by upgrading our capabilities to provide products and services to our users. In addition, Yaofangwang also provides users with new speciality drugs through its online and offline DTP pharmacies. We further launched “DTP to home” business after the acquisition of Yaofangwang, which helps to expand our product categories and service capabilities.

The total assets, revenue and net loss of Yaofangwang for the most recent financial year of the Track Record Period, being the financial year ended December 31, 2021, are RMB275,403,903.37, RMB874,796,284.17 and RMB18,790,907.01<sup>(1)</sup>, respectively. Therefore, such acquisition did not constitute a major transaction for the purpose of Rule 4.05A of the Listing Rules. As such, no pre-acquisition financial information on Yaofangwang is required to be disclosed in this prospectus.

Save as disclosed above, the Group has not conducted any major acquisition or disposal during or after the Track Record Period.

*Note:*

- (1) the figures are from the management account of Yaofangwang for the year ended December 31, 2021.

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## MAJOR SHAREHOLDING CHANGES AND PRE-IPO INVESTMENTS

### Overview

From December 2016 to May 2021, Dingdang Medicine Express Technology and our Company have received several rounds of Pre-IPO Investments. Details of the Pre-IPO Investments are summarized below.

No.	Pre-IPO Investors	Date of investment	Date of last payment of consideration	Total number of Shares subscribed for under the investment agreement <sup>(1)</sup>	Amount of consideration	Cost per share paid	Discount to the Offer Price <sup>(2)</sup>	Shareholding in the Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)
1.	Ningbo SBCVC <sup>(3)</sup>	September 28, 2017	November 24, 2017	62,500,000 Series A Preferred Shares	RMB100,000,000	RMB1.6	84.73%	4.66%
2.	Tongdao Win-win	December 28, 2016	March 30, 2017	62,500,000 Series A Preferred Shares	RMB100,000,000	RMB1.6	84.73%	4.66%
3.	Shenzhen Zhaoyin New Trend <sup>(4)</sup>	January 11, 2019	January 30, 2019	68,272,060 Series B Preferred Shares	RMB183,700,000	RMB2.72	74.04%	5.09%
4.	Shenzhen Zhaoyin Gongying <sup>(4)</sup>	January 11, 2019	February 11, 2019	5,257,350 Series B Preferred Shares	RMB14,300,000	RMB2.72	74.04%	0.39%
5.	Ningbo SBCVC <sup>(3)</sup>	January 11, 2019	February 1, 2019	7,352,940 Series B Preferred Shares	RMB20,000,000	RMB2.72	74.04%	0.55%
6.	CICC Qizhi	March 18, 2019	October 8, 2019	25,735,290 Series B Preferred Shares	RMB70,000,000	RMB2.72	74.04%	1.92%
7.	Ningbo Qirui	March 18, 2019	June 6, 2019	11,029,410 Series B Preferred Shares	RMB30,000,000	RMB2.72	74.04%	0.82%
8.	Tianshi Renhe <sup>(5)</sup>	April 14, 2020	May 15, 2020	17,816,750 Series B+ Preferred Shares	RMB66,000,000	RMB3.704	64.66%	1.33%
9.	Aochuan Bangde <sup>(6)</sup>	April 14, 2020	May 15, 2020	46,577,140 Series B+ Preferred Shares	RMB172,539,432	RMB3.704	64.66%	3.47%
10.	Jinjiao Langqiu <sup>(6)</sup>	April 14, 2020	May 15, 2020	10,242,890 Series B+ Preferred Shares	RMB37,943,568	RMB3.704	64.66%	0.76%
11.	Xuri Xinzhu <sup>(6)</sup>	April 14, 2020	May 15, 2020	6,348,430 Series B+ Preferred Shares	RMB23,517,000	RMB3.704	64.66%	0.47%
12.	Z-Park Longmen	April 14, 2020	September 11, 2020	53,990,140 Series B+ Preferred Shares	RMB200,000,000	RMB3.704	64.66%	4.02%
13.	High Innovation Haiying	June 22, 2020	July 8, 2020	13,497,535 Series B+ Preferred Shares	RMB50,000,000	RMB3.704	64.66%	1.01%
14.	Ningbo Qiling	June 24, 2020	July 15, 2020	8,098,521 Series B+ Preferred Shares	RMB30,000,000	RMB3.704	64.66%	0.60%
15.	Nanjing Zhaoyin Gongying	June 29, 2020	July 6, 2020	2,699,507 Series B+ Preferred Shares	RMB10,000,000	RMB3.704	64.66%	0.20%
16.	Guangzhou Zhaoxin <sup>(4)</sup>	June 29, 2020	July 1, 2020	24,295,563 Series B+ Preferred Shares	RMB90,000,000	RMB3.704	64.66%	1.81%
17.	Ningbo SBCVC <sup>(3)</sup>	June 30, 2020	July 14, 2020	8,098,520 Series B+ Preferred Shares	RMB30,000,000	RMB3.704	64.66%	0.60%
18.	Shenzhen SBCVC	June 30, 2020	July 17, 2020	4,049,261 Series B+ Preferred Shares	RMB15,000,000	RMB3.704	64.66%	0.30%
19.	Taikang Life Insurance <sup>(7)</sup>	September 11, 2020	September 30, 2020	26,995,070 Series B+ Preferred Shares	RMB100,000,000	RMB3.704	64.66%	2.01%
20.	TD HK	March 20, 2021	May 28, 2021	356,458 Series C Preferred Shares	US\$430,000	US\$1.21	27.14%	0.03%
21.	TPG Asia VII	May 21, 2021	May 31, 2021	82,897,346 Series C Preferred Shares	US\$100,000,000	US\$1.21	27.14%	6.18%
22.	Worldwide Healthcare Trust	May 25, 2021	May 28, 2021	13,263,575 Series C Preferred Shares	US\$16,000,000	US\$1.21	27.14%	0.99%

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

No.	Pre-IPO Investors	Date of investment	Date of last payment of consideration	Total number of Shares subscribed for under the investment agreement <sup>(1)</sup>	Amount of consideration	Cost per share paid	Discount to the Offer Price <sup>(2)</sup>	Shareholding in the Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised)
23.	OrbiMed Genesis . . . . .	May 25, 2021	May 28, 2021	1,657,947 Series C Preferred Shares	US\$2,000,000	US\$1.21	27.14%	0.12%
24.	OrbiMed New Horizons . . . . .	May 25, 2021	May 28, 2021	1,657,947 Series C Preferred Shares	US\$2,000,000	US\$1.21	27.14%	0.12%
25.	Redview Capital . . . . .	May 25, 2021	May 31, 2021	16,579,469 Series C Preferred Shares	US\$20,000,000	US\$1.21	27.14%	1.24%
26.	Travis . . . . .	May 25, 2021	May 27, 2021	8,289,735 Series C Preferred Shares	US\$10,000,000	US\$1.21	27.14%	0.62%
27.	Valliance . . . . .	May 25, 2021	May 27, 2021	8,289,735 Series C Preferred Shares	US\$10,000,000	US\$1.21	27.14%	0.62%
28.	Summer Eminence . . . . .	May 25, 2021	May 28, 2021	8,289,735 Series C Preferred Shares	US\$10,000,000	US\$1.21	27.14%	0.62%
29.	Yingke Innovation Fund . . . . .	May 25, 2021	May 27, 2021	8,289,735 Series C Preferred Shares	US\$10,000,000	US\$1.21	27.14%	0.62%
30.	YANGTZE . . . . .	May 25, 2021	May 28, 2021	8,289,735 Series C Preferred Shares	US\$10,000,000	US\$1.21	27.14%	0.62%
31.	EMINENT . . . . .	May 25, 2021	May 31, 2021	7,933,275 Series C Preferred Shares	US\$9,570,000	US\$1.21	27.14%	0.59%
32.	Marble . . . . .	May 25, 2021	May 26, 2021	4,144,867 Series C Preferred Shares	US\$5,000,000	US\$1.21	27.14%	0.31%
33.	Simag . . . . .	May 25, 2021	May 27, 2021	4,144,867 Series C Preferred Shares	US\$5,000,000	US\$1.21	27.14%	0.31%
34.	Aqua . . . . .	May 25, 2021	May 27, 2021	4,144,867 Series C Preferred Shares	US\$5,000,000	US\$1.21	27.14%	0.31%
35.	Tasly . . . . .	May 25, 2021	May 26, 2021	4,144,867 Series C Preferred Shares	US\$5,000,000	US\$1.21	27.14%	0.31%

**Notes:**

- (1) total number of shares under the investment agreement refers to the corresponding shares held by each of the Pre-IPO Investors in our Company after Reorganization.
- (2) the discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$12.00 per Share. The Pre-IPO Investors were given discounted prices as compared to the investors in the Global Offering with the following factors taken into consideration: (i) the investment risks borne by Pre-IPO Investors, including without limitation, lack of liquidity and open market for trading and uncertainty of the timing and success of the Listing; (ii) the strategic benefits the Pre-IPO Investors brought to the Company as detailed below; and (iii) the continued rapid growth in the Company's gross revenue and the prospects for future business development as detailed in the Business section and "Basis of determining the consideration paid" section below.
- (3) on March 4, 2021, Ningbo SBCVC transferred its equity interests in Dingdang Medicine Express Technology corresponding to the registered capital of RMB3,509,343 to Qingdao SB. The offshore investment vehicle of Ningbo SBCVC for investing in our Company as part of Reorganization is Ningbo Meishan Bonded Port Yuepu Investment Partnership (Limited Partnership) (寧波梅山保税港區悅璞投資合夥企業(有限合夥)) ("Ningbo Yuepu").
- (4) the offshore investment vehicle of Shenzhen Zhaoyin New Trend and Guangzhou Zhaoxin for investing in our Company as part of Reorganization is Tianjin Shanhaiyihao Business Management Consulting Partnership (Limited Partnership) (天津山海壹號企業管理諮詢合夥企業(有限合夥)) ("Shanhaiyihao").
- (5) the offshore investment vehicle of Ningbo Tianshi Renhe for investing in our Company as part of Reorganization is Huifenghechang.
- (6) the offshore investment vehicle of Aochuan Bangde, Jinjiao Langqiu, and Xuri Xinzhu for investing in our Company as part of Reorganization is Ningbo Aowen.
- (7) the offshore investment vehicle of Taikang Life Insurance for investing in our Company as part of Reorganization is TK Dingdang Limited.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Principal terms of the Pre-IPO Investments

- Use of proceeds from the Pre-IPO Investments** : The total amount of the proceeds from the Pre-IPO Investments is RMB2.76 billion, which has been utilized in part for the development and operation of the Group's business, including without limitation, the expansion of pharmacies and exploration of our supply chain, in accordance with our budget and business plan. As of the Latest Practicable Date, the remaining proceeds from the Pre-IPO Investments amounts to RMB1.50 billion and will be used for the operation and further development of the Group's business as the supplement to the use of the proceeds from the Global Offering, which include (i) expanding our network of smart pharmacies in existing and new cities along with the newly- recruited delivery staff; (ii) supplementing our working capital; and (iii) other general business growth purposes, including, among others, sales and marketing, office management, and human resource.
- Strategic benefits the Pre-IPO Investors brought to our Company** : We are of the view that our Company can benefit from the additional capital provided by the Pre-IPO Investors' investments in our Company. Their investments also demonstrated their confidence in our Group's operations and served as an endorsement of our Group's performance, strength and prospects. Our Company is also of the view that most of the Pre-IPO Investors are professional strategic investors in the relevant industries and thus can provide us their knowledge and experience which we believe would be helpful to our Group's future development.
- Basis of determining the consideration paid** : The consideration for the Pre-IPO Investments were determined based on arm's length negotiations between Dingdang Medicine Express Technology/our Company and the Pre-IPO Investors after taking into consideration the timing of the investments and the status of our business and operating entities. The growth in the valuation of our Company has been in line with the growth in our total revenue.
- The increased implied valuation for our Series B financing as compared to Series A financing reflects the substantial business growth we achieved during this period, including without limitation, the number of registered users of our mobile APP reached over 10 million.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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The increased implied valuation for our Series B+ financing as compared to Series B financing was primarily due to the launch of our online medical consultation service with the newly obtained Medical Institution Practicing License, and the significant rise in the number of our smart pharmacies and online medical consultations.

The increased implied valuation for our Series C financing as compared to Series B+ financing was primarily due to the 74.7% year-on-year increase in the total revenue and the launch of the innovative “DTP to Home” business by incorporating on-demand service onto DTP smart pharmacies.

### **Special rights of the Pre-IPO Investors**

: Pursuant to the Pre-IPO Shareholders’ Agreement, the Pre-IPO Investors were granted certain special rights in relation to our Company, including, among others, pre-emptive rights, information and inspection rights, nomination rights, rights of first refusal, and co-sale rights. The redemption rights have been terminated before the Company submits its application for the listing of our Shares on the Stock Exchange, provided that if the Global Offering has not been consummated within six months after the initial submission of the listing application to the Stock Exchange (the “**Revival Date**”), such redemption rights shall automatically be restored in all respects as of such date and the Pre-IPO Investors shall be entitled to such rights retroactively. In March 2022, all of the Pre-IPO Investors further agreed, by way of a written shareholders’ resolution, to extend the Revival Date for another nine months, and such redemption rights will be restored if the Global Offering is not completed on or before September 22, 2022. All other special rights will be automatically terminated upon completion of the Listing.

### **Lock-up Period**

Each of the Pre-IPO Investors has agreed to provide a lock-up undertaking. For details, please refer to the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Undertakings by Certain of Our Shareholders” in this prospectus.

### **Public float**

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), each of the Pre-IPO Investors will hold less than 10% of the total issued share capital of our Company and thus the Shares held by the Pre-IPO Investors, approximately 48.29% of our enlarged issued share capital, will count towards the public float of our Company according to Rule 8.08 of the Listing Rules.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Information about the Pre-IPO Investors

Set out below is a description of the Pre-IPO Investors:

#### *Ningbo SBCVC*

Ningbo SBCVC is a limited partnership incorporated under the laws of the PRC on September 22, 2015. Its general partner is Shanghai Xinbojieyi Private Fund Management Partnership (Limited Partnership) (上海欣博傑益私募基金管理合夥企業(有限合夥)), a limited partnership controlled by Zhang Xu (張旭).

#### *Shenzhen SBCVC*

Shenzhen SBCVC is a limited partnership incorporated under the laws of the PRC on July 29, 2019. Its general partner is Shenzhen SBCVC Xinchuang Venture Capital Management Enterprise (Limited Partnership) (深圳市軟銀欣創創業投資管理企業(有限合夥)), a limited partnership controlled by Zhang Xu. Shenzhen SBCVC is held as to 77.37% by Tangyingyuanwei (Ningbo) Equity Investment Management Partnership (Limited Partnership) (唐盈元維(寧波)股權投資管理合夥企業(有限合夥)) (“**Tangyingyuanwei**”). The general partner of Tangyingyuanwei is Tangying (Qingdao) Investment Management Co., Ltd.. The largest shareholder holding 21.53% of the interests in Tangyingyuanwei is He Jin (何進).

#### *Qingdao SB*

Qingdao SB is a limited partnership incorporated under the laws of the PRC on January 14, 2021. Its general partner is Zhuhai Hengqin SB Xinchuang Equity Investment Management Enterprise (Limited Partnership) (珠海橫琴軟銀欣創股權投資管理企業(有限合夥)), a limited partnership ultimately controlled by Jiang Min (江敏), Liu Ying (劉纓) and Zhao Gang (趙剛). Qingdao SB is held as to 76.89% by Sichuan Esheng Cement Group Co., Ltd. (四川峨勝水泥集團股份有限公司), which is ultimately controlled by Xiong Jianhua (熊建華).

#### *Ningbo Yuepu*

Ningbo Yuepu is a limited partnership incorporated under the laws of the PRC on February 2, 2016. Its general partner is Shanghai Guanhe Lanzheng Investment Management Co., Ltd. (上海觀禾覽正投資管理有限公司), a limited liability company held as to 90% by Zhang Xu. Ningbo Yuepu is held as to 99.99% by Ningbo SBCVC.

#### *Tongdao Win-win*

Tongdao Win-win is a limited partnership incorporated under the laws of the PRC on January 3, 2017. Tongdao Win-win focuses on investment management and consultation. Its general partner is Tongdao Capital Management Co., Ltd (同道資本管理有限公司) and it is held as to 30% by Zhuhai Tongdao Future Investment Partnership (Limited Partnership) (珠海同道未來投資合夥企業(有限合夥)), which is held as to 51% by Chang Wei (常偉) and 49% by Zhang Kuo (張闊).

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### *Zhaoyin*

Shenzhen Zhaoyin New Trend is a limited partnership managed by Shenzhen CMB Telecom Equity Investment Fund Management Co., Ltd. (深圳招銀電信股權投資基金管理有限公司) and held as to 79.97% by China Merchant Bank International Financial Holding (Shenzhen) Ltd. (招銀國際金融控股(深圳)有限公司). Nanjing Zhaoyin Gongying is a limited partnership managed by Jiangsu Zhaoyin Industrial Fund Management Co., Ltd. (江蘇招銀產業基金管理有限公司). Guangzhou Zhaoxin is a limited partnership managed by Shenzhen CMB Telecom Equity Investment Fund Management Co., Ltd., and is held as to 75% by Shenzhen Zhaoyin New Trend. Shenzhen CMB Telecom Equity Investment Fund Management Co., Ltd. and Jiangsu Zhaoyin Industrial Fund Management Co., Ltd. are controlled by CMB International Capital Management (Shenzhen) Ltd. (招銀國際資本管理(深圳)有限公司), an indirect wholly-owned subsidiary of CMB International Capital Corporation Limited, with a focus on private equity investment and investment fund management. CMB International Capital Corporation Limited is an indirect wholly-owned subsidiary of China Merchants Bank Co., Ltd.

Shanhaiyihao is a limited partnership incorporated under the laws of the PRC on February 26, 2021. Shanhaiyihao is managed by China Merchant Bank International Financial Holding (Shenzhen) Ltd., an indirect wholly-owned subsidiary of China Merchants Bank Co., Ltd. Shanhaiyihao is held as to 66.66% by Shenzhen Zhaoyin New Trend and as to 33.33% by Guangzhou Zhaoxin.

### *Shenzhen Zhaoyin Gongying*

Shenzhen Zhaoyin Gongying is a limited partnership held as to 76.67% by Zhuhai Growth and Win-Win Venture Capital Fund (Limited Partnership) (珠海市成長共贏創業投資基金(有限合夥)), both of them are managed by Shenzhen Hongshu Growth Investment Management Co., Ltd. (深圳紅樹成長投資管理有限公司). Shenzhen Hongshu Growth Investment Management Co., Ltd. is held as to 60% by Zeng Xinghai (曾興海) and as to 30% by Wang Hongbo (王紅波).

### *CICC Qizhi*

CICC Qizhi is a limited partnership incorporated under the laws of the PRC on November 6, 2015, with a focus on equity and industrial investment, investment management and investment consulting. Its general partner is CICC Qizhi Equity Investment Management Co., Ltd., an investment vehicle ultimately controlled by CICC Capital Management Co., Ltd. (中金資本運營有限公司). CICC Capital Management Co., Ltd. is a wholly-owned subsidiary of China International Capital Corporation Limited.

### *Sinopharm-CICC*

Ningbo Qirui is a limited partnership incorporated under the laws of the PRC on November 29, 2016. Ningbo Qiling is a limited partnership incorporated under the laws of the PRC on November 29, 2016. The general partner of Ningbo Qirui and Ningbo Qiling is Sinopharm-CICC (Shanghai) Private Equity Investment Management Co., Ltd. (國藥中金(上海)私募股權投資管理有限公司), which focuses on investing in the healthcare sector. Sinopharm-CICC (Shanghai) Private Equity Investment Management Co., Ltd. is held as to 49% by Guoyao Group Co. Ltd. and 51% by CICC Capital Management Co. Ltd. a wholly-owned subsidiary of China International Capital Corporation Limited.

CICC Qizhi, Ningbo Qirui and Ningbo Qiling are ultimately controlled by CICC Capital Management Co., Ltd. and thus connected to each other.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Huifenghechang and Ningbo Aowen*

Huifenghechang is a limited partnership incorporated under the laws of the PRC on September 14, 2020. The General Partner of Huifenghechang is Ningbo Meishan Bonded Port Dirui Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區迪銳投資管理合夥企業(有限合夥)) (“**Ningbo Dirui**”) and Huifenghechang is held as to approximately 99% by Tianshi Renhe. Ningbo Aowen is a limited partnership incorporated under the laws of the PRC on September 21, 2017. The General Partner of Ningbo Aowen is Ningbo Dirui and Ningbo Aowen is held as to approximately 88% by Aochuan Bangde. Ningbo Dirui is the general partner of Tianshi Renhe and Aochuan Bangde. The general partner of Ningbo Dirui is Tang Meng (唐萌), who holds 69.50% of the interest in Ningbo Dirui.

Tianshi Renhe, Aochuan Bangde, Jinjiao Langqiu and Xuri Xinzhu are limited partnerships managed by Ningbo Dirui. Aochuan Bangde is held as to over 33% by Xingjie New Economy Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited Partnership) (星界新經濟股權投資基金(深圳)合夥企業(有限合夥)) (“Xingjie New Economy”). The general partner of Xingjie New Economy is Xin Xing Jie Consultancy (Shenzhen) Partnership (Limited Partnership) (新星界諮詢顧問(深圳)合夥企業(有限合夥)), which is ultimately controlled by Fang Yuan (方遠). Xingjie New Economy is held as to 41.33% by Guo Xin Tou (Shenzhen) Investment Partnership (Limited Partnership) (國新投(深圳)投資合夥企業(有限合夥)), which is ultimately controlled by the State Council of the PRC, and is held as to 40.92% by Shanghai Changpu Enterprise Management Center (Limited Partnership) (上海常璞企業管理中心(有限合夥)), which is ultimately controlled by Citic Securities Company Limited. Jinjiao Langqiu is held as to 63.32% by Xiamen Luqichang Technology Co., Ltd. (廈門路騎暢科技有限公司), a company wholly-owned by Mr. Chen Cong (陳聰). Xuri Xinzhu is held as to 99.50% by China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司).

### *Z-Park Longmen*

Z-Park Longmen is a limited partnership incorporated under the laws of the PRC on September 14, 2018, with a focus of investing in information technology, high-end manufacturing, healthcare, and consumption upgrade sectors. Its general manager is Beijing Z-Park Longmen Investment Co., Ltd. (北京中關村龍門投資有限公司) and it is held as to 39.87% by National Council for Social Security Fund.

### *Haiying Fund*

High Innovation Haiying is a limited partnership incorporated under the laws of the PRC on September 21, 2018, with a focus of investing in healthcare sectors. Its general partner is Hunan Xianghai Private Equity Fund Management Co., Ltd. (湖南湘海私募股權基金管理有限公司), which is ultimately controlled by Haier Group Corporation.

### *Taikang*

Taikang Life Insurance is a limited liability company incorporated under the laws of the PRC on November 28, 2016. TK Dingdang Limited is a company incorporated under the laws of the BVI. Taikang Life Insurance and TK Dingdang Limited are wholly-owned by Taikang Insurance Group Co., Ltd., a company which focuses on the insurance and asset management business.

### **TD HK**

TD HK is a private company limited by shares and incorporated under the laws of Hong Kong on November 24, 2015, with a focus on pre-IPO investment banking business, private equity investment and securities investment in the primary and secondary markets. TD HK is ultimately controlled by Xu Yu (徐宇).

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *TPG Asia VII*

TPG Asia VII is an affiliate of TPG Capital. TPG Capital is a leading global alternative asset firm founded in 1992 with more than US\$91 billion of assets under management as of March 31, 2021. For many years, TPG Capital has been investing in change, growth, and innovation. TPG Capital aims to build dynamic products and options for its investors while also instituting discipline and operational excellence across the investment strategy and performance of its portfolio.

### *OrbiMed*

Worldwide Healthcare Trust is a publicly listed trust managed by OrbiMed Capital LLC. OrbiMed Genesis and OrbiMed New Horizons are exempted limited partnerships managed by OrbiMed Advisors LLC. OrbiMed Capital LLC and OrbiMed Advisors LLC exercise voting and investment powers through a management committee comprised of Carl L. Gordon, Sven H. Borho, and W. Carter Neild. OrbiMed Genesis, OrbiMed New Horizons and Worldwide Healthcare Trust invest globally in the healthcare sector with investments ranging from early stage private companies to large multinational corporations.

### *Redview Capital*

Redview Capital is a limited liability company incorporated under the laws of the Cayman Islands on April 15, 2021. It is indirectly owned by Redview Capital II L.P., an exempted limited partnership registered under the laws of the Cayman Islands. Redview Capital II L.P. is a private equity fund, focused on traditional growth capital in China in the sectors of advanced manufacturing, clean energy, new materials and consumer and retail. Redview Capital II L.P. is controlled by its general partner, Redview Capital Partners II Limited, which is in turn beneficially owned by Hebert Kee Chan Pang.

### *Travis*

Travis is a limited liability company incorporated under the laws of the BVI on March 25, 2021, with a focus on private equity investment. It is beneficially owned by Lam Lai Ming.

### *Valliance*

Valliance is an exempted company established under the laws of the Cayman Islands. Valliance Asset Management Limited, an asset management firm licensed by the SFC, serves as the investment manager of the fund. Valliance Asset Management Limited employs a deep value and bottom up investment approach, combining detailed research with a highly disciplined investment process to choose portfolio investments on behalf of a wide range of institutional clients globally across multiple funds and vehicles. Lin Li is the founder and ultimate beneficial owner of Valliance Asset Management Limited and its Chief Investment Officer since inception and he has been an active investor in the Asian capital markets for nearly the past two decades.

### *Summer Eminence*

Summer Eminence is an investment holding company controlled by Summer Healthcare Fund, L.P. Summer Healthcare Fund, L.P. is a limited partnership controlled by Summer Capital Limited, a multi-strategy investment advisory company, focusing on advising investments in the healthcare, fintech and technology-driven consumption sectors. Summer Capital Limited is held as to 90% by Yongda Global Investments Limited, which in turn is held as to 99% by Birong Zhang.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### *Yingke Innovation Fund*

Yingke Innovation Fund is a limited partnership managed by Yingke PE Co., Ltd., an exempted company incorporated in the Cayman Islands, which focuses on private equity investments. Qian Mingfei (“**Mr. Qian**”) is the founder of, and Qian Boyu, a family member of Mr. Qian, is the sole shareholder of Yingke PE Co., Ltd. Mr. Qian is the chairman of YINGKE PE Asset Management Co., Ltd. Mr. Qian has over 20 years of capital market experience and investment management experience, and was involved in a number of leading investment projects in the biotech sector, including, among others, Chengdu Kanghua Biological Products Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 300841) and Shanghai Sanyou Medical Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 688085).

### *YANGTZE*

YANGTZE LOGISTICS LIMITED is a limited liability company incorporated under the laws of the BVI on November 20, 2003. It is controlled by Luk Ching Sanna.

### *EMINENT*

EMINENT is a limited liability company incorporated under the laws of the BVI as an investment holding company on March 29, 2011. It is wholly-owned by Lin Wei, an Independent Third Party.

### *Marble*

Marble Router Limited is an exempted company incorporated under the laws of the BVI with limited liability on November 16, 2020. It is controlled by Liu Xiaosong, an Independent Third Party.

### *Simag*

Simag Investment Limited is a limited liability company incorporated under the laws of Hong Kong with on June 16, 2005. It is controlled by Wang Wanping, an Independent Third Party.

### *Aqua*

Aqua is a special purpose vehicle wholly-owned by Global Fund IX SP, which is a segregated portfolio of Aqua Fund Investment SPC. Aqua Fund Investment SPC is a segregated portfolio company incorporated under the laws of the Cayman Islands with limited liability and is ultimately controlled by Chen Wei Song.

### *Tasly*

Tasly is a company incorporated under the laws of the BVI with limited liability on February 28, 2014. It is ultimately controlled by Tasly Holding Group Co., Ltd., whose business covers biopharmaceuticals, health care management, medical services, and investment in the healthcare industry. Tasly Holding Group Co., Ltd. is held as to 67.08% by Tianjin Tasly Health Industry Investment Group Co., Ltd. (天津天士力大健康產業投資集團有限公司), which is ultimately controlled by Yan Kaijing (閻凱境).

Save as disclosed in this prospectus, the Pre-IPO Investors are Independent Third Parties and independent from each of the other Pre-IPO Investors.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Our Company currently engages in or historically engaged in business dealings with certain Pre-IPO Investors, their ultimate beneficial owners and/or their affiliates, which are/were carried out in our ordinary course of business, on an arm's length basis and on normal commercial terms. Certain non-executive Directors and independent non-executive Director of our Company have or had employment relationships with the ultimate beneficial owners of certain Pre-IPO Investors. Apart from the foregoing, to the best knowledge of the Company and after due inquiry, there exists no past or present relationships (business, employment, family, financing or otherwise) between each of the Pre-IPO investors and their respective ultimate beneficial owners and investment managers (where applicable), on the one hand, and the Company and its subsidiaries, their controlling shareholders, directors and senior management, or any of their respective associates, on the other hand.

### **Compliance with Interim Guidance and Guidance Letters**

On the basis that (i) the Pre-IPO Investments were irrevocably settled more than 28 clear days before the date of submission of the listing application, and (ii) according to the Pre-IPO Shareholders' Agreement, the redemption rights granted to the Pre-IPO Investors will be automatically terminated before the Company submits its application for the listing of our Shares on the Stock Exchange and all other special rights granted to the Pre-IPO Investors will be terminated upon completion of the Global Offering, the Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance (HKEx-GL29-12) on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, and the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017. The Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017 is not applicable to the Pre-IPO Investments as no convertible instrument was issued.

### **REORGANIZATION**

In preparation of the Global Offering, we underwent the Reorganization, pursuant to which our Company became the holding company and listing vehicle of our Group.

The Reorganization involved the following steps:

#### **1. Setting up of offshore structure**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 20, 2014. The initial authorized share capital of our Company was US\$50,000.00 divided into 500,000,000 shares with a par value of US\$0.0001. Upon incorporation, one subscriber share was issued and allotted to the initial subscriber, Sertus Nominees (Cayman) Limited, who subsequently transferred such share to Alliance Flow Limited (互益有限公司) on the same date. The Company also allotted one share to Golden Mission Group Limited on the same date. On November 12, 2014, the shares held by Alliance Flow Limited and Golden Mission Group Limited were transferred to Delight Faith Limited and Go Far Limited, members of our Controlling Shareholders Group, respectively. On April 30, 2015, our Company allotted 127,499,999 shares to each of Delight Faith Limited and Go Far Limited.

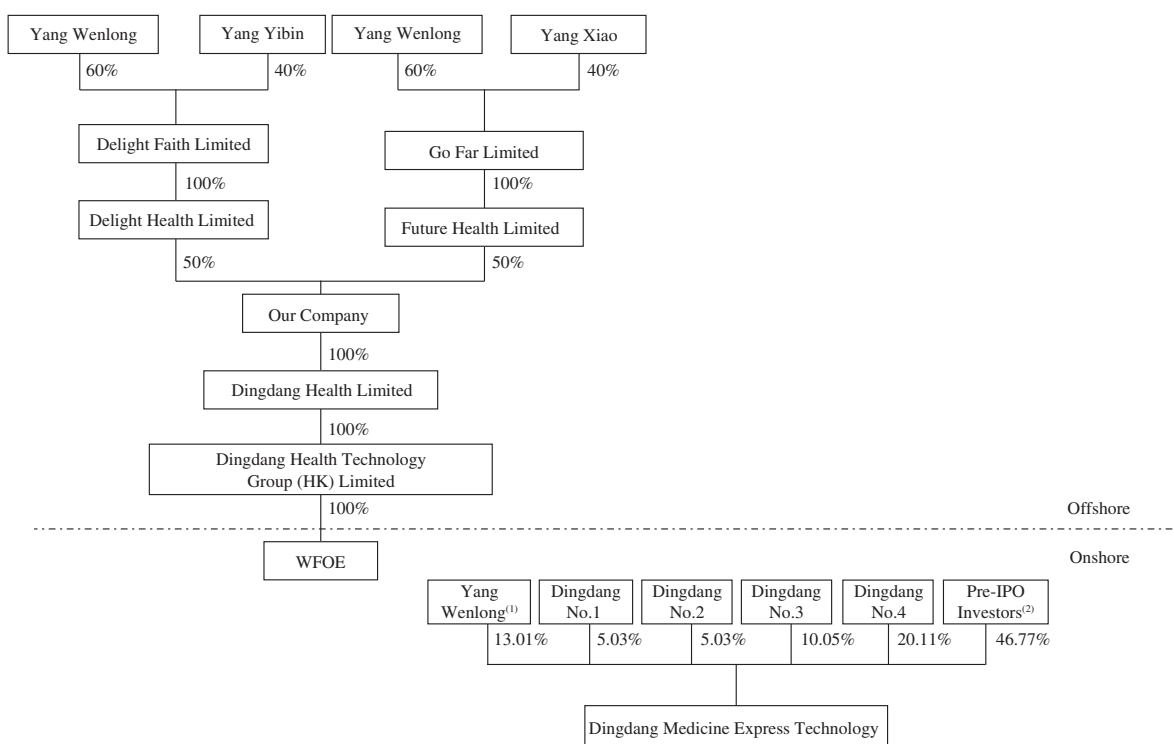
On September 11, 2014, Dingdang Health Technology Group (HK) Limited (formerly known as Health Coming (Hong Kong) Limited, Dingdang Medicine Delivery (HK) Limited, Dingdang Medicine Express (HK) Limited) was incorporated under the laws of Hong Kong as a wholly owned subsidiary of our Company. Dingdang Health Technology Group (HK) Limited further incorporated the WFOE under the laws of PRC as its wholly owned foreign enterprise in the PRC on September 30, 2016.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On December 31, 2020, Delight Faith Limited and Go Far Limited transferred all the shares held by them in our Company to their respective wholly owned subsidiaries, being Delight Health Limited and Future Health Limited. After the completion of the transfer, our Company was owned by Delight Health Limited and Future Health Limited as to 50% and 50%, respectively.

On December 31, 2020, Dingdang Health Limited was established under the laws of BVI as a wholly owned subsidiary of our Company. The shares held by our Company in Dingdang Health Technology Group (HK) Limited were fully transferred to Dingdang Health Limited and thus Dingdang Health Technology (HK) Group Ltd became a wholly-owned subsidiary of Dingdang Health Limited on the same date.

The following chart sets out the shareholding and corporate structure of our Company and Dingdang Medicine Express Technology immediately after completion of the above steps:



*Notes:*

- (1) Mr. Yang Wenlong directly holds approximately 13.01% and indirectly controls approximately 20.11% of the voting rights of Dingdang Medicine Express Technology through Dingdang No.4. Besides, each of the limited partners of Dingdang No.1, Dingdang No.2 and Dingdang No.3 has entrusted Mr. Yang Wenlong to exercise the voting rights held by them in Dingdang No.1, Dingdang No.2 and Dingdang No.3. Therefore, Mr. Yang Wenlong directly and indirectly controls 53.23% of the voting rights in Dingdang Medicine Express Technology.
- (2) They refer to the then Per-IPO Investors investing in Dingdang Medicine Express Technology.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### **2. Issue of Shares to the Pre-IPO Investors investing in Dingdang Medicine Express Technology to substantially reflect their shareholding in Dingdang Medicine Express Technology**

Pursuant to the written resolution of the shareholders of Dingdang Medicine Express Technology dated March 1, 2021, the then Pre-IPO Investors investing in Dingdang Medicine Express Technology reduced and withdrew their capital contribution of RMB46,535,638, representing approximately 46.77% equity interest in Dingdang Medicine Express Technology (“**Capital Reduction**”) and the registered capital of Dingdang Medicine Express Technology reduced from RMB99,476,815 to RMB52,941,177. Upon completion of the Capital Reduction on May 20, 2021, such Pre-IPO Investors ceased to be shareholders of Dingdang Medicine Express Technology, and Dingdang Medicine Express Technology was owned by Mr. Yang Wenlong, Dingdang No.1, Dingdang No.2, Dingdang No.3, and Dingdang No.4 as to 24.44%, 9.44%, 9.44%, 18.89% and 37.78%, respectively.

On May 21, 2021, our Company, Dingdang Medicine Express Technology and each of the Pre-IPO Investors investing in Dingdang Medicine Express Technology (including their respective offshore investment vehicles, where applicable), among others, entered into a preferred share purchase agreement, pursuant to which, such Pre-IPO Investors agreed to subscribe for a certain number of Shares of our Company, as the case may be, to substantially reflect their shareholding in Dingdang Medicine Express Technology immediately preceding the Capital Reduction.

### **3. Establishment of the ESOP Plans**

In order to provide incentives and rewards to members of the Board and employees of our Group and as a continuation and restructuring of the 2016 ESOP Plan, our Company adopted the ESOP Plans (including the Pre-IPO Share Option Scheme, the Restricted Share Scheme, the RSU Scheme and the Restricted Share Agreement) and issued 11,760,000 Shares to Excel Returns Group Limited, 54,400,000 Shares to Go Prosper Enterprise Corporation and 21,833,330 Shares to Much Premium Investment Limited for the purpose of the ESOP Plans.

Under the Pre-IPO Share Option Scheme, we have granted Options to 96 employees within our Group to subscribe for a total of 11,480,000 Shares of our Company. As of the Latest Practicable Date, we have issued a total of 76,233,330 Shares to the 17 participants of the 2016 ESOP Plan through Go Prosper Enterprise Corporation and Much Premium Investment Limited under the Restricted Share Scheme, all of which have been vested. We may also grant RSUs under the RSU Scheme but none of the RSUs have been granted as of the Latest Practicable Date. The participants of the Pre-IPO Share Option Scheme and Restricted Share Scheme shall irrevocably delegate the voting rights in our Company held or to be held by them to Mr. Yang Wenlong or such other person as designated by Mr. Yang Wenlong (the “**Voting Rights Entrustment Arrangement**”).

In addition, to recognize and reward the contribution of Mr. Yang Wenlong to the growth and development of our Group, we issued 130,793,590 Shares to Future Health Limited as Founder Incentive Shares to Mr. Yang Wenlong. For details, please refer to “Appendix IV — Statutory and General Information — D. ESOP Plans” of this prospectus.

### **4. Acquisition of equity interest in certain subsidiaries of Dingdang Medicine Express Technology**

On April 19, 2021, Dingdang Beijing was established under the laws of the PRC as a sino-foreign joint venture enterprise. Upon establishment, Dingdang Beijing was held by Dingdang Medicine Express Technology and TD HK, as to 99% and 1% of its equity interest, respectively.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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On April 28, 2021, Dingdang Beijing acquired 70% of the equity interests in Dingdang Good Health at a cash consideration of RMB2,817,600, 70% of the equity interests in Dingdang Youpin at a cash consideration of RMB1,050,000, and 60% of the equity interests in Dingdang Good Mood at a cash consideration of RMB600,000 from Dingdang Medicine Express Technology.

On May 11, 2021, Dingdang Beijing acquired 85% of the equity interests in Jiangxi Renhetang at a cash consideration of RMB29,101,800, 100% of the equity interests in Jiangxi Dingdang E-Commerce at a cash consideration of RMB27 million, and 75% of the equity interests in Jiangxi Dingdangyun at nil consideration. On the same date, Dingdang Beijing also acquired 52% of the equity interests in Yaofangwang from Dingdang Medicine Express Technology at a cash consideration of RMB218,192,000.

On May 12, 2021, Dingdang Beijing acquired 51% of the equity interests in Dingdang Lexiang from Dingdang Medicine Express Technology at a cash consideration of RMB1,020,000 and 51% of the equity interests in Dingdang Lexiang at a cash consideration of RMB1,020,000 from Dingdang Medicine Express Technology.

On May 26, 2021, the WFOE acquired 99% of the equity interest in Dingdang Beijing held by Dingdang Medicine Express Technology at a cash consideration of RMB277,200,000 and 1% of the equity interest in Dingdang Beijing held by TD HK at a cash consideration of RMB2,800,000. Upon completion of the acquisitions, Dingdang Beijing became a wholly-owned subsidiary of the WFOE.

For the acquisitions mentioned above, the considerations were determined based on commercial negotiation between relevant parties with reference to the paid-up capital/net assets/valuation report of the acquired entities.

### **5. Enter into Contractual Arrangements**

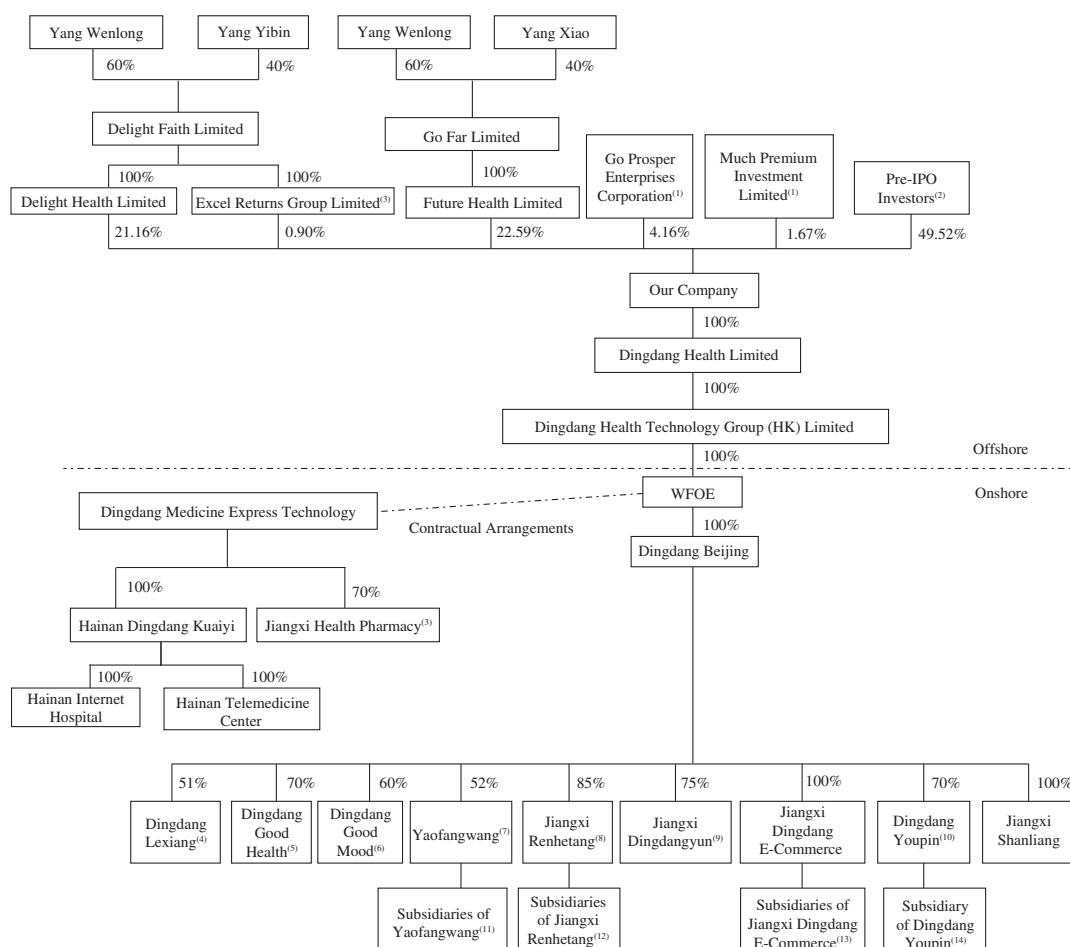
On May 25, 2021, the WFOE, Dingdang Medicine Express Technology, Mr. Yang Wenlong, Dingdang No.1, Dingdang No.2, Dingdang No.3, and Dingdang No.4, entered into Contractual Arrangements, which allow the Company to exercise control over the business operation of Dingdang Medicine Express Technology, Jiangxi Health Pharmacy, Hainan Dingdang Kuaiyi, Hainan Internet Hospital, and Hainan Telemedicine and enjoy all the economic interests derived therefrom. For details, please refer to “Contractual Arrangements”.

## **SHAREHOLDING AND CORPORATE STRUCTURE**

The following charts illustrate our shareholding and corporate structure (1) immediately after completion of Reorganization but prior to completion of the Global Offering and (2) immediately after the completion of the Global Offering (assuming that the Over-allotment Option has not been exercised).

# HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

## (1) Immediately after completion of the Reorganization but prior to the completion of the Global Offering



### Notes:

- (1) the shareholders of Go Prosper Enterprise Corporation and Much Premium Investment Limited are the 17 participants under the Restricted Share Scheme. Xiong Zhonghua (熊忠華) and Luo Meng (蘿萌) are the shareholders of Much Premium Investment Limited. Yu Lei, Xu Ning, Yu Qinglong, Hua Chunguo (化春國), Feng Gang (馮鋼), Yao Ting (姚婷), Yu Congguo (余從國), Zhao Yunpeng (趙雲鵬), Song Zilong (宋子龍), Rong Chengzhuang (榮承壯), Liu Kun (劉坤), Su Zhenzhen (蘇珍珍), Zhou Xiaowen (周孝文), Meng Fanzhou (孟繁周) and Wang Xianzhong (汪獻忠) are the shareholders of Go Prosper Enterprise Corporation. Yu Lei, Xu Ning, Yu Qinglong, Hua Chunguo and Feng Gang, by being the directors and/or chief executives of our Company and/or our subsidiaries, are the connected persons of our Company. For details, please refer to "Appendix IV — Statutory and General Information — D. ESOP Plans — Share Incentive Schemes — 4. Restricted Share Scheme".
- (2) They refer to the Pre-IPO Investors or their respective offshore investment vehicles, if applicable. Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), none of the Pre-IPO Investors will hold 10% or more of the total issued share capital of our Company and thus the Shares held by the Pre-IPO Investors will count towards the public float of our Company according to Rule 8.08 of the Listing Rules.
- (3) Excel Returns Group Limited is incorporated as a platform to hold Shares subject to the Pre-IPO Share Option Scheme and the RSU Scheme. It will transfer the Shares to the relevant grantees upon exercise of the options under the Pre-IPO Share Option Scheme and/or the vesting of restricted share units under the RSU Scheme, and the grantee will in turn irrevocably delegate the voting rights attached to the Shares owned by him/her upon vesting to Mr. Yang Wenlong or such other person as designated by Mr. Yang Wenlong. Each of Mr. Yang Wenlong and Excel Returns Group Limited undertakes that, upon Listing, he/it will not exercise voting rights attached to any Shares held by Excel Returns Group Limited in relation to options or restricted share units which have not been exercised or vested.
- (4) the remaining 30% equity interest of Jiangxi Health Pharmacy is held by Feng Gang, who holds several positions in our subsidiaries, including the executive director and general manager of Dingdang Smart Pharmacy (Shanghai) Co., Ltd. (叮嚀智慧藥房(上海)有限公司).

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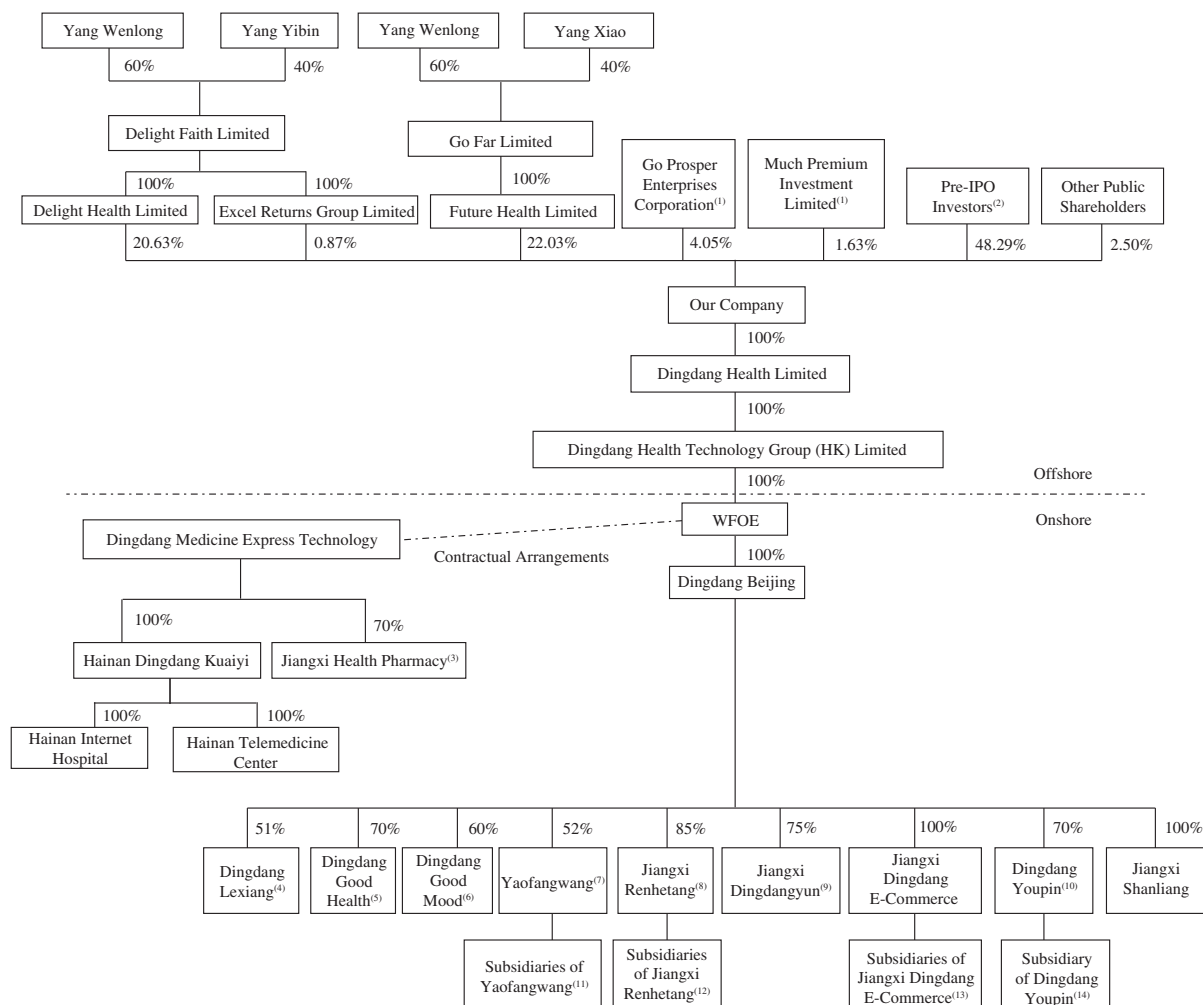
## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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- (5) the remaining 37% equity interest of Dingdang Lexiang is held by Zhang Yu (張宇), who is an Independent Third Party, and the remaining 12% equity interest of Dingdang Lexiang is held by Chen Qingyun (陳雲清), who is an Independent Third Party.
- (6) the remaining 30% equity interest of Dingdang Good Health is held by Zhang Zhe (張喆), who is an Independent Third Party.
- (7) the remaining 40% equity interest of Dingdang Good Mood is held by Pan Qingxia (潘青霞), who is an Independent Third Party.
- (8) the remaining 48% equity interest of Yaofangwang is held by Hongji Zhuhai, which is an Independent Third Party other than being the substantial shareholder of Yaofangwang.
- (9) the remaining 15% equity interest of Jiangxi Renhetang is held by Liu Ying (劉英), who is the executive director and general manager of Jiangxi Renhetang.
- (10) the remaining 25% equity interest of Jiangxi Dingdangyun is held by Luo Meng, who is an assistant to the president and the director of the big data center of our Group.
- (11) the remaining 22% equity interest of Dingdang Youpin is held by Hu Dasheng (胡大勝), who is an Independent Third Party, and the remaining 8% equity interest of Dingdang Youpin is held by Zhong Ming (鐘銘), who is the general manager of Dingdang Youpin.
- (12) subsidiaries of Yaofangwang include (i) Renhe Yaofangwang Guohua (Beijing) Medicine Technology Co., Ltd. (仁和藥房網國華(北京)醫藥有限公司) and Nanjing Renhe Yaofangwang Pharmaceutical Technology Co., Ltd. (南京仁和藥房網醫藥科技有限公司), which are directly wholly owned by Yaofangwang; and (ii) Jinan Renhe Yaofangwang Medicine Technology Co., Ltd. (濟南仁和藥房網醫藥有限公司), which is held as to 70% of its equity interest by Yaofangwang and 30% by Lai Mu (賴牧), who is a supervisor of Jinan Renhe Yaofangwang Medicine Technology Co., Ltd.
- (13) the subsidiaries of Jiangxi Renhetang refer to Jiangxi Zhongda Pharmacy Co., Ltd. (江西中達藥業有限公司) and Jiangxi Zhongxuan Daily Chemicals Technology Co., Ltd. (江西中軒日化科技有限公司), which are directly wholly-owned by Jiangxi Renhetang.
- (14) subsidiaries of Jiangxi Dingdang E-Commerce refer to (i) Dingdang Smart Pharmacy (Beijing) Co., Ltd. (叮嚕智慧藥房(北京)有限公司), Beijing Dingdang Wisdom Zhaoxia Pharmacy Co., Ltd. (北京叮嚕智慧朝霞大藥房有限公司), Beijing Dingdang Wisdom Denei Pharmacy Co., Ltd. (北京叮嚕智慧德內大藥房有限公司), Beijing Dingdang Wisdom Yihai Pharmacy Co., Ltd. (北京叮嚕智慧怡海大藥房有限公司), Dingdang Smart Pharmacy (Wuhan) Co., Ltd. (叮嚕智慧藥房(武漢)有限公司), Dingdang Smart Pharmacy (Guangdong) Co., Ltd. (叮嚕智慧藥房(廣東)有限公司), Dingdang Smart Pharmacy (Guangzhou) Co., Ltd. (叮嚕智慧藥房(廣州)有限公司), Chengdu Dingdang Smart Pharmacy Chain Co., Ltd. (成都叮嚕智慧藥房連鎖有限公司), Smart Pharmacy (Fuzhou) Co., Ltd. (叮嚕智慧藥房(福州)有限公司), Smart Pharmacy (Chongqing) Co., Ltd. (叮嚕智慧藥房(重慶)有限公司), which are directly or indirectly wholly-owned by Jiangxi Dingdang E-Commerce; (ii) Dingdang Smart Pharmacy (Shanghai) Co., Ltd., which is held as to 90% of its equity interest by Jiangxi Dingdang E-Commerce and 10% by Feng Gang; (iii) Dingdang Smart Pharmacy (Tianjin) Co., Ltd. (叮嚕智慧藥房(天津)有限公司), which is held as to 85% of its equity interest by Jiangxi Dingdang E-Commerce and 15% by Wang Xianzhong (汪獻忠), who holds several positions in our subsidiaries, including the executive director and general manager of Hainan Dingdang Kuaiyi; (iv) Dingdang Smart Pharmacy (Nanjing) Co., Ltd. (叮嚕智慧藥房(南京)有限公司), which is held as to 85% of its equity interest by Jiangxi Dingdang E-Commerce and 15% by Feng Gang; (v) Dingdang Smart Pharmacy (Hangzhou) Co., Ltd. (叮嚕智慧藥房(杭州)有限公司), which is held as to 85% of its equity interest by Jiangxi Dingdang E-Commerce and 15% by Feng Gang; (vi) Henan Dingdang Smart Pharmacy Co., Ltd. (河南叮嚕智慧藥房有限公司), which is held as to 70% of its equity interest by Jiangxi Dingdang E-Commerce and 30% by Li Fei (李菲), who is the general manager of Henan Dingdang Smart Pharmacy Co., Ltd.; and (vii) Jiangxi Dingdang Delivery Co., Ltd. (江西叮嚕配送有限公司), which is held as to 70% of its equity interest by Jiangxi Dingdang E-Commerce and 30% by Luo Meng.
- (15) subsidiary of Dingdang Youpin refer to Zhangshu Youpin Pharmacy Co., Ltd. (樟樹市優品大藥房有限公司), which is wholly owned by Dingdang Youpin.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### (2) Immediately after the completion of the Global Offering (assuming that the Over-allotment Option has not been exercised)



For Notes (1) to (14), please refer to the corresponding notes for the chart under section “Shareholding and Corporate Structure — (1) Immediately after completion of the Reorganization but prior to the completion of the Global Offering” above.

## PRC REGULATORY REQUIREMENTS

### M&A Rules

According to the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”) jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the State Administration of Industry and Commerce and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, if a mainland China company or individual intends to acquire its/his/her related domestic company through an offshore company which it/he/she lawfully established or controls, such acquisition shall be subject to the examination and approval of MOFCOM. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by mainland China companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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special purpose vehicle acquires shares of or equity interests in the mainland China companies in exchange for the shares of offshore companies. Pursuant to the Manual of Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》) issued by MOFCOM on December 2008, the M&A Rules do not apply to the transfer of equity interests in established foreign-invested enterprises from mainland China companies or individuals to offshore companies or individuals, regardless of whether there is any associated relationship between the mainland China companies or individuals and offshore companies or individuals, or whether the offshore companies or individuals are existing shareholders or new shareholders of the foreign-invested enterprises.

Jingtian & Gongcheng, our PRC Legal Advisors, is of the opinion that, unless new laws and regulations are enacted or MOFCOM and CSRC publish new provisions or interpretations on the M&A Rules in the future, prior CSRC or MOFCOM approval for the Global Offering is not required because (i) before the acquisition of Dingdang Beijing by WFOE on May 26, 2021, Dingdang Beijing is a foreign-invested enterprise rather than a domestic company for the purpose of the M&A Rules and (ii) the Contractual Arrangements do not fall within the acquisition of domestic companies by offshore companies or individuals under the M&A Rules. However, uncertainties still exist as to how the M&A Rules and other PRC laws and regulations will be interpreted and implemented or whether the relevant authorities would promulgate further requirements.

### SAFE Registration

Pursuant to the SAFE Circular on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”), promulgated by SAFE and which replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Corporate Financing and Round-trip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 75**”) which became effective on July 14, 2014, (i) a mainland China resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the mainland China resident for the purpose of conducting investment or financing, and (ii) following the initial registration, the mainland China resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s mainland China resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the SAFE Circular on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”), promulgated by SAFE which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity are located.

As advised by Jingtian & Gongcheng, our PRC Legal Advisors, Mr. Yang Wenlong, Mr. Yang Yibin, Mr. Yang Xiao and the 17 Restricted Share Participants, who are known to us as PRC citizens, have completed the registration under the SAFE Circular 37.

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## BUSINESS

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### OVERVIEW

We are a service provider in providing express digital healthcare service in China. Since our inception in 2014, we have been facilitating the transformation and upgrade of China's healthcare industry by on-demand pharmaceutical retail and medical consultation, primarily with online-to-offline solutions, including operations related to our online platforms, offline smart pharmacies and express delivery service. We are a service providers in the digital retail pharmacy industry in China and ranked No. 3 in such industry by revenue in 2021 with a market share of 1.0%, and the market shares of the service providers in the digital retail pharmacy industry in China ranking the first and the second by revenue in 2021 was 10.0% and 6.5%, respectively, according to the Frost & Sullivan Report. We are the largest product and service provider in the on-demand digital pharmacy industry in China by revenue in 2021 with a market share of 6.8%, according to the Frost & Sullivan Report.

Driven by the aging of the population, the advancement of Internet-based technologies, the market-oriented reforms of healthcare systems in China, and market uncertainties such as the COVID-19 outbreak, the digital health and wellness market has been growing rapidly since 2015, revealing significant unmet demands in healthcare services, such as pharmaceutical retail and medical consultation, and creating immense market opportunities for on-demand healthcare services. Meanwhile, we have connected industry participants including medical professionals, pharmacies, pharmaceutical companies, and other stakeholders along the entire value chain to construct a technology-driven, user-centric, and closed-loop ecosystem featuring healthcare product and service offerings. Leveraging our integrated online and offline operations, we provide our users with a full suite of on-demand healthcare products and services, such as drug express, online medical consultation and chronic disease and healthcare management:

- ***Drug Express:*** Through our drug express offering, comprising our pharmaceutical and healthcare business, we provide our users with express access to OTC drugs, prescription drugs and healthcare products in a timely and convenient fashion. We have established an omni-channel access network for our drug express offering, including our own online platforms such as our own mobile App and WeChat mini program, third-party online platforms, online distributors and offline purchase directly made at our smart pharmacies.

Our drug express service offering is mainly operated through our online direct sales channel, in which we sell our products directly to users through online platforms, including our self-operated online platforms and renowned third-party online platforms. In addition, we also serve our users through our network of smart pharmacies across China through our offline retail channel, and we distribute products to major e-commerce retailers, or other online distributors, for further distribution to users through our business distribution channel. As of the Latest Practicable Date, we have established a network of 351 smart pharmacies across 17 cities in China, delivering products through our delivery force nationwide. Under our drug express business, we directly source products from our pharmaceutical enterprises partners, and sell such products to users from our aforementioned three channels. For our drug express service offering through our online direct sales channel, we collaborate with our delivery partners and third-party carriers under outsourcing arrangements, who are responsible for delivery products to our users. We strive to provide our users with streamlined on-demand drug purchase experience, with products delivered to the purchasers within 28 minutes on a 24/7 basis in regions covered by our express delivery service. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we recorded 9.0 million, 15.9 million, 22.3 million, 35.9 million and 9.1 million sales orders under express delivery model, representing 63.8%, 60.3%, 55.0%, 59.3% and 60.7% of our total sales orders. During the same period, the revenue contribution of our express delivery model was RMB244.0 million, RMB565.0 million, RMB887.8 million, RMB1,391.6 million and RMB399.2 million, respectively, representing 55.0%, 55.3%, 47.6%, 44.1% and 45.8% of our revenue from online direct sales channel and offline retail channel. During the Track Record Period, the proportion of sales orders under the express delivery model being delivered to our users within 28 minutes was 58.2%, 76.8%, 85.0%, 88.2% and 79.9%, respectively. Meanwhile, we also offer delivery options such as regular delivery, pre-order delivery, and offline pickup to meet users' individualized needs. In addition, we provide 24-hour purchase guidance from pharmacists to our users.

- **Online Medical Consultation:** We provide our users with online medical consultation service only in relation to their follow-up online medical consultation demands through our Internet hospitals and our medical team, covering medical conditions such as chronic diseases. As of the Latest Practicable Date, our medical team mainly comprised 20 full-time and 72 part-time doctors, more than 800 external doctors through our collaboration with a third-party medical institution and other medical professionals including 427 pharmacists.

In terms of the services provided by the doctors on our platform, including our full-time, part-time and external doctors, we would be liable for the obligations regarding their services provided, such as claims for medical malpractice, complaints or blunders. However, in terms of external doctors, according to our agreements with the third-party medical institutions, they shall comply with the relevant laws and regulations governing hospitals and physicians, and shall assume responsibility for their actions. In addition, in terms of part-time doctors, according to our agreements with the part-time doctors, we are liable for handling medical damages and disputes arising from the services provided by them on our platform. The part-time doctors shall comply with the relevant laws and regulations, otherwise we may claim the share of relevant responsibility from them afterwards. In terms of full-time doctors, we carry professional liability insurance covering a maximum of RMB3,000,000 in the aggregate over the course of a year. According to our PRC Legal Advisors, there are no mandatory requirements for medical professional liability insurance under current PRC laws and regulations, and according to the Frost & Sullivan Report, it is normal for online consultation platforms to take professional liability insurance for its full-time doctors to cover related risks, while the specific coverage of the issuance maybe variable due to the number of doctors and users of the online consultation platforms. During the Track Record Period and up to the Latest Practicable Date, we have not encountered any medical malpractice arising from the services provided by our full-time doctors. Based on the forgoing, our Directors are of the view that the Company's professional liability insurance taken for its full-time doctors are sufficient. In relation to the services provided by the external doctors through our platform, relevant third-party medical institutions generally carry and pay for professional liability insurance covering medical malpractice claims for approximately 70% of the external doctors assigned to our platform. As advised by our PRC Legal Advisors, such practice does not violate the PRC laws and regulations, since such medical malpractice liability insurance is not compulsory under the current PRC legal regime. Although we do not maintain insurance policies covering the services provided by the part-time doctors or the external doctors on our platform, we have control on such risks arisen from them by way of contractual arrangements, see “— Online Medical Consultation — Our Medical Team.” Our PRC Legal Advisors have also advised that if we take responsibility regarding the services provided by the part-time doctors or external doctors on our platform, we may claim the relevant responsibilities from the part-time doctors or the third-party medical institutions according to relevant agreements. During the Track Record Period and up to the Latest Practicable Date, our services were not involved in any material medical malpractice, complaints or blunders.

During the Track Record Period, other than psychological consultation services, we did not generate revenue under our online medical consultation services. Our follow-up online medical consultation service is provided on a 24/7 basis, where users are promptly matched with the appropriate doctors and can communicate with them through messages or voice calls. We capitalize on our online medical consultation traffic and provide our users with solutions integrating pharmaceutical products and services. Our online medical consultation service brings increased orders to our online direct sales including express drug business. Users may have the access to our offering of prescription drugs through our prescription verification and renewal service after they acquire prescriptions from professional doctors during online medical consultation.

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- ***Chronic Disease and Healthcare Management:*** To complement with our drug express and online medical consultation service offerings, we provide a portfolio of chronic disease and healthcare service offerings, including medication and dosage guidance, follow-up consultation reminders, prescription renewal, health information feedback and healthcare knowledge management. We currently focus on chronic diseases such as liver diseases, skin diseases, cardiovascular diseases and diabetes, and plan to gradually expand our coverage to more chronic diseases in the future. Our chronic disease and healthcare management service offering helps doctors efficiently track, manage, and communicate with users, and helps users establish individualized health profiles, which facilitates the improvement of patients' drug compliance and our precise prediction of their full life-cycle healthcare demands. In addition, it also strengthens user loyalty to our platform and facilitates the development of express drugs and online medical consultation, as well as brings increased orders to online direct sales.

In addition, we also generate a small portion of revenue from other business, consisting of marketing services, marketplace services and other services.

Benefiting from our broad network of smart pharmacies, our capability in express delivery and our resources along the value chain, we operate a fast-growing business. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, our drug express service offering recorded a total of 14.1 million, 26.4 million, 40.5 million, 60.5 million and 15.8 million sales orders, respectively, through our online direct sales channel and offline channel; during the same periods, our online medical consultation service offering recorded a total of 0.1 million, 2.2 million, 4.4 million, 6.8 million and 1.8 million online consultations, respectively, contributing sales orders (including OTC drugs, prescription drugs, and healthcare products) to our drug express business with revenue of RMB1.6 million, RMB27.6 million, RMB75.6 million, RMB331.9 million and RMB110.3 million, respectively, and our chronic disease and healthcare management service offering contributed sales orders (sales of drugs related to chronic disease, such as liver diseases, skin diseases, cardiovascular diseases and diabetes) to the drug express business with revenue of RMB8.3 million, RMB215.8 million, RMB514.8 million, RMB846.9 million and RMB219.3 million, respectively.

In 2018, 2019, 2020, 2021 and the three months ended March 31, 2021 and 2022, our revenue was RMB584.6 million, RMB1,275.6 million, RMB2,228.6 million, RMB3,678.7 million, RMB779.7 million and RMB987.4 million, respectively, with a CAGR of approximately 84.6% from 2018 to 2021 and a year-on-year increase of 26.6% from the three months ended March 31, 2021 to the three months ended March 31, 2022. With our first-mover advantage in the digital health and wellness industry, we can fully seize the opportunities brought by the rapid growth of the industry and achieve long-term development. Despite our continued increase in revenue, we have been loss making, and may continue to incur net losses and net operating cash outflow in the near future, primarily because we will be in the phase of seeking a balance between a more effective scale growth and further improvements in operating efficiency, our operation and development strategy while approaching profitability.

### COMPETITIVE STRENGTHS

We believe that the following competitive advantages distinguish us from our competitors and contribute to our success.

#### **Service provider in the provision of express digital healthcare service in China, underpinned by our unique online and offline operations**

We are a service provider in providing express digital healthcare service in China. We are the largest product and service provider in the on-demand retail pharmacy industry and a top three service provider in the digital retail pharmacy industry in China by revenue in 2021, according to Frost & Sullivan. We strive to provide our users with streamlined on-demand drug purchase experience, with products delivered to the purchasers within 28 minutes on a 24/7 basis in regions covered by our express delivery service.



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We strengthen our market position in China's digital retail pharmacy market and on-demand retail pharmacy market through our business model which integrates online and offline operations. According to the Frost & Sullivan Report, we are the first company to provide self-operated, Internet-based on-demand healthcare service in China. With such first-mover advantages and consistent improvement of our business model, we have redefined how pharmaceutical and healthcare products are purchased. We have thus far established good reputation for the delivery of high-quality product and service offerings, gained trust from an expanding user base, and retained our users, all of which underpin our competitive advantage in competing with our competitors. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we recorded a total of 14.1 million, 26.4 million, 40.5 million, 60.5 million and 15.8 million sales orders, respectively, from our online direct sales model and offline channels combined. Our online channels significantly contributed to our results of operations during the Track Record Period. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, our sales orders from online direct sales accounted for 87.7%, 90.8%, 92.9%, 92.5% and 95.1% of our total sales orders during the same periods, respectively.

For our online operations, we have improved our operational efficiency through the insights obtained from the data we collected and processed and the technology we developed in the operation of our business. Such AI- and big-data-related technologies, such as smart site selection, smart drug selection, smart dispatchment and smart consultation, have organically connected the offline operations of our smart pharmacies to achieve high operational efficiency. We also strive to meet the on-demand health needs of our users by providing service offerings such as online medical consultation and chronic disease and healthcare management. As of the Latest Practicable Date, we have assembled a team of 20 full-time and 72 part-time doctors, as well as more than 800 external doctors whom we are connected to through our collaboration with a third-party medical institution to provide our users with online medical consultation. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we recorded a total of approximately 0.1 million, 2.2 million, 4.4 million, 6.8 million and 1.8 million online consultations, respectively.

For our offline operations, we have developed our nationwide network of smart pharmacies in key cities in China, with the location of each pharmacy precisely selected based on our advanced technologies such as the electronic-zoning (“**E-zoning**”) technology. As of the Latest Practicable Date, our nationwide pharmacy network consisted of 351 smart pharmacies spanning across 17 cities in China. We empower our smart pharmacies and form core advantages such as intelligent location, smart operation and smart delivery. In addition, our brand advantage has also attracted certain pharmacy partners to join and adopt our brands or to sell products on our platforms in order to gain better access to users. Collaborating with our delivery partners under outsourcing arrangements, we have also built a professional delivery team, which strive to provide our users with seamless on-demand drug purchase service within 28 minutes on a 24/7 basis in regions covered by our express delivery service. As of March 31, 2022, the professional delivery team had more than 2,600 riders who are responsible to deliver products procured from more than 4,800 pharmaceutical and pharmaceutical distribution enterprises from our pharmacies to users.

Therefore, we believe that our unique model integrating online and offline operations defines our market leadership position and will continue to drive our future business growth.

### **Our full range of on-demand healthcare service offerings which provide superior user experience and facilitate the growth of our sales order**

We have developed and have been constantly upgrading and refining our user-centric business model to address the changing demands of users. We strive to provide our users with superior experience through the synergy of different product and service offerings, and by connecting users closely with different participants in our ecosystem and along our value chain.

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We provide on-demand, professional, omni-channel and data-driven drug purchase service offerings. Among various delivery options, our drug express offering strive to provide our users with seamless online drug purchase service within 28 minutes on a 24/7 basis in regions covered by our express delivery service, which efficiently addresses the common concerns among users regarding timeliness, late-night accessibility and privacy. At the same time, we provide our users with 24-hour medication guidance by our medical professionals. In 2018, 2019, 2020, 2021 and the for the three months ended March 31, 2022, the number of the sales orders received through our online direct sales and offline retail channels (excluding those through our partner pharmacies) from 10pm to 8am, amounted to 2.0 million, 4.0 million, 5.0 million, 7.6 million and 1.7 million, respectively. Although the aforementioned late-night orders account for 19.0%, 16.2%, 12.7%, 12.7% and 11.0% of all sales orders through our online direct sales and offline retail channels (excluding those through our partner pharmacies), we believe that our services providing on a 24/7 basis is critical to maintain and increase the stickiness of our users to our platforms, as well as to enhance our user retention, since we are able to address their pharmaceutical products demands by providing timeliness service and late-night accessibility. We also highly value the privacy of our users. For individual users, based on their refill cycle and medication habits, we also send timely reminders to accurately address their demand for renewing prescriptions. Riding on the combination of our product and service offerings, we are able to provide superior drug purchase experience to our users and promote our business growth. Thanks to our competent on-demand healthcare service offerings, the number of our total sales orders increased from approximately 14.1 million in 2018 to 60.5 million in 2021, representing a CAGR of 62.3% and increased by 22.5% from 12.9 million for the three months ended March 31, 2021 to 15.8 million for the three months ended March 31, 2022.

We provide convenient and professional online medical consultation services. We provide users with 24-hour online medical consultation and prescription renewal service through our own Internet hospital or medical institution partners to address users' needs for convenient access to online medical consultation and purchase of prescription drugs. Our medical team, which consists of full-time and part-time doctors, as well as the external doctors we are connected to, allows users to independently select doctors by doctors' detailed background and their individual needs and have their quests quickly responded by professionals. In order to improve the quality of our services, we adopt a user feedback system where we could gain a deeper understanding of user experience from the ratings provided by our users. We can then continuously enhance and optimize the consultation service process and user experience accordingly. In order to secure a professional medical service team, we implemented a stringent selection process on medical professionals participating in online medical consultation services. Furthermore, we provide continuous training and development programs, as well as regular feedback to our medical professionals. Our online medical consultation service offering recorded a total of 0.1 million, 2.2 million, 4.4 million, 6.8 million, 1.3 million and 1.8 million online consultations, in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, representing a CAGR of 308.2% from 2018 to 2021 and a year-on-year increase of 38.5% from the three months ended March 31, 2021 to the three months ended March 31, 2022.

We also provide a series of other health management services. Leveraging the synergy effect of our integrated product and services offerings, we provide all-round health services offerings such as chronic disease and healthcare management, psychological consultation services, psychological evaluation services, psychological online courses and clinical appointment. Our chronic disease and healthcare management service provides users with high-quality services such as guidance on medicine usage and dosage, follow-up consultation reminders prescription renewal, while our psychological consultation provides users with service options to obtain professional advice from psychologists. We are also in the process of exploring efforts in areas such as DTP pharmacies and new specialty drug, to address the massive needs in chronic disease and healthcare management, especially in areas such as liver disease, cancer, cardiovascular and diabetes. We cooperate with a third-party online clinical appointment platform, so as to provide users with the option of making clinical appointments through our platforms. Our portfolio of health management services provide users with comprehensive and in-depth medical services, forming a strong binding relationship with our users.

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In addition, the above full range of on-demand healthcare service offerings are conveniently provided through an omni-channel network which facilitates our reach to user groups with different demographic characteristics and the growth of our user base. The omni-channel network, including our own online platforms, third-party online platforms of renowned on-demand and e-commerce companies, distributors and offline channels, provides users with more convenient consumption experience, enhances the accessibility of our product and service offerings, and subsequently expands our user bases.

Riding on our diversified product and service offerings, we are able to expand our user base and increase our sales orders at low costs. Our superior user experience is evidenced by our continuously growing number of sales orders; and the synergy among our product and service offerings is evidenced by the high conversion rates at our self-operated online platforms and the growing sales orders at third-party online platforms. Furthermore, we use our online medical consultation service as a cross-selling tool to facilitate our drug express offerings, which drive our users of online consultation service to our drug express service. The conversion rate for our products from online medical consultation service in terms of realizing sales of product through our self-operated online platforms was 51.4%, 69.9%, 68.8%, 77.5% and 81.1% in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, respectively. See “— Our Products and Service Offerings — Online Medical Consultation.”

### **End-to-end capabilities along our value chain empowering participants in our ecosystem**

We have established an ecosystem encompassing participants such as our users, our delivery force, pharmacies, pharmaceutical enterprises and medical professionals. We have strengthened our relationship with participants in our ecosystem to enhance our end-to-end capabilities along our value chain.

- **Delivery:** As of March 31, 2022, the professional drug delivery team, which we engaged through the collaboration with our delivery partners under outsourcing arrangements, had more than 2,600 riders. We set stringent standards on temperature and humidity control of the delivery equipment, as well as the demeanor of the riders through the delivery process. With our competency in delivery, we have been granted the option to make deliveries with our fulfillment and delivery resources for the orders placed in our stores on third-party platforms, which signifies our delivery capability in the industry. We adopted the “in-store” delivery mode and generally assigned over several professional “in-store” delivery riders to meet the requirements of our quality service. We also strive to deliver our products to users within 28 minutes on a 24/7 basis in regions where we provide express delivery service, creating excellent delivery experience for our users. In addition, empowered by our technologies, we are able to constantly sharpen our fulfillment capacity and enjoy increasing efficiency in fulfillment during the Track Record Period.
- **Pharmacies:** We are dedicated to the digitalization of traditional pharmacies, greatly improving the operating efficiency of our own smart pharmacies while attracting third-party partner pharmacies to join our platform. Our smart pharmacies are backed by our technology capabilities such as smart site selection, smart drug selection and smart dispatchment. We have been enhancing our engagement of third-party pharmacies on our platform, empowering them with online traffic while promoting our brands simultaneously. In addition, based on data analysis on users’ demands, we also provide a broad portfolio of product and service offerings for both our own smart pharmacies and third-party partner pharmacies on our platform.
- **Pharmaceutical enterprises:** Our understanding of user accumulated throughout our business is able to empower pharmaceutical enterprises and provide them with enhanced online and offline marketing capabilities. In particularly, in 2015, we established the FSC Pharmaceutical Alliance with various pharmaceutical enterprises to achieve in-depth cooperation, including but not limited to research, development and marketing. In return, pharmaceutical enterprises

offered us customized development and procurement strategies, enabling us to achieve higher procurement efficiency and to maintain a lower inventory level via our enhanced product portfolio. We have achieved strategic cooperation with GSK CH, Renhe Pharmaceuticals, Bayer Healthcare, CR Pharmaceuticals, Jointown Pharmaceuticals and other pharmaceutical enterprises and pharmaceutical distribution enterprises, which helps us to reduce intermediary costs of procurement, optimize our product portfolio and improve our service quality in serving our users.

- **Medical Professionals:** Through the doctors and pharmacists in our medical teams, we offer users with medication consultation services as well as advice on drug purchases provided on a 24/7 basis to enhance user experience. In addition, we established our own Hainan Internet Hospital and carried out strategic cooperation with other third-party Internet hospitals in order to provide our users with remote disease diagnosis, health guidance, chronic disease and healthcare management, and prescription renewal. As of the Latest Practicable Date, we had a team of 20 full-time and 72 part-time doctors, more than 800 external doctors that we were connected to through our collaboration with a third-party medical institution and 427 pharmacists, which effectively meets the needs of our users for real-time consultation with the support from our platform and technologies.

### **Proprietary technology platform and research and development technical competencies**

Our portfolio of healthcare product and service offerings is supported by our comprehensive technological capabilities. We have established a proprietary technology platform with multiple systems to support our business operations and innovation. As we gradually built up our database over the years, we have been constantly refining, extending and enhancing our understanding of users, including but not limited to their health conditions, browsing and purchasing habits, and geographic locations. Relying on continuous data labelling and analysis process, we are able to effectively customize the development strategy for each individual pharmacy in site selection, scheduling and operations. Eventually, we leverage multi-dimensional big data to enhance our product and service offerings and extend our engagement in other fields such as online medical care and medical insurance. In addition, we have also built on big data and the knowledge mapping of users' health, medicine and medical treatment, both separately and in a combined manner, for in-depth data analysis. Based on each individual user's drug purchase history, medical treatment course, relapse visits and drug dependence, we are able to predict such user's needs for healthcare product and service offerings, to send accurate and timely healthcare notification regarding medication, and to offer customized healthcare solutions tailored to address the specific needs of such user. Further, such customized solutions are supplemented by our comprehensive product mix, including OTC drugs, prescription drugs and healthcare products, among others. We believe that the implementation of technology in all aspects of our business also facilitates the enhancement of our closed-loop business chain, and encourage more activities on our platforms.

We believe that our strong research and development system has the following key technological advantages:

- **Smart site selection:** We select the location of our smart pharmacies based on big data and our proprietary E-zoning technology, which enable us to achieve optimal efficiency in the coverage by the network of our smart pharmacies. Generally, we consider a smart pharmacy's surrounding conditions, such as the number of users, users' lifestyle, road conditions, sales history of the its nearby communities and data based on field tests by our riders, and our delivery capacity would be allocated dynamically based on the actual operation with systemic upgrade and optimization. See “— Our pharmacy network — Layout and management of our smart pharmacies.”

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- **Smart operation:** Our smart pharmacies are operated based on data analysis, which facilitates the ongoing improvement in our operational efficiency and business performance via various functions such as the smart procurement, selection, delivery and fulfillment of drugs, as well as the precise prediction of the flow of sales orders.
- **Smart delivery:** We conduct real-time analysis of logistics schedules and local traffic, offering AI-based smart solutions to the planning of delivery path and the scheduling of logistics distribution capacity, leading to an improvement in the efficiency, timeliness, and effectiveness of our delivery process.
- **Smart user management:** We implement precise marketing and personalized recommendations by leveraging multi-dimensional labels of our users, which also facilitate the efficient operations of our smart pharmacies.

As of the March 31, 2022, our IT team consists of 287 IT engineering and data analysis professionals with extensive experience in the Internet and technology industries. Our IT team works closely with other business departments to provide solutions covering all aspects of our business, including but not limited to the enhancement of our business model and technical support for our business operations. We have also been continuously increasing our investments in research and development activities. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, our research and development expenses amounted to approximately RMB31.4 million, RMB52.4 million, RMB82.1 million, RMB96.2 million, RMB19.5 million and RMB22.6 million, respectively.

### **Experienced management team and unique strategic resources**

Our management team has both innovative spirit and industry foresight, and their leadership have enabled us to fulfil the unmet needs of health and wellness in China via online and offline solutions. We are committed to providing our users with comprehensive and superior on-demand healthcare services. Our management team is led by Mr. Yang Wenlong, among others. Mr. Yang Wenlong has more than 21 years of experience in the China's medical and healthcare industry, while our senior management team has more than 19 years of work experience on average, with sophisticated educational background. In addition, Mr. Yang also serves as the chairman of the Board of Renhe Group, a major pharmaceutical enterprise, which may provide us with unique strategic resources on broad distribution network, solid sales capacity at retail point-of-sales, and reliable and steady OEM supply chain capabilities.

Our success have also been built by our strategy to ride on the capabilities of our strategic shareholders, including but not limited to our strategic cooperation with our strategic shareholders on the co-development of smart delivery medicine kits, and on bulk purchases of drugs.

### **BUSINESS STRATEGIES**

We strive to provide our users with customized, professional, one-stop on-demand healthcare solutions, through our ecosystem encompassing the provision of treatment, diagnosis, pharmaceutical products and medical insurance. We plan to adopt the following strategies to achieve our goals:

#### **Further expand the scale of our business**

We plan to continue to expand the geographic coverage of our business operations. In addition to expanding business coverage in existing cities, we also plan to expand our self-operated smart pharmacies into other cities, through both organic growth and acquisitions of offline pharmacies. Building upon our current coverage in first-tier and major second-tier cities, we strive to further penetrate into other second-tier and selected third-tier cities, especially those in affluent regions with high population densities

and strategic locations with a broader user base. Meanwhile, we plan to cooperate with third-party offline pharmacies and hospitals or other medical institutions for regions across China that are not yet covered by our network, to bring their products and services to our online platform and enable them to provide on-demand healthcare products and services to users in such regions.

We have a user-centric mindset, and plan to expand our user base nationwide through our omni-channel network in order to increase our sales orders. We will continue to promote and strengthen our brand awareness and plan to cooperate with more third-party channels, especially new online channels, to attract more users to enjoy the product and service offerings on our online platform. We will also continue to enhance our user engagement capabilities and encourage repurchase from our users by offering more holistic on-demand healthcare services. We believe an enlarged active user community will lead to increasing number of transactions and orders for our healthcare product and service offerings.

### **Further expand our healthcare product and service offerings**

To better serve our users and provide them with the ultimate and all-rounded on-demand healthcare products and services, we will continue to expand the scope of our current offerings. For our drug express services, we will continue to increase the variety of products offered under each category on our platform, especially, prescription drugs, healthcare products such as cosmeceuticals, and home medical devices. For our online medical consultation business and chronic disease and healthcare management business, we intend to establish specialized departments, especially in andrology, liver diseases and skin diseases, to attract more high-calibre medical experts and thus provide broader and more specialized online medical services to our users. We also plan to continue tracking and converting more users to our platform leveraging our user data and our portfolio of product and service offerings. Furthermore, with our advantage in a nationwide network of smart pharmacies and delivery force, we plan to explore new DTP business model and expand the scale of our business in new specialty drugs.

Aside from our existing business offerings, we are devoted to further expanding into new business areas, such as on-demand point-of-care testing covering fields including bone and vessel health, as well as cross-border e-commerce for pharmaceutical and healthcare products. We strive to enrich our product and service offerings along our core business, including providing employee welfare benefits plans for corporate clients, offering healthcare management solutions for insurance clients, exploiting research and development services such as patient recruitment and monitoring for real-world studies, among others. The increasing cooperation with these business clients will further enhance the varieties of our product and service offerings.

### **Improve our end-to-end capabilities to enhance user experience**

We are committed to remaining user-centric, consistently enhancing our user experience by improving our end-to-end capabilities.

Dedicated to providing timely and reliable on-demand fulfillment services, and to optimizing user experience, we plan to strengthen our warehousing and delivery capabilities, by enlarging our nationwide pharmacy network, and accelerating the growth of our delivery teams. We are committed to expanding the scope and depth of our strategic cooperation with pharmaceutical enterprises, and establishing a diversified cooperation network. In addition, we expect to explore additional healthcare scenarios for our product and service offerings to serve more users.

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To further improve our online medical user experience, we intend to strengthen the development of online consultation and medication services, primarily in the following areas:

- **Medical professionals:** We plan to expand the team of our medical professionals, including full-time and part-time doctors, external doctors, and our pharmacists, with seasoned industry experience. We also intend to continue optimizing the management of our medical team, and enhance the collaboration mechanism among medical professionals within our medical team.
- **Medical institutions:** We intend to enhance our relationship with medical institutions, by increasing the number and variety of medical institutions we collaborate with, and enhancing the depth and breadth we collaborate with such medical institutions.
- **Online partners:** We plan to enrich the coverage of our online healthcare services to further develop our one-stop service capability, including but not limited to online consultation, common disease prevention and control, daily check-up, chronic disease and healthcare management, high-end and personalized health management, among others.

Based on the above, we will strengthen our end-to-end capabilities in connecting to resources to enhance and broaden our product and service offerings, striving to form a complete closed-loop of on-demand healthcare services.

### **Further enhance our investment in technologies**

We aim to enhance our operational efficiency and refine the portfolio of product and service offerings we provide to users by further investing in technologies. We strive to leverage on technology innovations, including AI, 5G and IoT to further improve the technology infrastructure for our existing product and service offerings, such as online medical consultation, online diagnosis, and chronic disease and healthcare management, so as to provide our users with better experience. In particular, to maintain our proven fulfillment capabilities, we plan to upgrade technologies related to our smart pharmacies and our delivery system, including but not limited to, our smart dispatching system, our smart scheduling system for the flow of our sales orders, and our E-zoning system which optimizes of the layout of our smart pharmacy network.

In addition to enhancing our existing systems with advanced technologies, we are also dedicated to the development of new technology platforms and systems to achieve higher operational efficiency and to explore additional scope of product and service offerings we can offer to our users. Such technology-enabled new systems that we are in the process of developing include a knowledge management platform encompassing big data on medical products and services, healthcare resources and healthcare profile of users, and a system organizing and arranging e-prescriptions under the current trend of prescription outflow in which in-hospital prescriptions can be fulfilled by out-hospital channels, and an online payment system enabling the payment for our healthcare product and service offerings by public health insurance and commercial insurance.

We are dedicated to recruiting and retaining top talent in the industry. Striving to recruit technical talents to strengthen our core competencies in research and development, we aim to expand our talent pool to ensemble a team of professionals specialized in areas such as algorithm, software development, data structure, search engine, product, development and data analysis.

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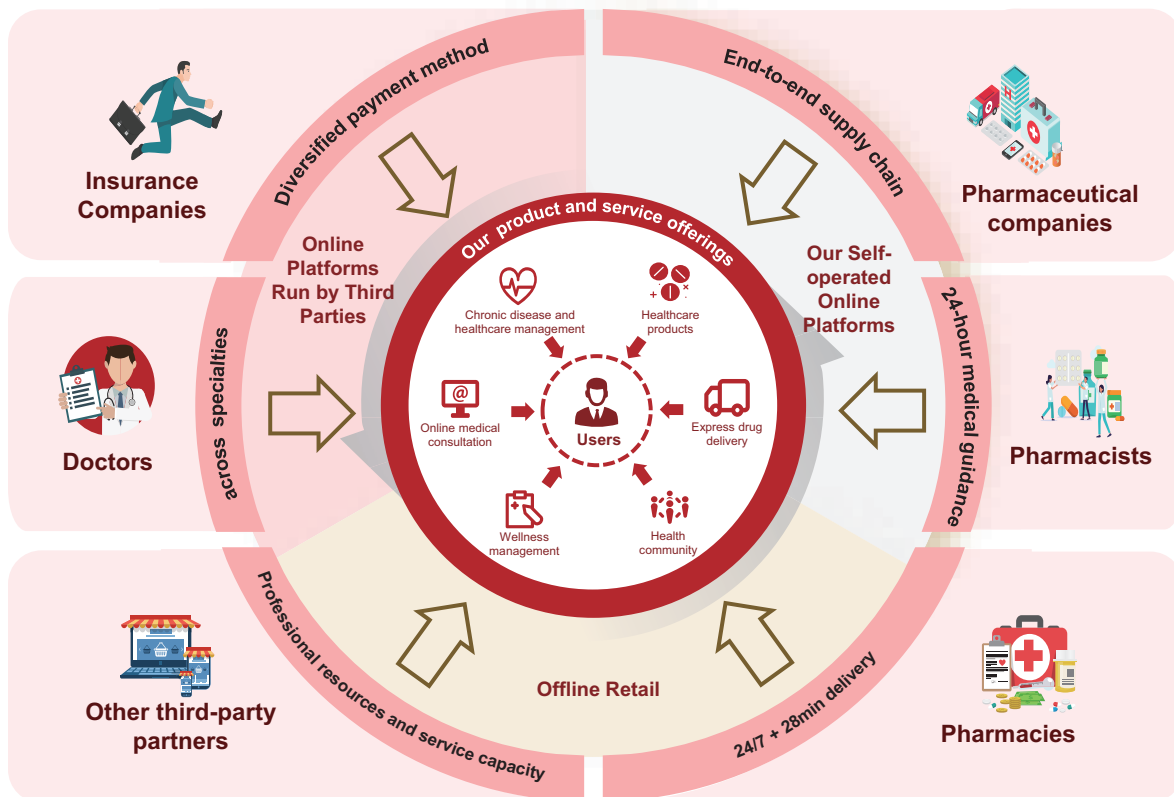
## Selectively pursue strategic alliances, investments, and acquisitions for long-term development

Complementing to our organic growth strategy, we aim to further fuel our business growth through establishing strategic alliances with partners and pursuing investments and acquisitions with synergistic businesses. We also seek acquisition or cooperation opportunities with companies covering daily disease detection and rapid detection technology to furnish our new business segments and enrich our offerings to customers. In addition, we plan to collaborate with companies with cutting-edge AI and big data technology so as to quickly improve our technical competitive strength in the pharmaceutical retail and online consultation businesses. As of the Latest Practicable Date, we have not identified any quickly acquisition or investment targets.

## OUR ECOSYSTEM AND ITS PARTICIPANTS

We create a vibrant ecosystem through the product and service offerings we provide, connecting our users, medical professionals, pharmacies, pharmaceutical companies, insurance companies and other participants in the ecosystem. Focused on providing premium-quality products and services to our users, our ecosystem is able to attract participants by offering unique value propositions to each of them based on their respective roles in the ecosystem. We have transformed how medical and healthcare products and services are delivered in today's new retail era via this ecosystem, and have established a reputation as a trusted and successful company among our ecosystem participants. We believe that the value we create for the participants in our ecosystem drives our business, and our ability to enhance such value propositions will be instrumental for our future.

The following diagram illustrates the network effects and interaction between participants within our ecosystem.





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The following are key participants benefiting from our ecosystem, and the value propositions our ecosystem offers them:

- *Users:*
  - Our users primarily consist of consumers and patients who purchase pharmaceutical products and healthcare services provided in our ecosystem. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we received a total of 14.1 million, 26.4 million, 40.5 million, 60.5 million, and 15.8 million sales orders, respectively, through our online direct sales channel and offline channel combined. As of March 31, 2022, the registered users on our own platforms amounted to 33.9 million.
  - Our platforms offer a one-stop portal for users to access extensive healthcare resources in a user-friendly way. We provide our users with a wide range of OTC and prescription drugs, healthcare products, and online medical services, all of which are accessible at the fingertips of them. Our products and service offerings address users' demand for access to medical products and services that are expressly delivered, conveniently prepared, 24/7 accessible, individually tailored, with user-friendly protection of privacy. We also collaborate with our medical partners to address users' demands for products and services treating severe diseases and chronic diseases. Our users benefit from our ecosystem by generating demands for the pharmaceutical products and healthcare services provided by other participants in our ecosystem, strengthening digital user persona and driving the evolution of our ecosystem with their demands, preferences and feedbacks.
- *Medical Professionals:*
  - We have assembled a team of full-time, part-time and external doctors, pharmacists and other medical professional across specialties, including but not limited to cardiovascular and cerebrovascular diseases, dermatology diseases, respiratory diseases, gastroenterology diseases, chronic diseases and oncology, to provide online consultation services. See “— Online Medical Consultation — Our Medical Team.” As of the Latest Practicable Date, we had assembled a team of 20 full-time doctors, 72 part-time doctors, and more than 800 external doctors that we were connected to through our collaboration with a third-party medical institution. As of December 31, 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022 and the Latest Practicable Date, we have collaborated with one, two, two, one, one and one third-party medical institutions, respectively. In addition, as of the Latest Practicable Date, we had a team of 427 pharmacists providing guidance to our users in the process of purchasing OTC and prescription drugs.
  - Our ecosystem benefits doctors and pharmacists by providing them with fast and easy access to the large pool of patients demanding medical consultation services. Doctors and pharmacists provides value to our ecosystem by providing healthcare consultation services that are more timely and more accessible compared to traditional medication consultation obtained during on-site visits to offline hospitals.

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- *Pharmacies:*
  - As of the Latest Practicable Date, we owned 351 smart pharmacies across 17 cities in China. The smart pharmacies we operate generate revenue from selling pharmaceutical and healthcare products procured from pharmaceutical companies and pharmaceutical distribution companies to users, and can be accessible to users either offline or online. See “— Our Pharmacy Network.”
  - Our ecosystem benefits pharmacies by providing pharmacies with additional demand, especially through online channels, for the pharmaceutical and healthcare products they sell. Pharmacies provide value to our ecosystem by providing our users with fast, easy and precise access of a wide variety of products to address their unmet medical needs.
- *Pharmaceutical Enterprises:*
  - As of March 31, 2022, we sold products sourced from more than 4,800 pharmaceutical companies and pharmaceutical distribution companies, such as GSK CH, Renhe Pharmaceuticals, Bayer Healthcare, CR Pharmaceutical and Jointown Pharmaceutical. We founded the FSC Alliance for Pharmaceutical Companies in 2015 to realize in-depth collaborate in advertising, promotion, marketing service, and research and development of pharmaceutical products. The number of pharmaceutical enterprises that we offered marketing services to was 108, 322, 305, 492 and 257 in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022. See “— Merchandise Sourcing.”
  - Our ecosystem benefits pharmaceutical enterprises by providing data on pharmaceutical product purchase, which may provide valuable guidance for the research, development and manufacturing activities of pharmaceutical enterprises. We also provide branding value for the pharmaceutical companies in our ecosystem. In turn, pharmaceutical companies provide value to our ecosystem by enhancing our procurement efficiency, and broadening the variety of our product mix, to better serve users.
- *Insurance Companies:*
  - We collaborate with insurance companies through providing the medical products and services covered by the reimbursement package provided by them. We also work with re-insurance companies to provide such products and services to their insurance company clients. See “— Sales and Marketing.” As of December 31, 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022 and the Latest Practicable Date, we collaborated with one, two, six, eleven, ten and ten insurance and reinsurance companies, respectively.
  - Our ecosystem benefits insurance companies by providing specialized and customized medical products and services to enrich their scope of services for customers. Insurance companies benefit our ecosystem by supplementing the ecosystem with the ability to provide healthcare product and service offerings with financial stability and sense of security to our users, enabling our ecosystem to provide users with more comprehensive product and service offerings.

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- *Other Third-Party Partners:*
  - In addition, we collaborate with renowned third-party online platforms by providing our product and service offerings through such platforms instead of directly competing with them. As of December 31, 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022 and Latest Practicable Date, we had engaged with 7, 12, 13, 16, 14 and 17 third-party online platforms, respectively. See “— Online Direct Sales — Renowned Third-party Online Platforms.” Furthermore, we also collaborate with other medical institutions such as Internet hospitals to strengthen our capabilities in providing professional medical services. As of December 31, 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022 and the Latest Practicable Date, we had collaborated with one, two, two, one, one and one third-party medical institutions, respectively. See “— Online Medical Consultation — Our Medical Team.”
  - Our ecosystem is able to help our third-party partners, in that our ecosystem is able to promote its collaboration with such third-party partners in aspects such as products, services and internet traffic. As our ecosystem collaborate with an increasing number of third-party partners, our ecosystem is able to become increasingly digitalized and intelligent, promoting the comprehensive capabilities of our platforms. Such third-party partners benefit from our ecosystem by adding to the portfolio of services that users can benefit from through our platform.

### OUR PRODUCT AND SERVICE OFFERINGS

We are a service provider in providing express digital healthcare services in China. Our business comprises a series of product and service offerings, represented by our three major offerings, namely drug express, online medical consultation and chronic disease and healthcare management.

- **Drug express:** Our drug express service offering, mainly comprising our pharmaceutical and healthcare business, allows users to purchase and gain express access to OTC drugs, prescription drugs and healthcare products in a timely and convenient fashion, providing users with an integrated one-stop experience encompassing purchase of drugs and healthcare products. Our drug express service offering is mainly operated through our online direct sales channel, in which we sell our products directly to users through online platforms, including our self-operated online platforms and renowned third-party online platforms. In addition, we also serve our users through our network of smart pharmacies across China through our offline retail channel, and we distribute products to major e-commerce retailers, or other online distributors, for further distribution to users through our business distribution channel. Our drug express business was our principal business and we generated most of our revenue from the sales revenue under such business during the Track Record Period.
- **Online medical consultation:** Based on our Hainan Internet Hospital and collaborations with third-party medical institutions, our online medical consultation service offerings are provided to address users’ needs for cost-effective and convenient online medical consultation. Such services are provided under both free model by our full-time doctor and the external doctors, and paid model by the part-time doctors. In addition, we provide psychological consultation services, as well as psychological evaluation services and psychological online courses, as our auxiliary services, and we charge service fees accordingly. We also provide our users with options to make online clinical appointments through third-party online clinical appointment platforms, which were free of charge during the Track Record Period.

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- **Chronic disease and healthcare management:** Our chronic disease and healthcare management services provides users with high-quality services addressing various needs of users with chronic diseases, such as guidance on drug usage and dosage, prescription renewal, information feedback on users' health status, and knowledge management for relevant medical information, which are very helpful to improve our drug compliance. During the Track Record Period, our chronic disease and healthcare management services were free of charge.

Our product and service offerings are accessible to users through our online direct sales, distribution and offline channels. See “— Access to Our Product and Service Offerings.” In addition to our pharmaceutical and healthcare business, we also generate a small portion of revenue from other business.

Our drug express service offering and other medical service offerings are synergistically integrated to create a closed-loop business model, which enables us to enhance our brand image and to provide better services to our users. Users of our other service offerings are potential buyers under our drug express service offering, as the high-quality user experience provided by our service offerings enhances our ability to cross-sell additional drugs and health and wellness products. Simultaneously, our drug express service users generate organic traffic for our other service offerings, as such users can be attracted by our well-recognized brand, trustworthy product quality and compelling user experience and consequently choose to experience the services provided under our medical service express business, such as chronic disease and healthcare management and services related to DTP pharmacies.

We believe attracting users and retaining users are critical to our platform's growth and our market share. During the Track Record Period, our user base continued to grow as we expanded our business and our product and service offerings. The total number of registered users on our self-operated platforms increased from 15.9 million in 2018 to 33.0 million in 2021, with a CAGR of 27.6%, and further increased to 33.9 million for the three months ended March 31, 2022. In terms of maintaining and increasing the stickiness of our users to our platform, during the Track Record Period, we have continued to expand our portfolio of products on our platforms, and improve our delivery services, such as increasing the proportion of the orders under the express delivery model being delivered to our users within 28 minutes. In addition, we have employed a variety of online and offline marketing activities, including a customer loyalty scheme, to maintain and increase the stickiness of our users to our platform. Going forward, to enhance user retention, we intend to further expand the scope of our current offerings. For our drug express services, we will continue to increase the variety of products offered under each category on our platform, especially, prescription drugs, healthcare products such as cosmeceuticals, and home medical devices. For our online medical consultation business and chronic disease and healthcare management business, we intend to establish specialized departments, especially in andrology, liver diseases and skin diseases, to attract more high-calibre medical experts and thus provide broader and more specialized online medical services to our users. We also plan to launch additional reward programs based on our current customer loyalty scheme, such as loyalty points for bonus gifts. In addition, to further expand our user base, we plan to continue to promote and strengthen our brand awareness and plan to cooperate with more third-party channels, especially new online channels such as popular online channels such as short-video platforms, to attract more users to enjoy the product and service offerings on our online platform. See “Business Strategies — Further expand the scale of our business” and “Business Sustainability — Steady Growth of User Base and Increase of User Average Spending”. We believe our selling and marketing expenses will increase with the implementation of the aforementioned strategies going forward, while we will also enjoy the economies of scale along with the growth of our business.

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### Drug Express

Our drug express service offering, mainly comprising our pharmaceutical and healthcare business, allows users to purchase and gain express access to OTC drugs, prescription drugs, and healthcare products in a timely and convenient fashion, providing users with an integrated one-stop experience encompassing purchase of drugs and healthcare products. Our drug express service offering is an integral part of our closed-loop business model. Our drug express service offering is mainly operated through our online direct sales channel, in which we sell our products directly to users through online platforms, including our self-operated online platforms and renowned third-party online platforms. In addition, we also serve our users through our network of smart pharmacies across China through our offline retail channel, and we distribute products to major e-commerce retailers, or other online distributors, for further distribution to users through our business distribution channel. See “— Access to our Product and Service Offerings.”

According to Frost & Sullivan, we ranked the first in China’s on-demand digital pharmacy market, and the third in China’s digital retail pharmacy market, both in terms of revenue in 2021. As of the Latest Practicable Date, we had 351 smart pharmacies strategically located in 17 cities across China. See “— Our Smart Pharmacy Network.” To better guide our users choosing proper drug products, we offer users with real-time consultation services provided by pharmacists. As of the Latest Practicable Date, we had a total of 427 pharmacists. To support our drug express business, we have enhanced our supply chain through forming alliance with hundreds of pharmaceutical enterprises. See “— Merchandise Sourcing.”

In terms of our drug express service operated through online direct sales channels, there are two operating models: online-to-offline model and the direct-sales e-commerce model. The sales orders under the online-to-offline model are primarily delivered by the riders through our delivery partners with the products prepared by our smart pharmacies with express delivery, focusing on providing on-demand healthcare service. The sales orders under the direct-sales e-commerce model are generally delivered by third-party carrier with the products prepared by our warehouses with regular delivery and pre-order delivery. The three delivery service models for drug express business ensures timely delivery of our drugs and health and wellness products. See “— Our Fulfillment and Delivery Capability.”

The following tables set forth the breakdown of the number of sales orders (excluding the orders of our partner pharmacies) and ARPO by different channel.

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
Sales order from online direct sales channel (in millions) <sup>(1)</sup> . . . . .	9.4	22.6	37.1	56.3	11.6	14.7
Sales order from self-operated platforms (in millions) . . . . .	5.3	9.6	11.3	14.7	3.3	2.8
Sales order from third parties platforms (in millions) . . . . .	4.2	13.0	25.8	41.5	8.3	11.9
Sales order from offline retail channel (in millions) . . . . .	1.0	2.1	2.4	3.6	0.7	0.8
<b>Total (in millions)</b> . . . . .	<b>10.5</b>	<b>24.7</b>	<b>39.5</b>	<b>59.8</b>	<b>12.3</b>	<b>15.5</b>

*Note:*

(1) Sales orders from online direct sales channel does not include the orders from partner pharmacies.

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	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB					
ARPO from online direct sales channel <sup>(1)</sup> . . . . .	41.3	40.1	45.7	45.9	46.1	48.5
ARPO from offline retail channel <sup>(2)</sup> . . . . .	51.7	54.1	71.3	158.9	175.5	199.7
<b>ARPO from online direct sales channel and offline retail channel . . . . .</b>	<b>42.4</b>	<b>41.3</b>	<b>47.3</b>	<b>52.7</b>	<b>53.6</b>	<b>56.3</b>

*Note:*

- (1) ARPO from online direct sales channel represents the revenue from online direct sales channel divided by the total number of orders from online direct sales channel, but excluding those from our partner pharmacies.
- (2) ARPO from offline retail channel represents the revenue from offline retail channel divided by the total number of orders from offline retail channel.

	2018	2019	2020	2021	2022
	RMB				
<b>ARPO from online direct sales channel and offline retail channel</b>					
Q1 . . . . .	44.4	42.7	55.0	53.6	56.3
Q2 . . . . .	42.6	40.8	48.9	55.5	–
Q3 . . . . .	39.8	40.0	44.1	52.9	–
Q4 . . . . .	43.3	42.0	44.4	49.8	–

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, the ARPU of our pharmaceutical and healthcare business from our self-operated online platforms was RMB73.0, RMB98.3, RMB129.0, RMB132.2, RMB82.7 and RMB126.5, respectively, and the percentage of our self-operated online platforms out of our revenue generated from online direct sales was 52.0%, 44.1%, 36.5%, 30.5%, 31.1% and 27.4%, respectively. The following tables set forth the selected key operating metrics of our self-operated online platforms for the periods presented:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(in millions)					
Total registered users . . . . .	15.9	21.2	27.3	33.0	28.7	33.9
Average MAU . . . . .	0.8	1.4	2.2	2.1	1.9	1.7
Average monthly paying users . . . . .	0.4	0.6	0.8	0.9	0.9	0.7

The decrease in average MAU and average monthly paying users for the three months ended March 31, 2022 from such figures for the year ended December 31, 2021 was primarily because (i) relevant governmental restrictions on the sales of “four types of medicines” (namely colds, fevers, cough relieving and anti-inflammatory) were further tightened in some regions due to the impact of the COVID-19 outbreak for the three months ended March 31, 2022. The performance of our self-operated online platforms was more affected by these governmental restrictions compared to its sales performance

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via third-party platforms, since the sales of drugs accounted for a higher proportion of the total sales on our self-operated online platforms; (ii) due to certain lock-down measures taken by local governments in regions such as Shenzhen, Guangzhou, Shanghai and Beijing during the first quarter of 2022, some of our smart pharmacies temporarily ceased operation as required by local authorities, and the operation of the our self-operated online platforms experienced some suspension consequently. See “Business — Impact of COVID-19 on our operations”; and (iii) in light of the COVID-19 outbreak and the lock-down measures taken by local governments in the first quarter of 2022, work-from-home or home quarantine policies were widely adopted in China, which lead to high level of user activities on the online-to-offline platforms with one-stop services, and such trend was particularly found in the industry of on-demand digital pharmacy industry, according to Frost & Sullivan, and our revenue generated from third-party online platforms under online direct sales was benefited accordingly during the same period.

Our drug express service offering provides users with a wide variety of choices of products.

- *OTC drugs (非處方藥)*: Products such as medication for gastrointestinal diseases, cold and fever, dermatosis, and oral and throat diseases.
- *Prescription drugs (處方藥)*: Drugs targeting cold and fever, cough, dermatosis, gastrointestinal diseases, chronic disease, gynecological and andrological diseases, and children’s diseases.
- *Healthcare products (健康產品)*: Products including home medical devices, health and wellness food and drinks, scented tea, functional wellness products, and nutritional products.

The table below sets forth the breakdown of the revenue (in absolute amount and as a percentage of our revenue of pharmaceutical and healthcare business) by pharmaceutical and healthcare product types for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
OTC drugs . . . . .	240,857	42.9	570,941	45.6	854,407	38.8	1,092,406	30.7	240,179	31.6	280,257	29.3
Prescription drugs . .	53,032	9.4	145,800	11.7	377,764	17.1	1,229,328	34.5	269,599	35.4	321,145	33.6
Healthcare products . . . . .	268,234	47.7	534,154	42.7	972,518	44.1	1,239,602	34.8	251,446	33.0	355,212	37.1
<b>Total . . . . .</b>	<b>562,123</b>	<b>100.0</b>	<b>1,250,895</b>	<b>100.0</b>	<b>2,204,689</b>	<b>100.0</b>	<b>3,561,336</b>	<b>100.0</b>	<b>761,224</b>	<b>100.0</b>	<b>956,613</b>	<b>100.0</b>

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(unaudited)											
OTC drugs . . . . .	91,086	37.8	185,053	32.4	258,453	30.2	298,959	27.4	61,201	25.5	81,432	29.1
Prescription drugs . .	14,755	27.8	37,512	25.7	78,828	20.9	215,025	17.5	48,572	18.0	61,343	19.1
Healthcare products . .	116,601	43.5	224,958	42.1	407,987	42.0	537,147	43.3	113,122	45.0	162,451	45.7
<b>Total . . . . .</b>	<b>222,442</b>	<b>39.6</b>	<b>447,523</b>	<b>35.8</b>	<b>745,268</b>	<b>33.8</b>	<b>1,051,131</b>	<b>29.5</b>	<b>222,895</b>	<b>29.3</b>	<b>305,226</b>	<b>31.9</b>

**Online Medical Consultation**

Since 2015, relevant government authorities in China have issued a series of rules and regulations to foster the online medical consultation industry, such as the Measures for the Administration of Internet Diagnosis and Treatment (Trial), the Guiding Opinions on Vigorously Advancing the “Internet Plus” Action, the Specifications for the Administration of Remote Medical Services (Trial), and the Opinions on Promoting the Development of “Internet Plus Health Care”, which encourage to cooperate with medical institutions in establishing online medical information platforms and to strengthen the informatization of the population health and fully implement “Internet Plus” medical and healthcare people-benefiting service. In addition, the approval of the online payment covered by the basic medical insurance fostered a favourable policy background for the reimbursement of online medical service, along with a series of policies promulgated by Chinese central and local governments, such as Guidance on Improving Policy for “Internet +” Medical Service Price and Medical Insurance Payment and Opinions of the National Medical Security Administration (NMSA) on Convenient Services in the Field of Optimising Medical Insurance (《國家醫療保障局關於優化醫保領域便民服務的意見》). Leveraging such favourable regulatory environment, our Consolidated Affiliated Entity, Hainan Internet Hospital and Hainan Telemedicine Center obtained the Practicing License for Medical Institution to conduct Internet hospital service with the support of its own subsidiary physical medical institute in Hainan Province.

Our online medical consultation services encompasses consultation of a wide range of conditions and cases, with a primary focus on common and chronic diseases. We have developed our smart medical technological platform, which integrates our own Hainan Internet Hospital and third-party Internet hospital to provide online consultation and prescription treatment renewal services within the scope of each Medical Institution Practising Licence for users through our medical team, such as follow-up diagnosis services for patients that have been diagnosed with certain common diseases or chronic diseases. For our own physical medical institutions, the scope of the practice of Hainan Internet Hospital mainly includes internal medicine, surgery, obstetrics, gynecology, paediatrics and Chinese medicine, etc., while third party partner medical institutions can provide services in a wider range. For users who seek initial diagnosis or treatment on our platform, we would guide them to offline hospitals including our and third party physical medical institutions, for relevant service, strictly following relevant laws and regulations. Our online medical consultation services are provided to users on a 24/7 basis. Users can be matched with appropriate medical professionals promptly and can communicate with them through messages or voice calls to receive medical advice. According to the certificate issued by the Health and Wellness Commission of Chengmai County, Hainan Province on 25 April 2022, the Hainan Internet Hospital and Telemedicine Centre has complied with the laws, regulations, rules and normative documents relating to medical institutions, medical services, health and wellness and medical staff management since its establishment, and has not been subject to any major negligence or first or second degree medical incidents, nor has it received any administrative penalties from Health and Wellness Commission of Chengmai County. Accordingly, our PRC Legal Advisors are of the view that we are in compliance with the legal regulations relating to internet medical treatment in material respects as of the Latest Practice Date.

Our online medical consultation services are provided under both free model and paid model. The free model online medical consultation services are provided by our full-time doctors from our Hainan Internet Hospital and the external doctors from third-party medical institutions. The paid model online medical consultation services are provided by the part-time doctors. The part-time doctors on our platform can choose to charge their own rates, which generally range from free to RMB60 per consultation. During the Track Record Period, for the consultation fees charged from users under such paid model, we accounted the full amount of which as other payables, and we did not generate revenue thereof. Though we did not generate revenue from either model during the Track Record Period, we believe that our online medical consultation services are able to offer quality services covering both the medical demands and the pharmaceutical demands of users, ensuring the accessibility, professionalism and sustainability of our platform. Particularly, under the paid model, we provide a platform to link part-time doctors, who are able to access to the large pool of patients in a fast and easy way, and users, who are able to access extensive expert resources in a user-friendly way, and eventually we are able to enhance users’ stickiness to our



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platform. In addition, in light of the favourable regulatory environment and our full licenced Internet hospital, we are able to secure our market leadership and build up the industry barriers by providing online medical consultation services in addition to our drug express business. Furthermore, we plan to explore monetization opportunities for such services in the near future, which would contribute to our overall revenue and enhance the competitiveness of our business. See “— Business Sustainability — Online Medical Consultations and Chronic Disease and Healthcare Management.”

The following table set forth the breakdown of the number of online consultations under our online medical consultation business by sources of doctor for periods indicated:

	For the year ended December 31,				For the three months ended March 31,
	2018	2019	2020	2021	2022
	(in millions)				
Full-time doctors from our Hainan Internet Hospital . . . . .	–	0.3	0.4	1.0	0.2
External doctors from third-party medical institutions . . . . .	0.1	0.7	1.9	1.8	1.2
Part-time doctors . . . . .	–	1.2	2.1	4.0	0.4
<b>Total online consultations . . . . .</b>	<b>0.1</b>	<b>2.2</b>	<b>4.4</b>	<b>6.8</b>	<b>1.8</b>

Among the top ten doctors in terms of the number of online consultations, there are nil, nil, 2, 3 and 4 full-time doctors, nil, nil, 3, 3 and 2 part-time doctors and 10, 10, 5, 4 and 4 external doctors in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022. Among the top 20 doctors in terms of the number of online consultations, there are nil, 2, 2, 5 and 5 full-time doctors, nil, 2, 5, 5 and 3 part-time doctors and 20, 16, 13, 10 and 12 external doctors in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022. The following table sets forth the number of online consultations provided by the top ten and top 20 doctors in terms of the number of online consultations and as a percentage of total online consultations for the periods indicated, which indicated that we do not have any concentration risk on doctors for the provision of online medical consultation services:

	For the year ended December 31,								For the three months ended March 31,	
	2018		2019		2020		2021		2022	
	in thousands	%	in thousands	%	in thousands	%	in thousands	%	in thousands	%
Total number of online consultations provided by top ten doctors in terms of online consultations . . . . .	8.9	7.9	324.7	15.0	620.0	14.0	747.9	10.0	173.6	8.7
Total number of online consultations provided by top 20 doctors in terms of online consultations . . . . .	13.7	12.2	554.9	25.7	1,067.6	24.1	1,316.9	19.3	294.3	16.1
<b>Total online consultations . . . . .</b>	<b>112.2</b>	<b>100.0</b>	<b>2,159.5</b>	<b>100.0</b>	<b>4,438.0</b>	<b>100.0</b>	<b>6,838.2</b>	<b>100.0</b>	<b>1,833.0</b>	<b>100.0</b>

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The table below sets forth the breakdown of online medical consultation expenses including the remunerations paid to our full-time doctors and part-time doctors and the service fees for external doctors paid to third-party medical institutions by type of doctor for the periods indicated. During the Track Record Period, our doctors (including full-time and part-time doctors, and external doctors) did not receive commissions from us, our drug manufacturers or their agents in relation to their prescriptions to patients. Our full-time doctors' remuneration is composed of base salary, commission based on working hours and nightshift allowance, which is generally in line with the remuneration structure of doctors in the same industry. Our part-time doctors' remuneration is generally determined based on the number of users they provide services to and the number of online consultations they conduct. The service fees for external doctors paid to the third-party medical institutions are determined based on unit price for each prescription issued, which follows the market rate with conditional laddering discount arrangements.

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Full-time doctors . . .	-	-	328.7	49.9	1,409.5	31.3	3,087.3	27.4	393.7	17.4	1,091.0	34.7
External doctors . . .	133.3	100.0	135.3	20.5	1,805.4	40.1	5,886.0	52.3	1,461.0	64.7	1,380.9	43.9
Part-time doctors . . .	-	-	194.6	29.5	1,288.4	28.6	2,278.9	20.3	404.9	17.9	671.6	21.4
<b>Total . . . . .</b>	<u>133.3</u>	<u>100.0</u>	<u>658.6</u>	<u>100.0</u>	<u>4,503.3</u>	<u>100.0</u>	<u>11,252.2</u>	<u>100.0</u>	<u>2,259.7</u>	<u>100.0</u>	<u>3,143.5</u>	<u>100.0</u>

We have developed a multi-step, seamless online consultation procedure to serve the follow-up medical consultation needs of our users. For users who seek initial diagnosis or treatment on our platform, we would guide them to offline hospitals including our and third party physical medical institutions, for relevant service, strictly following relevant laws and regulations. In an online medical consultation session, the users start with selection of doctors based on their symptoms and their medical history. Users can browse our doctor bank by departments and select a doctor of their own choice. Each doctor has a profile page that displays the doctor's key experiences, expertise areas and user feedback. After the selection, an AI-based assistant to the doctor that the patient selected communicates with the patient to collect basic information needed for the doctor's formal consultation. Then the doctor starts the formal consultation process by providing recommendations or directing the patient to conduct examination at offline medical institutions for further consultation. Subject to the users' consents, the doctors are able to access to users' past medical notes and records from their consultations with doctors conducted on our platforms, while we do not have access to users' medical notes and records from external sources. Our doctors and medical assistant are responsive and generally respond to user within around 25 seconds. At the end of the consultation session, the doctor may provide the user with a holistic evaluation on the treatment as well as a prescription renewal of drugs needed, depending on the needs of the patient.

The screenshots below show user interfaces during a typical online consultation session:



We have adopted a user review system for users to provide ratings and feedback for the consultation experiences, in order to incentivize us to improve the quality of our medical consultation services. Our platform also allows patients to access past consultation history and communicate with doctors to initiate consultations for subsequent visits for a patient of some common diseases and chronic diseases and any follow-up consultations therefrom.

Our medical consultation services are integrated with our prescription verification and renewal service to form a closed-loop business model. Once a patient gets a prescription through our online medical consultation services, the patient can then purchase the prescription drug through our prescription verification and renewal service. Based on the online medical consultation we provide, users may have access to our offering of prescription drugs. We provide users with prescription drugs for diseases such as cold and fever, cough, skin diseases, gastrointestinal diseases, chronic diseases, gynecological and andrological diseases, and children’s diseases.

As auxiliary services to our own online medical consultation offering, we provide our users with psychological consultation services, provided by psychological consultants, and also provide relevant drug delivery services related to such psychological consultations. The psychological consultants are assigned by the psychological consulting institution cooperated with us. These psychological consultants shall firstly register on our platform, and then provide psychological listening sessions (28 minutes per visit) and psychological counseling services (50 minutes per visit). The psychological consultants can choose to charge users service fees for the psychological consultation services provided within the price range as we suggest, which generally range from RMB58 to RMB99 per consultation. We charged the psychological consulting institutions commissions based on the service fees their consultants charged and accounted as revenue (acting as agent in terms of revenue recognition) at insignificant amounts included in others during the Track Record Period. In addition, we provide psychological evaluation services and psychological online courses on our platform and we charge service fees based on the package that a user chooses. Our psychological consultation services, psychological evaluation services and psychological online courses are still in their early stages of development since February 2021, and we have not yet derived significant revenue from these services. We also collaborate with third-party online clinical appointment platforms to provide our users with options to make online clinical appointments. Our users have access to third party online clinical appointment platforms through our self-operated platforms and check the appointment information of the cooperative hospitals thereon, such as doctors and their schedules, and make clinical appointments accordingly. We pay annual technical service fees to the third-party online clinic appointment platforms, and the relevant clinical appointment fees are charged by

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these third-party online clinic appointment platforms directly. During the Track Record Period, we did not charge our users for providing options to make online clinical appointments through third-party online clinical appointment platforms. We believe that with the help of these auxiliary services, our online medical consultation services are able to offer a superior user experience, which in turn attract and retain users, enhance brand recognition and motivate more consultations, as well as enhance our ability to cross-sell more products through our drug express business.

The synergy between our online medical consultation service offering and our drug express service offering successfully enhanced our users' willingness to purchase our products. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the conversion rate for our products from online medical consultation service in terms of realizing sales of product through our self-operated online platforms, defined as the proportion of the number of sales orders placed by users to the number of prescription provided by us from our online medical consultant services, were 51.4%, 69.9%, 68.8%, 77.5% and 81.1%, respectively.

### *Our medical team*

We have assembled a team of doctors, pharmacists and other medical professionals across departments and specialties, including general medicine, surgery, gynecology, pediatrics, and Chinese medicine, to provide online consultation services on a 24/7 basis. As of the Latest Practicable Date, we had a total of 20 full-time doctors and 72 part-time doctors, and more than 800 external doctors<sup>(1)</sup> we were connected to through our collaboration with a third-party medical institution.

In terms of our full-time doctors, we enter into our standard employee contracts with them. We conduct performance evaluation for our full-time doctors annually to provide feedback on their performance. Compensation for our full-time doctors typically consists of base salary and a performance-based bonus.

In terms of the part-time doctors, they are third-party medical experts we engaged with to enhance our online medical consultation service capabilities. We enter into agreements with the part-time doctors, pursuant to which they provide our users with online medical consultation services subject to relevant rules and regulations.

Set forth below are the key contractual terms of our agreements with the part-time doctors:

- **Duration:** Usually around one year, which can be renewed or early terminated by mutual agreement.
- **Qualifications:** The part-time doctors shall provide evidence of their professional qualifications and they shall abide by the relevant laws and regulation and our policies and industry standards.
- **Multi-site Practice Filing:** The part-time doctors shall complete multi-site practice filing with the third-party agency designated by relevant administrative authorities.
- **Services:** The part-time doctors generally provide online consultation services, follow-up consultations and issue prescriptions accordingly.

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(1) This number is provided by the third-party medical institution.

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- **Termination:** We have the right to terminate the service agreement with the part-time doctors if:
  - (i) they are prosecuted for any criminal offenses; or
  - (ii) they are unable to perform the services of the agreement due to illness or injury.

We have put in place a stringent selection process for the doctors who participate in our online consultation services, which generally involves interviews and background checks. We aim to select doctor candidates who are dedicated to the provision of high-quality healthcare services. We require the doctors to maintain relevant qualifications, including Physician Qualification Certificate and Title Certificate. We provide ongoing training programs and professional development programs to the doctors, covering general and specialized medical knowledge, corporate culture, management skills and IT skills, which are designed to enhance their professional services to our users. We conduct performance evaluation of the doctors periodically to provide feedback on their performance. We generally maintain good relationship with the doctors, and we have not experienced any material disputes with the doctors during the Track Record Period.

In terms of the external doctors, we enter into collaborations with third-party medical institutions to enhance our online medical consultation service capabilities and they assign their doctors to our platform. As of December 31, 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022 and the Latest Practicable Date, we have collaborated with one, two, two, one, one and one third-party medical institutions, respectively. The decrease of the number of third-party medical institutions we collaborated with was mainly due to our agreement with one of third-party medical institutions expired in 2020 and we believe our cooperation with the other third-party medical institution is able to satisfy our business of online consultation services in light of the current online medical consultation volume. We may consider engaging additional third-party medical institutions if there is a commercial need. Given there are considerable number of service providers in the market, we do not see any obstacles in locating and engaging new third-party medical institutions. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, the service fees paid to third-party medical institutions were RMB0.1 million, RMB0.1 million, RMB1.8 million, RMB5.9 million, RMB1.5 million and RMB1.4 million, respectively, which we accounted as selling and marketing expenses. The increase of the services fees paid to third-party medical institutions in 2021 was primarily due to an increase in the number of online consultations, from 4.4 million in 2020 to 6.8 million in 2021, which further led to an increase in the needs for external doctors assigned by third-party medical institutions. The agreements contain terms regarding the respective obligations of each party.

Set forth below are the key contractual terms of our agreements with third-party medical institutions:

- **Duration:** Usually around two years, which can be renewed or early terminated by mutual understanding.
- **Services:** Third-party medical institutions generally shall provide online consultation services, follow-up consultations and issuing prescriptions accordingly on our platform.
- **Payment and Credit Terms:** We typically settle payments with third-party medical institutions on a monthly basis. We shall pay service fees within seven working days upon receipt of invoices. If overdue, 0.3% of the overdue amount shall be charged as daily penalty. The service fees mainly are determined based on the number of consultations conducted and prescriptions issued on our platform by external doctors, as well as the sales volume related to such consultations and prescriptions. The unit price charged for each prescription issued follows the market rate with conditional laddering discount arrangements.

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- **Qualifications:** Third-party medical institutions shall have registered with relevant authorities and obtained all necessary licenses and certificates to conduct Internet hospital services.
- **Privacy Protection:** Third-party medical institution shall strictly keep confidential the personal information of our users collected during the services and shall only use such information for providing services.
- **Termination:** Either party may terminate the agreement by giving one-month written notice.

We believe that with the part-time doctors and the external doctors joining our medical team, we are able to ensure our online consultation services on a 24/7 basis. In addition, they enhance our online medical consultation capabilities across various departments and specialties. As advised by our PRC Legal Advisors, we would be liable for the obligations regarding the services provided by the external doctors and the part-time doctors through our platform. However, according to our agreements with the third-party medical institutions, they shall comply with the relevant laws and regulations governing hospitals and physicians, and shall assume responsibility for their actions. In addition, according to our agreements with the part-time doctors, we are liable for handling medical damages and disputes arising from the services provided by them on our platform. The part-time doctors shall comply with the relevant laws and regulations, otherwise we may claim the share of relevant responsibility from them afterwards. As such, our PRC Legal Advisors are of view that, if we take responsibilities regarding the services provided by the external doctors and the part-time doctors on our platform, we may claim the relevant responsibilities from the part-time doctors or the third-party medical institutions according to relevant agreements.

Our full-time doctors, the part-time doctors and the external doctors shall comply with the Measures for the Administration of Prescription (《處方管理辦法》), which regulates the administration of prescriptions in particular, regulates that doctors are subject to making prescription recommendations to patients based on treatment standards and drug instructions. In addition, for the standardization of prescription verification in medical institutions, NHC, State Administration of Traditional Chinese Medicine and Logistics Department of the Military Commission of the CPC Central Committee jointly issued the Rules for Prescriptions Verification in Medical Institution (《醫療機構處方審核規範》), which provides for detailed requirements for prescription verification from different perspectives, including but not limited to the validity, standardization and appropriateness of prescription. In addition, according to the Code of Conduct for Practitioners in Medical Institutions (《醫療機構從業人員行為規範》) issued by the Ministry of Health on June 26, 2012, physicians should regulate the practice of medicine, strictly follow clinical treatment and technical specifications, use appropriate treatment techniques and drugs, treat patients according to their illnesses, provide reasonable medical treatment, do not conceal, mislead or exaggerate their conditions, and do not overdo medical treatment.

We also have a set of policies, including code of conduct and ethics guidance, which are required to be complied by all the doctors on our platform. Our compliance and legal department provides doctors with regular training, as well as resources to explain the code of conduct and ethics guidelines. We have designed and adopted strict internal procedures to ensure the compliance of our operations with the relevant rules and regulations. In addition, we have implemented prescription review procedure on our platform complying with such rules and regulations among others. See “— Environment, Society and Governance.”

As advised by our PRC Legal Advisors, our full-time doctors, the part-time doctors and the external doctors are permitted to receive salary or service fees from us under current laws and regulations pursuant to the agreements entered into between them and us. However, pursuant to the Drug Administration Law (《藥品管理法》), pharmaceutical companies are prohibited from offering any improper compensation or benefit to doctors of medical institutions where the drugs of such pharmaceutical companies are used. In addition, according to the Law on Medical Practitioners (《執業醫師法》) and Code of Conduct for Medical Practitioners (《醫療機構從業人員行為規範》), doctors are prohibited from receiving any improper benefit compensation. Doctors that fail to comply with the abovementioned rule may be subject to license revocation, confiscation of the illegal gains therefrom, and criminal liabilities.

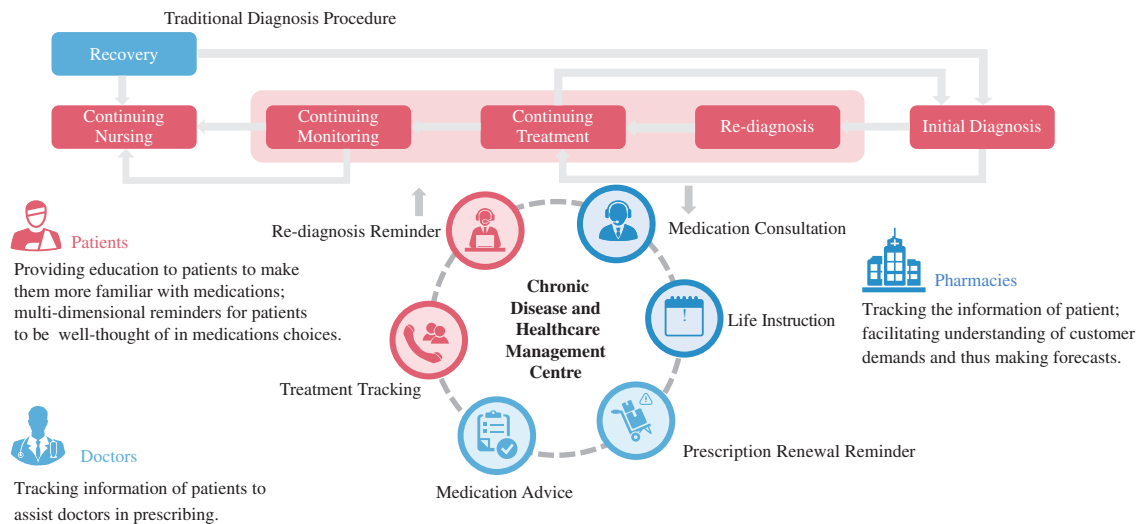
**Chronic Disease and Healthcare Management**

We provide a set of chronic disease and healthcare management services, as a complimentary offering to our users, which improves treatment efficiency, streamlines patients’ user experience and enables doctors to reach a broader patient base. Our chronic disease and healthcare management services serve users with chronic diseases such as oncology, liver diseases, cardiovascular diseases, skin diseases and diabetes, and will gradually expand to other chronic diseases in the future. The main features provided by our chronic disease and healthcare management services include medication and dosage guidance, follow-up consultation reminders, prescription renewal, health information feedback and healthcare knowledge management, which help us improve drug compliance.

During the Track Record Period, our chronic disease and healthcare management services were free of charge. We believe that such complimentary services are critical to empowering doctors, attracting and retaining users and increasing orders through our drug express business. Through our chronic disease and healthcare management services, we empower doctors by allowing them to have efficient follow-ups with patients, effective management of patients and convenient communication with their patients. Our chronic disease and healthcare management services also allow doctors to build their personal brand. Leveraging our supply chain capabilities, our chronic disease and healthcare management services provide doctors and patients with easy access to our product offerings.

Our chronic disease and healthcare management service constructs a user profile system. A health profile is created for each user after such user starts first consultation on our platform. Such health profiles facilitate our effective engagement of users in several ways. We aim to provide full lifecycle healthcare to patients, make better predictions for their medication needs. We value the privacy of our users and adopt appropriate measures to protect the information collected from our users through the health profiles. See “— Cybersecurity, Data Privacy and Protection”.

***Chronic disease and healthcare management center***



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In addition to the traditional single-dimensional patient recovery process (initial diagnosis-continuous nursing-recovery), our platform helps chronic disease patients establish full profiles through a multi-dimensional approach (initial diagnosis – treatment – re-diagnosis – monitoring – continuous nursing – recovery – re-diagnosis, etc.), providing personalized services for chronic disease patients.

- For patients: our platform establishes a patient education centre to strengthen patients' awareness of disease prevention and medication safety with various videos and articles. Our platform also tracks patients' status through a multi-dimensional approach during the process of their recovery.
- For doctors: all information related to patient's online initial diagnosis and online re-diagnosis, online consultation and medication profile will be presented to the corresponding doctor, so that the doctor can have a clear understanding of the patient, facilitating the doctor's diagnosis and patient management.
- Pharmacies: Our smart pharmacies are able to track and analyse patients' records to better understand patients and generate forecast accordingly.

During the Track Record Period, we have gradually launched series of services, such as reminder service, providing periodic prescription renewal reminders to chronic disease patients so that they can refill medicines on time; life instruction service, providing chronic disease patients with various life instruction advices and guidelines; medication consultation service, providing online medication consultation services supported by doctors and pharmacists to help patients understand side effects of medications guarantee medication safety and promote rationale medicine use; re-diagnosis reminder service, reminding patients to have re-diagnosis with the corresponding doctor in the light of the patient's present status; and treatment tracking service, scheduling regular follow-up sessions with patients to understand their status of recovery and review their prescriptions.

### **Other Business**

Our other business primarily consists of marketing services, marketplace services and other services, with marketing services contributing the vast majority of the revenue from our other business during the Track Record Period. With our rapid growth in the past few years, we have achieved a continuous increase in sales revenue, a highly recognized brand, a large sales network and user base, and mature online and offline platform resources. These achievements have enabled us to provide diverse marketing services, marketplace services and other services to pharmaceutical enterprises and improve their sales efficiency.

The marketing service we offer include (i) we empower pharmaceutical enterprises by integrating the traffic resources of various channels through three-dimensional marketing services; specifically, we prioritize the display of new products and seasonal leading products of our pharmaceutical customers, and meanwhile focus on exposure through both our offline smart pharmacies and online channels, including our mobile App and WeChat mini-program, to meet the diversified marketing needs of pharmaceutical companies for brand traffic; (ii) leveraging big data analysis technology, we precisely place our pharmaceutical customers' advertisements via our online and offline platforms; and (iii) customized display and hold promotional activities for specific customers or products on our online platform or offline platforms. The marketplace services we offer are mainly the platform services offered to our partner pharmacies.

Together with further increasing marketing needs of the pharmaceutical enterprises we cooperate with, we believe the scale and revenue of other business, as an important complements to our principal business, will also steadily increase in the future. The number of pharmaceutical enterprises that we offered marketing services to was 108, 322, 305, 492 and 257 in 2018, 2019, 2020, 2021 and for the three



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months ended March 31, 2022. However, any non-compliance incidents conducted by the pharmaceutical enterprises we cooperated with may have a negative impact on our branding and business. See “Risk Factors — Risks Relating to Our Business and Industry — Any negative publicity or misconduct regarding parties that we provide marketing services to could adversely affect our business.” We have established internal control to regularly monitor the business conduct of such pharmaceutical enterprises, including:

- before signing a cooperation agreement, our internal audit team conducts background search to see if there is any negative news associated with the pharmaceutical enterprise, and keep the search results in record;
- after entering into a cooperation agreement, we regularly evaluate the pharmaceutical enterprise’s performance, including its solvency, credit, compliance and brand image;
- when we notice any red flag during the cooperation with these pharmaceutical enterprise, we would proceed to internal review, and may remove the products of the pharmaceutical enterprise in question from our platforms if its misconduct or deterioration in reputation have a significant impact on our business.

Since our marketing services are built on our independent existing online platforms, offline platforms and network resources, we believe the cost and risk related to the marketing services are under our control, and with the gradual expansion of our business, there will be more suppliers and industry players willing to cooperate with us in the future.

### ACCESS TO OUR PRODUCT AND SERVICE OFFERINGS

Our business mainly comprises our pharmaceutical and healthcare business. Through online and offline channels, our pharmaceutical and healthcare product and service offerings are accessible to users through the following three channels: (i) online direct sales channel, consisting of the online-to-offline model and the direct-sales e-commerce model, in which we sell our products directly to users through online platforms, including our self-operated online platforms, such as our mobile App and WeChat mini program, as well as renowned third-party online platforms; (ii) business distribution channel, under which we distribute products to major e-commerce retailers, or other online distributors, for further distribution to our users; and (iii) offline retail channel, under which we serve our users through our network of smart pharmacies across China.

The tables below set forth the breakdown of the revenue (in absolute amount and as a percentage of our total revenue), gross profit and gross profit margin by channels for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<b>Pharmaceutical and</b>												
<b>Healthcare Business</b> . . . . .	562,123	96.2	1,250,895	98.1	2,204,689	98.9	3,561,336	96.8	761,224	97.6	956,613	96.9
Online Direct Sales <sup>(1)</sup> . . . . .	389,579	66.7	906,517	71.1	1,695,490	76.1	2,583,613	70.2	535,825	68.7	712,453	72.2
Business												
Distribution <sup>(2)</sup> . . . . .	118,378	20.2	229,572	18.0	339,163	15.2	408,918	11.1	98,314	12.6	84,991	8.6
Offline Retail <sup>(3)</sup> . . . . .	54,166	9.3	114,806	9.0	170,036	7.6	568,805	15.5	127,085	16.3	159,169	16.1
<b>Others<sup>(4)</sup></b> . . . . .	22,489	3.8	24,694	1.9	23,874	1.1	117,354	3.2	18,488	2.4	30,794	3.1
<b>Total</b> . . . . .	<u>584,612</u>	<u>100.0</u>	<u>1,275,589</u>	<u>100.0</u>	<u>2,228,563</u>	<u>100.0</u>	<u>3,678,690</u>	<u>100.0</u>	<u>779,712</u>	<u>100.0</u>	<u>987,407</u>	<u>100.0</u>

*Notes:*

- (1) Our online direct sales channel refers to the sales model in which we sell our products directly to users through online platforms, including our self-operated online platforms and third-party online platforms.
- (2) Our business distribution channel refers to the sales model under which we distribute products to major e-commerce retailers, or other online distributors, for further distribution to our users.

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- (3) Our offline retail channel mainly includes direct sales of our product to walk-in users at our smart pharmacies. Our revenue from offline channels increased significantly in 2021, as a result of the increase in the number of our DTP pharmacies due to our acquisition of Yaofangwang. See “History — Major Acquisitions.” The DTP business under Yaofangwang was mainly conducted through offline retail channel, which is in line with general practice in the industry.
- (4) Others consists mainly of marketing services, marketplace services and other services, and our marketing services contributed the vast majority of revenue in our other business during the Track Record Period. The revenue generated from others increased significantly in 2021, which was primarily attributable to expansion of our business scale by acquisition of additional customers of our marketing services, enhanced cooperation with customers of our marketing services, increase in the influence of our platforms during the same period. See “— Our Product and Service Offerings — Other Business.”

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<b>Pharmaceutical and Healthcare Business</b>												
Online Direct Sales <sup>(1)</sup>	152,188	39.1	321,060	35.4	574,394	33.9	773,097	29.9	161,571	30.2	232,172	32.6
Business Distribution <sup>(2)</sup>	43,918	37.1	78,317	34.1	105,492	31.1	150,700	36.9	31,987	32.5	26,973	31.7
Offline Retail <sup>(3)</sup>	26,336	48.6	48,146	41.9	65,382	38.5	127,334	22.4	29,337	23.1	46,081	29.0
Others	17,797	79.1	22,431	90.8	20,925	87.6	111,180	94.7	14,029	75.9	29,195	94.8
<b>Total</b>	<b>240,239</b>	<b>41.1</b>	<b>469,954</b>	<b>36.8</b>	<b>766,193</b>	<b>34.4</b>	<b>1,162,311</b>	<b>31.6</b>	<b>236,924</b>	<b>30.4</b>	<b>334,421</b>	<b>33.9</b>

*Notes:*

- (1) Users are our counterparties in our online direct sales channel.
- (2) Businesses are our counterparties in our business distribution channel. Our gross profit margin of business distribution decreased in the year ended December 31, 2019, primarily because we proactively adjusted the selling price to enhance the cooperation with distributors and expand our market share. The gross profit further decreased in the year ended December 31, 2020, primarily because we proactively provided competitive price to the distributors to deepen the cooperation and expand market share. The gross profit margin increased in the year ended December 31, 2021, primarily because we improved the distributor mix to strengthen the cooperation with distributors that we seek long-term cooperation with.
- (3) Users are our counterparties in our offline retail channel. Our gross profit margin from offline channels decreased significantly in the year ended December 31, 2021, as a result of the increase of the DTP sales volume through offline channels due to our acquisition of Yaofangwang. See “History – Major Acquisitions.” The gross profit margin of DTP business was lower than our pharmaceutical and health business prior to such acquisition.

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the average user acquisition costs for the online direct sales through our self-operated online platforms were RMB5.9, RMB10.3, RMB6.9, RMB18.2 and RMB18.4, respectively, which were the result of dividing our user acquisition costs, composed of promotion and advertising expenses (excluding the subsidies provided to users as subsidies were either treated as a reduction in revenue or recognized as contract liabilities, instead of promotion and advertising expenses from accounting treatment perspective, see “— Pricing and Payment”) for our self-operated platforms, by the number of new registered users we acquired for the same period. The decrease of average user acquisition cost in 2020 was mainly due to (i) we could acquire users with lower costs during the COVID-19 outbreak when the needs of disinfection-related products and personal protective materials increased substantially during the same period through online retail, and (ii) we opened a relatively small number of new smart pharmacies in 2020. In 2020, we opened 30 smart pharmacies, whereas we opened 106 smart pharmacies in 2021, and thus the relevant marketing expenses were relatively modest in 2020. The increase of average user acquisition cost in 2021 was mainly due to (i) our opened a substantial number of new smart pharmacies in 2021, which caused us to incur more marketing expenses associated with added promotions to attract users; and (ii) our additional cooperations with various new and rising online traffic platforms to promote our brand awareness, as well as

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maintaining the cooperations with the existing traffic platforms in the background of online traffic decentralization caused us to incur more marketing expenses. In addition, we entered into three new operating cities in the same period, with additional local advertising related fees occurred. We spent considerable local advertising related fees when entering into new operating cities to build up our brand awareness, which was higher than our mature operating cities, such as Beijing and Shanghai, where we have enjoyed an enhanced market popularity.

### Online Direct Sales

Our online direct sales channel refers to our sales of products directly to users through online platforms, including our self-operated online platforms, such as our mobile APP and WeChat mini program, as well as renowned third-party online platforms. Our pharmaceutical and healthcare business operated through the online direct sales channel are in forms of online-to-offline model and the direct-sales e-commerce model. The sales orders under the online-to-offline model are primarily delivered by the riders through our delivery partners with the products prepared by our smart pharmacies with express delivery, focusing on providing on-demand healthcare service. The sales orders under the direct-sales e-commerce model are generally delivered by third-party carrier with the products prepared by our warehouses with regular delivery and pre-order delivery. The three delivery service models for drug express business ensures timely delivery of our drugs and health and wellness products. See “— Our Fulfillment and Delivery Capability.”

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we received a total of 12.4 million, 23.9 million, 37.7 million, 56.9 million, 12.1 million and 15.0 million sales orders, respectively, and generated revenue of RMB389.6 million, RMB906.5 million, RMB1,695.5 million, RMB2,583.6 million, RMB535.8 million and RMB712.5 million, respectively, from our online direct sales model.

The tables below set forth the breakdown of the revenue (in absolute amount and as a percentage of our revenue generated from online direct sales), gross profit and gross profit margin by online platforms under online direct sales for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Self-operated online platforms . . . . .	202,746	52.0	399,622	44.1	619,597	36.5	788,206	30.5	166,792	31.1	194,948	27.4
Third-party online platforms . . . . .	186,833	48.0	506,895	55.9	1,075,893	63.5	1,795,407	69.5	369,033	68.9	517,505	72.6
<b>Online direct sales . . . . .</b>	<b>389,579</b>	<b>100.0</b>	<b>906,517</b>	<b>100.0</b>	<b>1,695,490</b>	<b>100.0</b>	<b>2,583,613</b>	<b>100.0</b>	<b>535,825</b>	<b>100.0</b>	<b>712,453</b>	<b>100.0</b>

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
Self-operated online platforms . . . . .	65,994	32.6	124,581	31.2	190,014	30.7	189,225	24.0	39,529	23.7	52,023	26.7
Third-party online platforms . . . . .	86,194	46.1	196,479	38.8	384,380	35.7	583,872	32.5	122,042	33.1	180,149	34.8
<b>Online direct sales . . . . .</b>	<b>152,188</b>	<b>39.1</b>	<b>321,060</b>	<b>35.4</b>	<b>574,394</b>	<b>33.9</b>	<b>773,097</b>	<b>29.9</b>	<b>161,571</b>	<b>30.2</b>	<b>232,172</b>	<b>32.6</b>

## BUSINESS

The higher gross profit margin for online direct sales through third-party platforms than self-operated platforms during the Track Record Period was primarily attributable to the larger revenue proportions of the sales of prescription drugs, which are of lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report, through self-operated platforms compared to third-party platforms. The table below sets forth the revenue generated from prescription drugs in absolute amount and as a percentage of corresponding revenues through self-operated platforms and third-party platforms for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Self-operated platforms . . . . .	36,700	18.1	107,057	26.8	192,902	31.1	365,693	46.4	64,610	38.7	94,800	48.6
Third-party platforms . . . . .	3,699	2.0	11,125	2.2	148,497	13.8	450,077	25.1	107,685	29.2	136,073	26.3

The tables below set forth the breakdown of revenue (in absolute amount and as a percentage of our revenue generated from online direct sales), gross profit and gross profit margin by operating models under online direct sales for the indicated period:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Online-to-offline model . . . . .	296,085	76.0	690,680	76.2	1,148,181	67.7	1,638,076	63.4	377,322	70.4	448,809	63.0
Direct-sales e-commerce model . . . . .	93,494	24.0	215,837	23.8	547,309	32.3	945,537	36.6	158,504	29.6	263,644	37.0
<b>Online direct sales . . . . .</b>	<b>389,579</b>	<b>100.0</b>	<b>906,517</b>	<b>100.0</b>	<b>1,695,490</b>	<b>100.0</b>	<b>2,583,613</b>	<b>100.0</b>	<b>535,825</b>	<b>100.0</b>	<b>712,453</b>	<b>100.0</b>

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(unaudited)											
Online-to-offline model . . . . .	101,515	34.3	221,812	32.1	333,066	29.0	417,511	25.5	95,085	25.2	127,992	28.5
Direct-sales e-commerce model . . . . .	50,673	54.2	99,248	46.0	241,328	44.1	355,586	37.6	66,486	42.0	104,180	39.5
<b>Online direct sales . . . . .</b>	<b>152,188</b>	<b>39.1</b>	<b>321,060</b>	<b>35.4</b>	<b>574,394</b>	<b>33.9</b>	<b>773,097</b>	<b>29.9</b>	<b>161,571</b>	<b>30.2</b>	<b>232,172</b>	<b>32.6</b>

### *Our self-operated online platforms*

Users can reach our products and services through our mobile APP, which is available on both Android and IOS operating systems. Our mobile APP is built to enable access to our products and services with clear and functional interface. In addition to our mobile APP, our WeChat mini-program direct users to an interface similar to our mobile APP in terms of functionality and appearance.

## BUSINESS

The following table sets forth the number of sales orders we received from self-operated platforms (excluding those for our partner pharmacies) and the ARPO of online direct sales through self-operated platforms (excluding sales order for our partner pharmacies) for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
Number of sales order from self-operated platforms (in millions) . . . . .	5.3	9.6	11.3	14.7	3.3	2.8
ARPO from online direct sales through self-operated platforms (RMB) . . . . .	38.6	41.7	55.0	53.5	49.9	69.0

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, the ARPU of our pharmaceutical and healthcare business from our self-operated online platforms was RMB73.0, RMB98.3, RMB129.0, RMB132.2, RMB82.7 and RMB126.5, respectively, and the percentage of our self-operated online platforms out of our revenue generated from online direct sales was 52.0%, 44.1%, 36.5%, 30.5%, 31.1% and 27.4%, respectively. The following tables set forth the selected key operating metrics of our self-operated online platforms for the periods presented:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(in millions)					
Total registered users . . . . .	15.9	21.2	27.3	33.0	28.7	33.9
Average MAU . . . . .	0.8	1.4	2.2	2.1	1.9	1.7 <sup>(1)</sup>
Average monthly paying users . . . . .	0.4	0.6	0.8	0.9	0.9	0.7 <sup>(1)</sup>

*Note:*

(1) The decrease in average MAU and average monthly paying users for the three months ended March 31, 2022 from such figures for the year ended December 31, 2021 was primarily because (i) relevant governmental restrictions on the sales of “four types of medicines” (namely colds, fevers, cough relieving and anti-inflammatory) were further tightened in some regions due to the impact of the COVID-19 outbreak for the three months ended March 31, 2022. The performance of our self-operated online platforms was more affected by these governmental restrictions compared to its sales performance via third-party platforms, since the sales of drugs accounted for a higher proportion of the total sales on our self-operated online platforms; (ii) due to certain lock-down measures taken by local governments in regions such as Shenzhen, Guangzhou, Shanghai and Beijing during the first quarter of 2022, some of our smart pharmacies temporarily ceased operation as required by local authorities, and the operation of the our self-operated online platforms experienced some suspension consequently. See “Business — Impact of COVID-19 on our operations”; and (iii) in light of the COVID-19 outbreak and the lock-down measures taken by local governments in the first quarter of 2022, work-from-home or home quarantine policies were widely adopted in China, which lead to high level of user activities on the online-to-offline platforms with one-stop services, and such trend was particularly found in the industry of on-demand digital pharmacy industry, according to Frost & Sullivan, and our revenue generated from third-party online platforms under online direct sales was benefited accordingly during the same period.

	2018	2019	2020	2021	2022
	(in millions)				
Average MAU					
Q1 . . . . .	0.7	1.0	2.9 <sup>(1)</sup>	1.9	1.7
Q2 . . . . .	0.7	1.2	1.8	2.1	—
Q3 . . . . .	0.8	1.5	1.9	2.1	—
Q4 . . . . .	1.0	1.7	2.0	2.2	—

## BUSINESS

	2018	2019	2020	2021	2022
	(in millions)				
Average monthly paying users					
Q1 .....	0.3	0.5	0.7	0.9	0.7
Q2 .....	0.4	0.6	0.6	0.9	–
Q3 .....	0.5	0.7	0.8	1.0	–
Q4 .....	0.5	0.8	1.0	1.0	–
	(RMB)				
ARPU <sup>(2)</sup>					
Q1 .....	54.3	71.4	105.4	82.7	126.5
Q2 .....	49.7	66.9	94.7	109.5	–
Q3 .....	46.9	65.7	76.1	89.4	–
Q4 .....	53.6	66.0	76.8	79.9	–

*Notes:*

- (1) The significant increase of average monthly active user in the first quarter of 2020 was mainly due to (i) the significant increase of demand of disinfection-related products and personal protective materials as a result of the outbreak of COVID-19 in the same period; and (ii) during the same period, our users frequently logged in our self-operated online platforms in light of the general shortage of disinfection-related products and personal protective materials in the market.
- (2) The quarterly ARPU during Track Record Period was generally lower than the annual ARPU, which was mainly due to the repurchase users are more often to be found over a year compared to a specific quarter. That said, if a user purchases once on our platform in each quarter of a year, it will be counted as one user in the calculation of annual ARPU, while it will be counted as four users in the calculation of quarterly ARPU.

As illustrated in the tables above, (a) the ARPU of our pharmaceutical and healthcare business from our self-operated online platforms increased by 53.0% from RMB82.7 in the three months ended March 31, 2021, to RMB126.5 in the three months ended March 31, 2022; (b) the average monthly number of average MAU from our self-operated online platforms decreased by 10.5% from 1.9 million in the three months ended March 31, 2021 to 1.7 million in the three months ended March 31, 2022; (c) the average monthly number of average monthly paying users from our self-operated online platforms decreased by 22.2% from 0.9 million in the three months ended March 31, 2021 to 0.7 million in the three months ended March 31, 2022. The decreases in (b) and (c) are primarily because:

- relevant governmental restrictions on the sales of “four types of medicines” (namely colds, fevers, cough relieving and anti-inflammatory) were further tightened in some regions due to the impact of the COVID-19 outbreak in the three months ended March 31, 2022. The performance of our self-operated online platforms was more affected by these governmental restrictions compared to our sales performance via third-party platforms, since the sales of drugs accounted for a higher proportion of the total sales on our self-operated online platforms. In the three months ended March 31, 2022, 86.4% of the revenue from our self-operated online platforms was generated from the sales of drugs, while such proportion was 60.2% from third-party platforms during the same period;
- due to certain lock-down measures taken by local governments in regions such as Shenzhen, Guangzhou, Shanghai and Beijing during the first quarter of 2022, some of our smart pharmacies temporarily ceased operation as required by local authorities, and the operation of our self-operated online platforms experienced some suspension consequently. See “Business — Impact of COVID -19 on our operations”; and
- in light of the COVID-19 outbreak and the lock-down measures taken by local governments in the three months ended March 31, 2022, work-from-home or home quarantine policies were widely adopted in China, which lead to the popularity of online-to-offline platforms and such trend was particularly found in the industry of on-demand digital pharmacy industry since most of them are able to provide one-stop online-to-offline services which are close to users’ necessities of life under such situation, according to Frost & Sullivan. Our revenue generated from the third-party platforms channel under online direct sales in the three months ended March 31, 2022 was also benefited accordingly.

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The tables below set for the breakdown of our user base, including the breakdown of number and revenue contribution by new and existing registered user for the periods indicated:

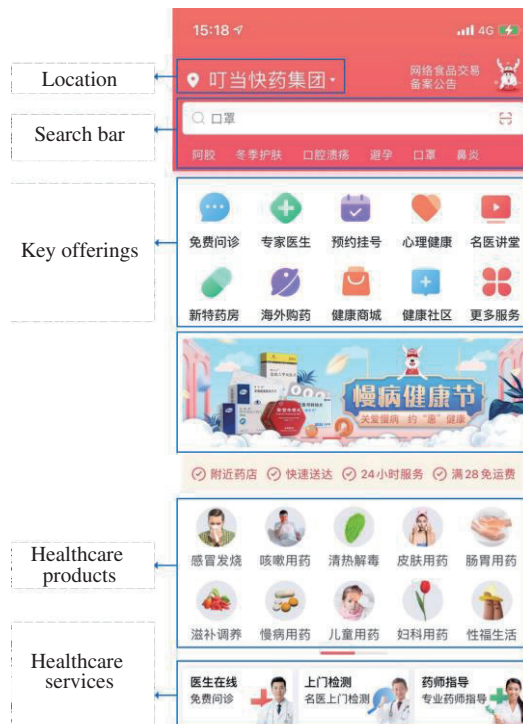
	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	<b>in millions</b>					
Number of new registered user <sup>(1)</sup> . . . . .	5.6	5.3	6.1	5.7	1.4	0.9
Number of existing registered user <sup>(2)</sup> . . . . .	10.3	15.9	21.2	27.3	27.3	33.0

*Notes:*

- (1) New registered user represents those who become our registered users during the indicated period.
- (2) Existing registered user represents those who become our registered user before the indicated period.

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue generated from new registered user . . . . .	124,589	61.5	154,687	38.7	251,322	40.6	148,325	18.8	31,349	18.8	22,487	11.5
Revenue generated from existing registered user . . . . .	78,157	38.5	244,935	61.3	368,275	59.4	639,881	81.2	135,443	81.2	172,461	88.5
<b>Total . . . . .</b>	<b>202,746</b>	<b>100.0</b>	<b>399,622</b>	<b>100.0</b>	<b>619,597</b>	<b>100.0</b>	<b>788,206</b>	<b>100.0</b>	<b>166,792</b>	<b>100.0</b>	<b>194,948</b>	<b>100.0</b>

The following are illustrative screenshots of our portal interface on our mobile APP:



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## BUSINESS

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A transaction on our mobile App typically involves the following steps:

- **Browse and search:** Users start using our App by browsing and searching relevant products and services they need. Our browse and search function provides to users with timely searches for the pharmacies in nearby locations that can deliver the drugs they order. In the search service, the user's medication urgency and medication management requirements are considered, and the search results are processed hierarchically to improve effectiveness and efficiency
- **Place an order:** Once the user decides on the medical products or services to choose, he or she places an order in our system. The order can be placed based on the search conducted by the users or patient, through our promotion activities, or through recommendations by doctors and pharmacies. For prescription drugs, the order should be placed with a valid prescription provided from a doctor consultation. To ensure the accuracy and reliability of the source of e-prescriptions, as part of our internal control measures, we re-direct the users purchasing prescription drugs with e-prescriptions to our online medical consultation services. Our doctors are responsible to check the e-prescriptions provided by the users to ensure the information on e-prescriptions is sufficient and valid, following which, our doctors issue new e-prescriptions after consultations. Users are only able to place orders for prescription drugs with prescriptions issued by our doctors. Our pharmacists are responsible to check if sufficient and accurate information are included on the prescriptions before arranging deliveries. All e-prescriptions are required to be printed, signed and filed at our prescription management centre.
- **Payment:** Once the order is placed, the user can proceed to payment. Users can either make the payment online, through third-party payment platforms such as WeChat or Alipay, or pay for the products once the products are successfully delivered.
- **Delivery tracking:** After the users place the orders and select the payment method, products are sent to users through our express delivery system. Users can track the delivery process of the products in real time through the maps and the tracking system incorporated in our App.
- **Review:** Users can provide reviews, ratings and feedback for the products and services they paid for, to reflect their purchase or consultation experience, so that we can effectively improve the quality of our products and services.

### *Renowned third-party online platforms*

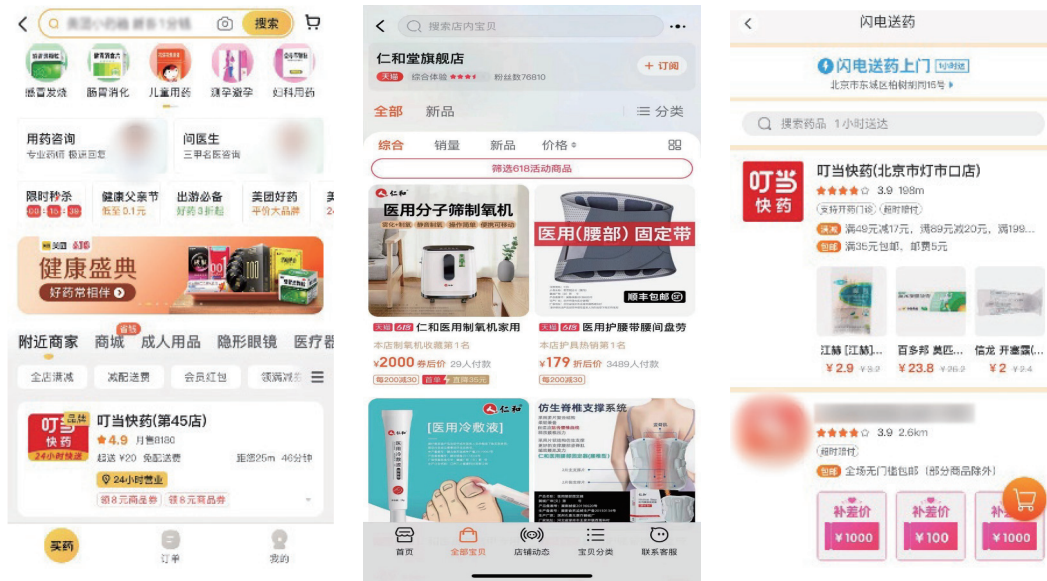
We provide our users access to our product and service offerings through third-party online platforms, which help us extend our reach to users and enhance our brand awareness. We usually pay service fee to such third-party platforms and we sell directly to our users on such platforms. During the Track Record Period, we benefited from the traffic on these third-party online platforms, and as a result, our revenue from third-party online platforms continued to increase during the Track Record Period, which amounted to RMB186.8 million, RMB506.9 million, RMB1,075.9 million, RMB1,795.4 million, RMB369.0 million and RMB517.5 million for the years ended December 31, 2018, 2019, 2020 and 2021, and for the three months ended March 31, 2021 and 2022, respectively, accounting for 48.0%, 55.9%, 63.5%, 69.5%, 68.9% and 72.6%, respectively, of the our total revenue from online direct sales.

The third-party online platforms we engage include (i) third-party O2O platforms; (ii) e-commerce platforms on which we run self-operated stores; and (iii) e-commerce healthcare platforms.



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The following are illustrative screenshots of our portal interface on third-party mobile App platforms:



(i) Third-party O2O platform

(ii) E-commerce platform on which we run self-operated stores

(iii) E-commerce healthcare platform

The similar operating metrics of our self-operated online platforms is not available for online direct sales through third party platforms, as the third-party platforms that we cooperate with generally do not provide us with users' information. Instead these third-party platforms focus on the sales orders in order to measure their performance. The following table sets forth the number of sales orders we received from third-party platforms (excluding those for our partner pharmacies) and the ARPO of online direct sales through third-party platforms (excluding sales order for our partner pharmacies) for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
Number of sales order from third-party platforms (in millions) . . . . .	4.2	13.0	25.8	41.5	8.3	11.9
ARPO from online direct sales through third-party platforms (RMB) . . . . .	44.8	38.9	41.6	43.2	44.5	43.6

Set forth below are the key contractual terms of our agreements with our online channels run by third-parties:

- **Term and termination:** Usually around one year, which can be renewed or early terminated by mutual agreement.
- **Rights and obligations of parties involved:** We authorize the third-party platforms to collect payments from users, where the third-party platforms make further payment to us after deducting relevant service fees set out in relevant agreements. The third-party platforms shall also provide us with underlying details in relation to users' payment.
- **Pricing and Service fee:** We usually set our own price on third-party platforms and pay third-party platforms service fee.

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- **Return and exchange policy:** The return and exchange policy usually remains the same with other products on such third-party platforms, or otherwise follow our own return and exchange policy.
- **Dispute resolution:** In general, either party can request for a conciliation, usually at the court or arbitral tribunal appointed by the third-party platforms.

### Business Distribution

We distribute some of our products through distributors. Our distributors include individuals or small enterprises that purchase our products and further resell to users through e-commerce platforms, as well as some major e-commerce retailers that on-sell our products to users. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we generated revenue of RMB118.4 million, RMB229.6 million, RMB339.2 million, RMB408.9 million, RMB98.3 million and RMB85.0 million, respectively, from our distribution model.

We select our distributors based on their purchase volume from us and their abilities to expand the coverage of our network to reach our users. During the Track Record Period, we sometimes designate specific online channels that each individual distributor is allowed to operate on. We generally require our distributors to make payments before we deliver products to them, although we sometimes grant credit terms to certain distributors. We generally do not allow product return except for products with quality defects, which is in line with market practice.

We usually sign agreements with our distributors, which we believe enable us to sufficiently incentivize the distributors to actively market and sell our products and provide us with sufficient control over our distribution network. To minimize the risk of cannibalization among our different distribution channels, in particular, between our sales through our online direct sales channel and the sales of our distributors through our business distribution channel, we generally set a guidance price range of products for our distributors' further distribution, require our distributors to abide by selling restrictions stipulated in the distribution agreement with us and monitor their performance. For the distributors who are e-commerce platform operators, we are able to timely monitor the prices of the products offered on their e-commerce platforms. See "Risk Factor — We distribute our products through independent distributors over whom we have limited control and our sales under our online direct sales channel may compete with the business with these distributors which may lead to a cannibalization risk." and "— Pricing and Payment".

Below is a summary of salient terms of the agreements between us and our distributors:

- **Term and termination:** We usually enter into framework agreements with our distributors, with a term around one year, which can be renewed or terminated earlier by mutual agreement.
- **Rights and obligations of parties involved:** We from time to time receive purchase requests from our distributors, and supply our products to distributors based on the purchase order. We retain rights of setting the price of products and may ask our distributor to follow our sales policies.
- **Pricing policies:** We sell our products to our distributors at a fixed price provided in the agreement or otherwise agreed between the parties.
- **Product return and exchange policy:** We generally do not accept product returns except for products with quality defects.
- **Minimum sales target and purchase amounts:** We sometimes may ask our distributors to formulate a minimum sales target, while the distributors may pay us compensation if they fail to reach the target.

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- **Credit term:** We require some distributors make payments before we delivery products to them.
- **Dispute resolution:** In general, either party can request for a conciliation.

Below is a table showing the change in the number of our distributors during the Track Record Period:

	For the year ended December 31,				For the three months ended March 31,
	2018	2019	2020	2021	2022
Number of distributors at the beginning of the period . . . . .	39	55	119	192	185
Number of new distributors for the period . . . . .	33	79	117	80	24
Number of terminated distributors for the period . . . . .	17	15	44	87	0
Net increase (or decrease) in number of distributors for the period . . . . .	16	64	73	(7)	24
Number of distributors at the end of the period . . . . .	55	119	192	185	209

We engaged new distributors primarily as a result of the expansion of our business, as we strived to expand our distribution network and to reach more users. The increase in the number of terminated distributors in 2021 was primarily due to i) we have been proactively assessing and optimizing our distributors mix to focus on the large scale distributors who tend to have sizable demand and procurement volume, and selectively reducing wholesalers without expected operational efficiency; ii) the distributors' own operation decisions.

We did not rely on any single distributor or a small number of distributors during the Track Record Period. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, revenue generated from our largest distributor (who was also our largest customer) in terms of revenue accounted for 6.7%, 3.0%, 1.9%, 2.6%, 1.7% and 4.0%, respectively, of our revenue during those periods, and revenue generated from our five largest distributors (who were also our five largest customers) in total in terms of revenue accounted for 12.4%, 8.8%, 5.0%, 6.1%, 5.6% and 8.2%, respectively, of our revenue during those periods. To our best knowledge, during the Track Record Period, all of our distributors were Independent Third Parties. During the Track Record Period and up to the Latest Practicable Date, we have no material unresolved disputes or lawsuits with these terminated distributors.

### Offline Retail

In addition to purchasing our products through online direct sales and business distribution channels, users can directly purchase our products from our extensive network of pharmacies across the PRC. See “— Our Smart Pharmacy Network.” In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we received a total of approximately 1.7 million, 2.4 million, 2.9 million, 3.6 million and 0.8 million sales orders, respectively. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we generated revenue of RMB54.2 million, RMB114.8 million, RMB170.0 million, RMB568.8 million, RMB127.1 million and RMB159.2 million, respectively, from our offline channels.

### OUR PHARMACY NETWORK

#### Functions of Our Smart Pharmacies

Our smart pharmacies play a critical role in our business with the following functions:

- **Business support:** smart pharmacies are essential components of our ecological layout of “medical + medicine + testing + insurance” to satisfy users’ one-stop health management demands. Our smart pharmacies serve as the front-end of our business model, which support functions of drug express service of online direct sales and offline retail for walk-in users, enabling us to timely respond to the online and offline ordering and demands from our users, especially providing them with late-night accessibility. We transform the traditional brick-and-mortar warehousing model with isolated storefront and backroom storage into integrated pharmacies simultaneously serving the functions of these two, which also supports riders with resources to provide our users with products delivered to users within 28 minutes on a 24/7 basis in regions covered by our express delivery service. Such transformation enables our smart pharmacies to play a vital role in our fulfilment and delivery capacity. As part of our future plan, our users will be able to also measure height, weight, blood sugar, blood lipids in our smart pharmacies so that they do not need to go to the physical examination centers to take these measurements.
- **Quality control:** our smart pharmacies actively participate in our quality and process control. Since we have built up our own smart pharmacy network, we are able to keep clear and traceable record for products sold on our platforms and realize vertical quality control. The smart pharmacies also play a vital part in realizing the express delivery and providing users with fast, professional, convenient and traceable medical and pharmaceutical services.
- **Technical support:** as an integral part of our closed-loop business model, our smart pharmacies also provide a physical support under our E-zoning technology, smart delivery system, storage and logistics system, cold chain system, supply chain system, chronic disease and healthcare management center, etc. See “— Technology.”
- **Compliance requirement:** according to the Interim Provisions on the Approval of Internet Drug Transaction Services promulgated by the State Food and Drug Administration (the predecessor of the NMPA) on September 29, 2005, we, as an enterprise providing Internet drug transaction services to individual consumers, are required to meet the conditions of “pharmaceutical retail chain enterprises established in accordance with the law”, and pursuant to the local regulations of the provinces we operate in, certain number (generally five to ten per province) of offline physical pharmacies equipped with qualified professionals are required to qualify as a pharmaceutical retail chain enterprise. As of the Latest Practicable Date, all of our smart pharmacies have been equipped with qualified professionals as required by relevant laws and regulations.
- **Social medical insurance coverage:** according to the Interim Measures for the Designated Management of Medical Insurance in Retail Pharmacies (《零售藥店醫療保障定點管理暫行辦法》) issued by the National Healthcare Security Administration on December 30, 2020, a retail pharmacy qualified to apply for social medical insurance designation generally needs to (i) have obtained the pharmaceutical operation license, (ii) have an operating history of at least three months at its place of registration, (iii) have at least one licensed pharmacist who has a contracted service period of over one year and who is providing service within the contract service period, or at least one pharmacist who has obtained other professional and technical qualification certificates, who has a contracted service period of over one year and who is providing service within the contract service period, (iv) have at least two social medical insurance managers who have a contracted service period of more than one year and are providing service within the contracted period, (v) manage drugs by classifications and divisions, (vi) set up clear social medical insurance drug labels for drugs covered by social medical insurance, (vii) have managing policies that meet the management requirements of the social medical insurance agreements, and (viii) be equipped with information technologies

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required under the management requirements of the social medical insurance agreements. As of December 31, 2021, 169 of our smart pharmacies were qualified for the social medical insurance system following our applications to local social medical insurance administrative departments, accounting for 49.4% of our total number of smart pharmacies. For the year ended December 31, 2021, revenue from products covered by the social medical insurance system was RMB22.8 million, accounting for 0.6% of our revenue from pharmaceutical and healthcare business. We collaborate with the social medical insurance system through connecting our system to the social medical insurance system. When our users make payments, the reimbursement amounts are deducted from the sales amount. The reimbursement amounts are then recorded as our trade receivables to be settled with the social medical insurance system.

- **Brand awareness:** each smart pharmacy is meticulously designed to reflect our core brand values. We believe that our smart pharmacies enable us to provide our users with unique online-to-offline experience and streamlined on-demand drug purchase experience, refine the customer experience and create a lasting impression of our brand. In addition, the wider coverage of our smart pharmacies leads to the network effect of stronger branding which increases the willingness of existing users as well as potential users to use our offerings.

### Layout and Management of Our Smart Pharmacies

As of the Latest Practicable Date, we have established 351 smart pharmacies covering 17 cities in China. For the period from January 1, 2022 to the Latest Practicable Date, the number of net increase of smart pharmacies was nine. The table below tracks the number and movement of our smart pharmacies, and the number of cities covered, during the Track Record Period. During the period from January 1, 2022 to the Latest Practicable Date, we opened 10 new smart pharmacies and closed 1 smart pharmacy.

	As of December 31				As of March 31,
	2018	2019	2020	2021	2022
Number of cities covered by our smart pharmacies . . . . .	2	11	12	17	17
Number of our smart pharmacies <sup>(1)</sup> . . . . .	91	220	259	342	346
Number of smart pharmacies at the beginning of the period . .	64	91	220	259	342
Number of net increase of smart pharmacies . . . . .	27	129	39 <sup>(2)</sup>	83	4 <sup>(3)</sup>

*Notes:*

- (1) The number of our smart pharmacies increased by 141.8% from 91 as of December 31, 2018 to 220 as of December 31, 2019, and further increased by 17.7% to 259 as of December 31, 2020 and by 32.0% to 342 as of December 31, 2021. The significant growth in the number of smart pharmacies from 2018 to 2019 was the result of our rapid expansion of smart pharmacies across the country. However, the development of our smart pharmacy network was adversely affected during the COVID-19 outbreak in 2020, which was mainly because various travel restrictions imposed by local governments during the COVID-19 outbreak in 2020 in an effort to curb the spread of the pandemic, and our development plan was postponed until relevant onsite works in new operating cities become feasible. As of December 31, 2020, our business has been back to normal and the number of smart pharmacies increased rapidly in the year ended December 31, 2021.
- (2) After the acquisition of Yaofangwang in 2020, we included additional seven DTP pharmacies into our smart pharmacy network.
- (3) Our expansion plan in relation to new smart pharmacies was delayed in the first quarter of 2022, mainly due to another wave of COVID-19 outbreak in the PRC and the local authorities of the cities that we had expansion plan had taken certain lock-down measures to prevent further spread of COVID-19, which renders difficulties for us to open new smart pharmacies under such circumstances. Despite the difficulties in the first quarter of 2022 due to the COVID-19 outbreak, we would like to use our best efforts to carry out our expansion plan as scheduled. See “Use of Proceeds”.

The table below sets forth the number of smart pharmacies by cities and the breakdown of the smart pharmacies related business revenue contributions by cities during the Track Record Period:

	For the year ended December 31						For the three months ended March 31,																	
	2018		2019		2020		2021		2021		2022													
	Number	%	RMB'000	%	Number	%	RMB'000	%	Number	%	RMB'000	%												
Beijing . . . . .	53	58.2	271,717	78.3	66	30.0	435,144	54.1	69	26.6	571,103	43.9	84	24.6	1,094,017	51.3	81	28.2	253,295	51.1	89	25.7	284,936	47.6
Shanghai . . . . .	38	41.8	75,109	21.7	41	18.6	157,951	19.7	46	17.8	254,849	19.6	56	16.4	370,292	17.4	48	16.8	87,068	17.5	53	15.3	107,158	17.9
Shenzhen . . . . .	-	-	-	-	24	10.9	96,999	12.1	34	13.1	199,329	15.3	36	10.5	199,004	9.3	36	12.5	53,327	10.8	36	10.4	88,846	14.9
Guangzhou . . . . .	-	-	-	-	24	10.9	49,401	6.1	24	9.3	85,175	6.5	25	7.3	110,053	5.2	24	8.4	28,341	5.7	25	7.2	27,253	4.6
Others <sup>(1)</sup> . . . . .	-	-	-	-	65	29.6	64,207	8.0	86	33.2	191,660	14.7	141	41.2	360,243	16.8	98	34.1	73,978	14.9	143	41.3	89,709	15.0
<b>Total . . . . .</b>	<b>91</b>	<b>100.0</b>	<b>346,826</b>	<b>100.0</b>	<b>220</b>	<b>100.0</b>	<b>803,702</b>	<b>100.0</b>	<b>259</b>	<b>100.0</b>	<b>1,302,316</b>	<b>100.0</b>	<b>342</b>	<b>100.0</b>	<b>2,133,609</b>	<b>100.0</b>	<b>287</b>	<b>100.0</b>	<b>496,009</b>	<b>100.0</b>	<b>346</b>	<b>100.0</b>	<b>597,902</b>	<b>100.0</b>

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*Note:*

- (1) In 2019, others included seven cities with smart pharmacies related business, among which Dongguan had a revenue contribution of RMB0.3 million, the least among others, and Chengdu had a revenue contribution of RMB25.1 million, the highest among others. In 2020, others included eight cities with smart pharmacies related business, among which Dongguan had a revenue contribution of RMB1.8 million, the least among others, and Tianjin had a revenue contribution of RMB46.6 million, the highest among others. In 2021, others included 13 cities with smart pharmacies related business, among which Suzhou had a revenue contribution of RMB0.9 million, the least among others, and Hangzhou had a revenue contribution of RMB65.5 million, the highest among others. In the three months ended March 31, 2022, others included 13 cities with smart pharmacies related business, among which Dongguan had a revenue contribution of RMB0.5 million, the least among others, and Hangzhou had a revenue contribution of RMB15.0 million, the highest among others.

Our smart pharmacies outperforms traditional pharmacies in multiple aspects, such as the broader geographic coverage, broader scope of products and services offered, the flexibility in choice of store location, the longer time of operations, and the higher revenue per unit area. See “Industry Overview.” Our smart pharmacies in general have a service radius of five to ten kilometres. Taking Beijing as an example, the 89 smart pharmacies as of March 31, 2022 covered almost all downtown and suburban areas in Beijing.

In general, a smart pharmacy is between 60 and 120 square meters in floor area, and operates on a 24/7 basis. A typical smart pharmacy is divided into two sections, one equipped with shelves laying out packaged orders for riders to pick up, and the other with shelves displaying various OTC drugs, prescription drugs and healthcare products for storage and offline retail. DTP pharmacies are also part of our smart pharmacy network, which are mainly located around Grade III Level A hospitals and mainly provide patients with new speciality drugs directly after they receive prescriptions in hospitals and get professional medication services. The DTP pharmacies are important components of our online chronic disease and healthcare management in light of the trend of prescription outflow in the industry. The products that we sell and the shelving of products in a smart pharmacy is based on the analysis of data and information retrieved from daily sales. Our smart pharmacies are backed by our technology capabilities such as smart site selection, smart drug selection and smart dispatchment, which are in line with the industry standards in terms of smart pharmacies according to Frost & Sullivan.

- Smart site selection: we select the locations of our smart pharmacies based on big data and our proprietary E-zoning technology, which enable us to achieve optimal efficiency in the coverage by the network of our smart pharmacies. Generally, we consider a smart pharmacy’s surrounding conditions, such as the number of users, users’ lifestyle, road conditions, sales history of the its nearby communities and data based on field tests by riders, and our delivery capacity would be allocated dynamically based on the actual operation with systemic upgrade and optimization.
- Smart drug selection: our smart pharmacies have been intelligently upgraded so that users’ order, drug picking, and drug delivery are seamlessly connected. As a result, our smart pharmacies are more labor efficient and are able to handle more orders compared to traditional offline pharmacies. Upon receiving the orders from our online platforms, the relevant drug picking instructions, including the drugs’ shelf location, batch information and price information, are automatically displayed at our smart pharmacies staff’s terminal for picking and packaging.
- Smart dispatchment: our smart order dispatchment system takes note of our order level and manpower, to make order dispatchment based on a balance of cost and time, and takes into consideration complex factors such as weather conditions, which ensures the on-time delivery of our products with reduced costs.

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The optimized layout of our smart pharmacy network is vital to our ongoing success. We use self-developed technologies, such as our E-zoning technology to optimize the location of our smart pharmacies. Our E-zoning technology is based on our capabilities in artificial intelligence and big data, both of which form the foundation of our technology capabilities. See “— Technology.”

Benefiting from our E-zoning technology, we are able to strategically locate most of our smart pharmacies in locations with high efficiency of user coverage and affordable level of rents. We determine the distance between our new pharmacies and existing ones based on our market analysis as well as commercial considerations to minimize overlap between our smart pharmacies. To cater for the high demand of our products in certain areas additional pharmacies may be set up in relatively close proximity to the existing pharmacies. As a result of our utilization of our E-zoning technology, we are able to realize broad and effective coverage of users with high operating efficiency and low cost.

### Performance of our smart pharmacies

The table below sets forth the total revenue and gross profit contribution of smart pharmacies related business (representing (A) our online-to-offline model under online direct sales channel, and (B) and offline retail channel for walk-in users, both supported by our smart pharmacies) in absolute amount and as a percentage of our total revenue and total gross profit, respectively, during the Track Record Period:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	(unaudited)			
Total smart pharmacy revenue contribution . . . . .	346,826	59.3	803,702	63.0	1,302,316	58.4	2,133,609	58.0	496,009	63.6	597,902	60.6
Total smart pharmacy gross profit contribution . . . . .	127,583	53.1	268,666	57.2	388,795	50.7	505,047	43.5	112,999	47.7	162,767	48.7



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The table below sets forth the certain key operations and financial performance indicators of our smart pharmacies with continuous operation history<sup>(1)</sup> by year of opening during the Track Record Period:

	For the year ended December 31,				For the three months ended March 31
	2018	2019	2020	2021	2022
	RMB'000				
<b>Average revenue per smart pharmacy</b>					
Smart pharmacies existed on					
January 1, 2018 . . . . .	5,454	8,144	10,279	12,574	3,280
Smart pharmacies opened in 2018 . . . . .	1,227	4,015	6,142	8,593	2,439
Smart pharmacies opened in 2019 . . . . .	–	2,080	4,805	5,516	1,463
Smart pharmacies opened in 2020 . . . . .	–	–	1,000	4,035	924
Smart pharmacies opened in 2021 . . . . .	–	–	–	5,581	1,688
	RMB'000				
<b>Average gross profit per smart pharmacy</b>					
Smart pharmacies existed on					
January 1, 2018 . . . . .	2,098	3,030	3,450	4,059	1,037
Smart pharmacies opened in 2018 . . . . .	469	1,497	2,065	2,737	770
Smart pharmacies opened in 2019 . . . . .	–	679	1,385	1,437	479
Smart pharmacies opened in 2020 . . . . .	–	–	283	1,079	268
Smart pharmacies opened in 2021 . . . . .	–	–	–	709	316
	%				
<b>Average smart pharmacy level fulfillment expenses ratio<sup>(2)</sup></b>					
Smart pharmacies existed on					
January 1, 2018 . . . . .	22.4	19.7	15.9	15.9	17.2
Smart pharmacies opened in 2018 . . . . .	28.3	22.2	17.2	17.5	18.0
Smart pharmacies opened in 2019 . . . . .	–	22.2	17.7	18.0	14.5
Smart pharmacies opened in 2020 . . . . .	–	–	19.3	18.3	17.3
Smart pharmacies opened in 2021 . . . . .	–	–	–	5.9	9.9
	%				
<b>Average smart pharmacy level operating profit ratio<sup>(3)</sup></b>					
Smart pharmacies existed on					
January 1, 2018 . . . . .	(0.2)	3.6	5.8	4.9	2.8
Smart pharmacies opened in 2018 . . . . .	(16.0)	(0.4)	4.0	3.0	2.1
Smart pharmacies opened in 2019 . . . . .	–	(10.3)	(3.6)	(6.5)	6.7
Smart pharmacies opened in 2020 . . . . .	–	–	(7.8)	(6.9)	(4.9)
Smart pharmacies opened in 2021 . . . . .	–	–	–	(4.1)	(3.2)
	%				
<b>Average subsidies ratio</b>					
Smart pharmacies existed on					
January 1, 2018 . . . . .	18.0	16.0	16.9	22.3	23.4
Smart pharmacies opened in 2018 . . . . .	16.2	16.7	18.0	24.9	24.1
Smart pharmacies opened in 2019 . . . . .	–	18.6	19.8	26.3	20.9
Smart pharmacies opened in 2020 . . . . .	–	–	19.7	26.3	24.3
Smart pharmacies opened in 2021 . . . . .	–	–	–	10.7	14.6

*Notes:*

- (1) For the circulation above, we grouped the smart pharmacies with continuous operations history as of March 31, 2022 into those existed on January 1, 2018 and those added in 2018, 2019, 2020, 2021. The number of the former is 49 and the number of the latter was 22, 130, 36 and 90 respectively.
- (2) The average smart pharmacy level fulfillment expenses ratio is defined as delivery partners related fulfillment expenses as a percentage of the smart pharmacy's total revenue per smart pharmacy
- (3) The average smart pharmacy level operating profit ratio is defined as gross profit at smart pharmacy level, deducting operational costs incurred at smart pharmacy level, comprising fulfillment expenses and sales and marketing expenses, and then divided by smart pharmacy level revenue

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During the Track Record Period, the operations and financial performance of our smart pharmacies as demonstrated above have been improved along with the operating years and showing a relatively positive trend. It generally takes approximately two to three years for a smart pharmacy to achieve breakeven and become profitable, on the basis that our smart pharmacies that existed and opened in 2018 on average achieved profit in 2020 and our smart pharmacies that opened in 2019 on average achieved profit in the first quarter of 2022. As illustrated in the tables above, within any operating period, smart pharmacies with longer operating history generally had a better financial performance (namely average smart pharmacy revenue, gross profit, fulfillment expenses ratio, operating profit ratio and subsidies ratio) than those with shorter operating history, primarily as a result of each smart pharmacy's accumulated user basis in the neighborhood and our overall brand effect, which brought about more orders. As such, with the gradual maturity of each single smart pharmacy, we believe that our overall operations and financial performance will be improved in the future, and newly operated smart pharmacies are expected to expand their business scales and catch up with the smart pharmacies with longer periods of operations.

### **Expansion Management of Our Smart Pharmacies**

As we continue to rapidly ramp up business scale and expand our smart pharmacy network, we have devised a comprehensive set of unified, stringent policies and procedures to manage the growth of our smart pharmacy network, with a view to ensuring consistency in our brand and service quality, operating smart pharmacies across our operating cities efficiently and effectively, and achieving economies of scale. Such policies and procedures set forth detailed procedures on opening processes, such as obtaining requisite licenses, in-store staff onboarding training, uniformed design and decoration standards and initial operation checklist. It typically takes two to three months to put a smart pharmacy into operation, from site selection to the initial operation of a new smart pharmacy. We typically commence the recruiting process for a new smart pharmacy one month before its initial operation to ensure every staff is fully trained to deliver high-quality services to our users. We intend to open approximately 100 new smart pharmacies by the end of 2022, approximately 150 new smart pharmacies by the end of 2023, and approximately 100 new smart pharmacies by the end of 2024. See "Future Plans and Use of Proceeds."

The factors we usually consider when opening a new smart pharmacy during the Track Record Period and going forward generally include:

- the overall economic conditions and disposable income of its surrounding area;
- the population and population density of its surrounding area;
- online consumption habits of the local residents;
- geographical conditions of its surrounding areas, applying our E-zoning technology indicators covering the service radius of five to ten kilometers of the smart pharmacy;
- competitors and traditional pharmacies in its surrounding area; and
- local regulatory policies.

### Our Partner Pharmacies

The network of our smart pharmacies is supplemented by our partner pharmacies. We piloted our collaborations with such partner pharmacies by allowing them to sell their products on our platforms and pay us a service fee. Users can reach their products through our own online platforms, namely our mobile APP and our WeChat mini-program, and the third-party online platforms we engaged, and once an order is placed on the platforms, we send the order information to the partner pharmacy and it will prepare and dispatch the order to the user by its designated rider. Our partner pharmacies are generally responsible for engaging their own riders to deliver orders, and we may provide relevant training to these riders according to our agreements with our partner pharmacies. Such collaboration enables us to extend the reach of our pharmacy network and to serve users in cities, or regions within cities, that are not yet covered by the network of our smart pharmacies. As of December 31, 2018, 2019, 2020, 2021 and March 31, 2022, the numbers of our partner pharmacies were 98, 137, 1,075, 1,105 and 1,039, respectively. The number of our partner pharmacies increased significantly in 2020 primarily because, as part of our efforts to expand into cities we have no operations, we sought cooperation with partner pharmacies that had established operation in such cities to promote our brand awareness and many of our partner pharmacies were franchises or chains, largely increasing the number of our partner pharmacies.

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, the service fees we charged from our partner pharmacies were RMB10.4 million, RMB2.7 million, RMB4.9 million, RMB2.8 million, RMB0.5 million and RMB1.0 million, respectively, which we accounted as marketplace service revenue included in others (acting as agent in terms of revenue recognition), respectively. The service fees charged on our partner pharmacies were generally determined by commercial negotiations with our partner pharmacies and our market research. The decrease of the service fees we charged in 2019 was mainly because we statically expanded our self-operated smart pharmacies to affluent regions with high population densities and showed high sales volume, and we strategically did not focus on collaboration with partner pharmacies in these regions. The increase of the service fees we charged in 2020 was mainly due to the increasing number of partner pharmacies in 2020. In addition to the same reasons in 2019, the decrease of the service fees we charged in 2021 was also due to that a considerable number of our partner pharmacies were located in the lower-tier market with relatively lower penetration rate in the on-demand healthcare market. We did not recognize the sales volume by partner pharmacies as our revenue during the Track Record Period. If the Draft Implementation Regulations is formally promulgated in its current form and a strict interpretation is applied, we will cease collaborations with our partner pharmacies and cease our platforms as third-party platform providers. See “Business – Recent regulatory development in the PRC.”

The material terms of our collaborations with partner pharmacies include the following:

- **Term and termination:** The contract generally has a term of one year, and can be terminated by written notice.
- **Collaborations:** We operate proprietary technology platform where our partner pharmacies publish information of their pharmacies and merchandise, and receive and send order information. Our partner pharmacies shall timely prepare merchandise as per the orders received from our platforms for the riders designated by the partner pharmacies for delivery.
- **Operation arrangements:** We are responsible for the training of the riders designated by the partner pharmacies. The partner pharmacies shall assign persons in charge of their daily operations on our platform, including customer service, order handling and merchandise display. The partner pharmacies shall comply with our requirements on products, pricing and documentation, and shall ensure relevant information published on the platform is true and legal.

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- **Qualifications:** The partner pharmacies shall present certificate of operating qualifications for our record. We have the right to demand the partner pharmacies to rectify should their qualifications and conditions fail to comply with relevant rules and regulations and our requirements.
- **Fees and settlement:** We charge service fee based on the sales volume generating from the orders through our platform and the promotion services we provide, which are settled monthly or weekly.

### OUR FULFILLMENT AND DELIVERY CAPABILITY

As the first company to provide self-operated, Internet-based on-demand healthcare service in China, according to Frost & Sullivan, we are able to stand out among our peers, and ensuring our express on-demand service to users, thanks to our core competency in fulfillment and delivery. As of March 31, 2022, our delivery infrastructure, which we engaged through the collaboration with our delivery partners under outsourcing arrangements, consisted of a fleet of more than 2,600 riders.

We enter into service outsourcing agreements with our delivery partners, who engage the riders as their employees or contractors to exclusively provide delivery service for our smart pharmacies assigned to the riders. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we have collaborated with one, two, four, five and five delivery partners, respectively. We license our trade name to our delivery partners, who agree to abide by the operating requirements specified by us. We require our delivery partners to manage the riders according to our requirements. We also provide our delivery partners with support and resources to ensure the quality of the delivery services. We meticulously manage our delivery services through our delivery partners to ensure the timeliness of our delivery and the satisfaction of our users. We impose strict requirements on the temperature and moisture of delivery, using achieved packaging techniques to ensure that our drug products are delivered under optimal environment for transmission. We require our delivery partners to use opaque packaging for the delivery of our products, to protect the privacy of the users to the greatest extent. To enhance the quality of our delivery services, we require the riders to dress in uniforms for delivery work, and we also require our standard drug boxes to be used for delivery.

The material terms of our collaborations with delivery partners include the following:

- **Term and termination:** We usually enter into outsourcing service contracts with our delivery partners with a term of one year, which can be renewed upon mutual agreement and can be terminated by mutual agreement.
- **Collaborations:** We outsource delivery service to the delivery partners, who are responsible to manage riders to perform delivery services. We have the right to determine the number of riders engaged by our delivery partners.
- **Metrics and training:** We set service standards and performance review metrics, and provide technical support and instructions for the outsourced service. Our delivery partners are responsible to provide training according to our standards and requirements to riders engaged by them and we have the right to monitor and assess the riders' service performance.
- **Qualifications:** Our delivery partners shall provide relevant documents, including health certificates, employment contracts and certificates of contribution to social securities, upon our request.
- **Subcontracting:** Unless otherwise agreed by us, our delivery partners shall not subcontract any or all of the delivery service to a third party.

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- **Dispute settlement:** Our delivery partners shall timely and directly settle any disputes with the riders and any disputes that arise out of the outsourced service and take full risks and responsibilities in a way that does not disturb the operation of the outsourced service. Should we suffer any loss as a result of any disputes, our delivery partners shall cover the damages and we can terminate the contract.
- **Pricing and settlement policies:** We settle the fees with delivery partners on a monthly basis, typically within ten days of receipt of an invoice. The fees that we pay to the delivery partners include outsourcing fees and service fees. The outsourcing fees consist of management fees and recruitment fees, of which 80% are fixed and 20% are contingent upon their performance. The service fees are calculated based on the amount and quality of deliveries provided by the riders. Such outsourcing fees and service fees are determined through public tender and bidding process, as well as our research on the delivery market. The average delivery fee per order was RMB9.4, RMB7.7, RMB6.2, RMB6.0, RMB6.2 and RMB6.9, respectively, for 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022.

Our drug express delivery is also supported by our innovative technologies such as accurate rider modeling, leveraging our big data and AI capabilities, which provides us with improved efficacy in delivery, and reduces fluctuation of delivery time resulting from human factors. Technologies adopted to enhance our fulfillment and delivery capacity include the following:

- **Smart order dispatchment system:** Our smart order dispatchment system takes note of our order level and manpower, to make order dispatchment based on a balance of cost and time, and takes into consideration complex factors such as weather conditions, which ensures the on-time delivery of our products with reduced costs.
- **Path optimization system:** Our path optimization system analyzes conditions including path of delivery, traffic condition, the time frame for delivery and delivery load according to the orders assigned to the riders, and generates optimal delivery path to minimize the time needed for delivery. The information is conveyed to the riders through APP installed on riders' mobile phones. To ensure that the orders are delivered within the estimated delivery time calculated by the system and the required service quality, alerts will prompt on riders' mobile phones indicating any overtime or other non-compliance, and orders not fulfilled according to the system will be reported to our delivery management team, who are able to work with our delivery partners or third-party carriers so that our delivery partners or third-party carriers can intervene and adjust workload real-time to ensure our delivery service quality.
- **Quality monitoring system:** Our quality monitoring system conducts real-time monitoring on our delivery team to avoid problems such as missed delivery or delivery without appropriate drug box, therefore ensuring appropriate quality control for our delivery process.
- **Cost optimization system:** Our cost optimization system collects information on delivery cost and provide analysis to optimize our delivery system from the financial perspective, by minimizing costs while ensuring a high quality of delivery services.

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Depending on users' specific requirements for time, costs and variety of healthcare products, we structure our delivery to users under different delivery models.

- **Express delivery:** Users can choose our express delivery model, under which we strive to deliver the products purchased to users within 28 minutes, in core areas within the cities where we operate that are covered by such express delivery service. The fees we charge for the delivery services under express delivery model is generally same as the regular delivery model. The typical size of an individual area covered by this model is up to 25 square kilometers. In 2018, 2019, 2020, 2021 and the three months ended March 31, 2022, the proportion of sales orders under the express delivery model being delivered to our users within 28 minutes was 58.2%, 76.8%, 85.0%, 88.2% and 79.9%, respectively, and the decrease in the three months ended March 31, 2022 was mainly due to some of our smart pharmacies temporarily ceased operations in the same period as required by the lock-down measures adopted in certain operating cities in respond to the COVID-19 outbreak (we were not required to suspend operations in the same period in 2021), and consequently, the other smart pharmacies in the same operating cities not affected by the lock-down measures and the riders assigned to them had to extend their service radius to provide additional delivery services to our users, which adversely affected our delivery efficiency during the same period. Though we strive to deliver the products purchased to users within 28 minutes under the express delivery model, our delivery services may be subject to many factors which are out of its control, such as weather and traffic conditions. See "Risk Factors – Our failure to properly manage participants in our ecosystem may materially and adversely affect any business." We usually issue coupons to comfort our users in response to their complaints thereof. In 2018, 2019, 2020, 2021 and the three months ended March 31, 2021 and 2022, the aggregate amounts deducted from the selling prices when such coupons were redeemed by our customers in subsequent purchase orders were RMB5.8 million, RMB9.6 million, RMB5.2 million, RMB5.5 million, RMB0.8 million and RMB1.2 million, respectively. We recognized such coupons as contract liability based on their estimated fair value when they were issued. Subsequently, such contract liability is recognized as revenue at the point in time when a user redeems the coupons in a later order, or when the coupons expired.
- **Regular delivery:** Users who have less time-sensitive demands for products on our platforms can choose the regular delivery model, which delivers the products to users within a period ranging from several hours to several days.
- **Pre-order delivery:** Users can place orders on our platform in advance, and request the products to be delivered later within a specific time frame specified by the user.

In most cases, deliveries are generally fulfilled by riders engaged by our delivery partners, and these riders provide exclusive delivery service to us. In case that sales order spikes and additional delivery manpower is needed, we collaborate with third-party carriers to make delivery for our products, who provide delivery service to us on a non-exclusive basis. We enter into logistics service agreements or delivery outsourcing agreements with our third party carriers, including logistic companies and delivery outsourcing companies. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we have collaborated with 9, 13, 19, 27 and 21 third-party carriers, respectively. We regularly monitor and review the third-party carriers' performance and their compliance with our contractual terms. We also engage third-party carriers to deliver products under our direct-sales e-commerce model through the regular delivery option. Under the regular delivery model, we require our third-party carriers to abide by the operating standards specified by us, and we provide such third-party carriers with high-quality support and resources in order to ensure our users choosing regular delivery can also enjoy high quality level of delivery service. The material terms of our collaborations with third-party carriers include the following:

- **Term and termination:** The contract generally has a term of one year, and can be automatically renewed for one year. The contract usually can be terminated upon mutual consent.
- **Collaborations:** The third-party carriers are responsible for picking up and delivering the packages prepared by us to the designated place and returning the undeliverable packages to us. We are responsible for the packaging and disclosure of the package content and payment of service fee.
- **Fees and settlement:** Service fees are settled monthly.

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We impose operating requirements on delivery partners and third-party carriers and they are required to send through email weekly reports specifying the delivery punctuality rate and order taking rate, along with measures to improve the performance. We have monthly meeting with our delivery partners and third-party carriers to address vital issues and discuss on measures to improve delivery performance. We also monitor our delivery partners and third-party carriers' performance by applying key performance indicator with monthly assessments on their performance to encourage improvement on punctuality and service quality. Our system tracks the location of their riders and analyses the data collected from each delivery to determine their performance. We also keep track of user complaints, which also impacts the performance evaluation of our delivery partners and third-party carriers.

Our pricing policy on delivery fees charged on our users generally consider the time of the delivery, the distance of the delivery, the economic conditions of the operating city, the fulfillment costs we paid to relevant delivery partner or third-party carrier. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we have received delivery fees of RMB11.0 million, RMB23.6 million, RMB23.3 million, RMB24.1 million and RMB6.0 million and RMB9.2 million, respectively. During the same period, the average of delivery fees charged per order was RMB0.8, RMB0.9, RMB0.6, RMB0.4, RMB0.5 and RMB0.6, respectively. If the total amount of a sales order reaches certain monetary threshold, we generally do not charge fees for the delivery services above, and during the Track Record Period, most of the sales orders were able to reach such threshold as we adjusted from time to time. From 2022, we intend to (i) for our self-operated online platforms, dynamically increase such threshold, and (ii) dynamically increase the fees for delivery services at third-party online platforms, both taking into account each operating city's operational environment such as purchasing amounts, delivery needs and competition, in an expectation to generate more revenue from our delivery services.

The table below sets forth the breakdown of the sales orders (in absolute amount and as a percentage of our total sales orders from our online direct sales channel and offline channel) by delivery models for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,	
	2018		2019		2020		2021		2022	
	Numbers of Sales Orders (in millions)	%	Numbers of Sales Orders (in millions)	%	Numbers of Sales Orders (in millions)	%	Numbers of Sales Orders (in millions)	%	Numbers of Sales Orders (in millions)	%
<b>By Express Delivery</b>										
Deliver by the riders through our delivery partners . . . . .	8.1	57.4	14.7	55.7	20.5	50.6	33.1	54.7	7.6	50.7
Deliver by third-party carriers . .	0.9	6.4	1.2	4.6	1.8	4.4	2.8	4.6	1.5	10.0
<b>By Regular Delivery</b>										
Deliver by the riders through our delivery partners . . . . .	1.6	11.3	1.8	6.8	2.0	4.9	1.5	2.5	0.3	1.9
Deliver by third-party carriers . .	1.4	9.9	4.6	17.4	10.6	26.2	14.8	24.5	4.9	31.0
<b>By Pre-order Delivery</b>										
Deliver by the riders through our delivery partners . . . . .	0.3	2.1	0.8	3.1	1.5	3.7	2.1	3.5	0.5	3.3
Deliver by third-party carriers . .	0.1	0.7	0.9	3.4	1.2	3.0	1.7	2.8	0.2	1.3
<b>In-store Pick-up and Offline</b>										
<b>Retails</b> . . . . .	1.7	12.2	2.4	9.0	2.9	7.2	4.5	7.4	0.9	5.9
<b>Total</b> . . . . .	<b>14.1</b>	<b>100.0</b>	<b>26.4</b>	<b>100.0</b>	<b>40.5</b>	<b>100.0</b>	<b>60.5</b>	<b>100.0</b>	<b>15.8</b>	<b>100.0</b>

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The table below sets forth the breakdown the revenue (in absolute amount and as a percentage of our total revenue from our online direct sales channel and offline channel) by delivery models for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,	
	2018		2019		2020		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
By Express Delivery . . . . .	243,969	55.0%	564,959	55.3%	887,844	47.6%	1,391,612	44.1%	399,238	45.8%
By Regular Delivery . . . . .	136,778	30.8%	282,452	27.7%	671,478	36.0%	1,030,165	32.7%	281,309	32.3%
By Pre-order Delivery . . . . .	8,832	2.0%	59,106	5.8%	133,966	7.2%	153,251	4.9%	29,112	3.3%
In-store Pick-up and Offline Retails <sup>(1)</sup> . . . . .	54,166	12.2%	114,806	11.2%	172,238	9.2%	577,390	18.3%	161,963	18.6%
<b>Total</b> . . . . .	<b>443,745</b>	<b>100.0%</b>	<b>1,021,323</b>	<b>100.0%</b>	<b>1,865,526</b>	<b>100.0%</b>	<b>3,152,418</b>	<b>100.0%</b>	<b>871,622</b>	<b>100.0%</b>

*Note:*

(1) The increase in revenue from our in-store and offline retails in 2021, was primarily attributable to the increase in the number of our smart pharmacies due to our acquisition of Yaofangwang and the improvement of our offline operations that benefited from the brand awareness achieved through our online business operations.

During the Track Record Period, we have been prioritizing our express delivery model through our delivery capacity by our delivery partners, as we strategically address the common concerns among users who chose this model regarding timeliness, late-night accessibility and privacy, while such concerns are less required under regular delivery model and pre-order delivery model. As such, the proportion of sales orders delivered by our delivery partners under the express delivery model increased during the Track Record Period, and conversely, the proportion of sales orders delivered by third-party carriers under the regular delivery model and the pre-order delivery model increased during the same period.

The table below sets forth the fulfilment expenses recognized in accordance with the agreements with delivery partners (one, two, four, five, five and five delivery partners in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, respectively) and third-party carriers (9, 13, 19, 27, 27 and 21 third-party carriers in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, respectively) in absolute amounts and as percentages of our total fulfilment expenses for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Delivery partners . . . . .	85,520	87.7	169,464	84.9	224,117	79.1	313,346	76.0	74,807	77.7	79,894	71.1
Third-party carriers . . . . .	11,990	12.3	30,212	15.1	59,061	20.9	98,933	24.0	21,505	22.3	32,479	28.9
<b>Fulfillment expenses</b> . . . . .	<b>97,510</b>	<b>100.0</b>	<b>199,676</b>	<b>100.0</b>	<b>283,178</b>	<b>100.0</b>	<b>412,279</b>	<b>100.0</b>	<b>96,311</b>	<b>100.0</b>	<b>112,374</b>	<b>100.0</b>



**PRICING AND PAYMENT**

We seek to price our products and services appropriately to attract new users and retain existing users. We are making continuous efforts to set our prices to be competitive. We generally follow the recommended retail price range set by our suppliers when pricing the products offered through our online direct sales channel and offline retail channel. In terms of the products we offer to our distributors under business distribution channel, the pricing is generally determined by the overall pricing conditions in the distribution market. To minimize the risk of cannibalization among our different distribution channels, in particular, between our sales through our online direct sales channel and the sales of our distributors through our business distribution channel, we generally set a guidance price range of products for our distributors' further distribution pursuant to the recommended retail price range set by our suppliers, require our distributors to abide by selling restrictions stipulated in the distribution agreement with us and monitor their performance. For the distributors who are e-commerce platform operators and may compete with our sales through our online direct sales channel, we are able to timely monitor the prices of the products offered on their e-commerce platforms. We may terminate the business with a distributor if we find that the distributor does not follow the guidance price range as we agreed.

In addition, to encourage repeated purchases, we provide purchasers with a variety of subsidies options such as coupon packages, including welcome coupon package, referring coupon, spend & save, shopping vouchers and special offer. According to the Frost & Sullivan Report, it is an industry practice for companies in the on-demand digital pharmacy market to offer subsidies to attract new customers and increase repurchase rate and stay competitive in the market. We adjust the subsidy level based on the overall development strategy of whether the target revenue and gross profit margin have been achieved rather than the absolute amount of subsidies. During the Track Record Period, we adopted a relatively active subsidy policy in order to keep our pricing competitive and achieve our development strategy of rapid expansion of business scale while maintaining our operating losses within an affordable range. Looking forward, we will pursue more effective scale growth and further improvement of operating efficiency, and are expected to continue to adopt flexible, dynamic and moderate subsidy policies based on market condition to further promote overall operating performance such as revenue growth and stable gross profit margin, and we plan to dynamically adjust our subsidy strategy after taking into account the above factors and our development strategy. During the Track Record Period, by adopting active subsidy policies and comprehensive products and services offerings, we experienced fast and steady increases in the number of sales orders, from 14.1 million in 2018 to 26.4 million in 2019, and further to 40.5 million in 2020, 60.5 million in 2021 and from 12.9 million for the three months ended March 31, 2021 to 15.8 million for the three months ended March 31, 2022.

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we provided subsidies of RMB82.8 million, RMB208.4 million, RMB412.2 million, RMB722.5 million, RMB149.0 million and RMB216.9 million, respectively, to the users. These subsidies are primarily provided under our online direct sales channel. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, the overall subsidy ratio of our online direct sales (defined as the subsidy amount divided by the sum of subsidies and revenue of online direct sales and multiplied by 100%) was 17.5%, 18.7%, 19.6%, 21.9%, 21.8% and 23.3% respectively. According to the Frost & Sullivan Report, our subsidy ratios were at similar level to those offered by other key market players during the Track Record Period. Our average subsidies ratio provided increased in the years ended December 31, 2020, 2021 and for the three months ended March 31, 2022, primarily as a result of our strategy to (i) remain competitive in the market where the subsidy ratio by key market players generally increased during the same period, according to the Frost & Sullivan Report; and (ii) retain the users acquired during the COVID-19 outbreak in 2020.

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The key forms of subsidies we provided to users are listed as below, which are all offered under our online direct sales channel, rather than business distribution channel or offline retail channel:

<u>Subsidy type</u>	<u>Description</u>	<u>Consideration</u>	<u>Validity period</u>	<u>Redemption procedure</u>
<b>Welcome coupon packages<sup>(1)</sup></b> . . . . .	We offer a coupon package of RMB666's worth to our new registered users, including several coupons with different discount rates.	No	From 30 days to 150 days	A user can tick available coupons or vouchers when processing to check out step, and the final price of that order would reflect the corresponding promotion policies of the coupons or vouchers chosen.
<b>Referral coupons<sup>(1)</sup></b> . . . . .	We encourage users to share our platforms with their friends and families, and accordingly provide referral coupons.	No	From 3 days to 7 days	Alternatively, a user can view his/her available coupons or vouchers at the "My Coupons and Vouchers" at our platforms, and there is a "Go and Use" link next to each coupon or voucher listed therein, through which the user is able to browse the SKUs applicable to a coupon or voucher. The final price of the order would reflect the corresponding promotion policies of the coupons or vouchers the user chooses.
<b>Shopping vouchers</b> . . . . .	–			
<i>Promotion vouchers offered for free<sup>(1)</sup></i> . . . . .	To stimulate sales orders, we offer various promotional vouchers for free in response to our marketing campaigns, as well as the marketing campaigns launched by the third-party online platforms which we collaborate with.	No	30 days	
<i>Coupon packages issued at cash consideration<sup>(2)</sup></i> . . . . .	In response to our marketing needs, we offer cash vouchers at cash consideration. For example, a user can purchase coupon packages with value of RMB88 with RMB8 in cash.	Yes	60 days	
<i>Coupons in response to user complaints<sup>(3)</sup></i> . . . . .	We issue coupons to comfort our users when we failed to deliver the purchase orders within 28 minutes under our express delivery service.	Yes	30 days	

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<u>Subsidy type</u>	<u>Description</u>	<u>Consideration</u>	<u>Validity period</u>	<u>Redemption procedure</u>
<b>Spend &amp; Save<sup>(1)</sup></b> . . .	We launch Spend & Save marketing campaigns which offer subsidies to users when they are placing orders on our platforms when the total amount of an order reaches certain monetary threshold, such as spend RMB98 and save RMB25. We also, from time to time, collaborate and launch Spend & Save marketing campaigns with the third-party online platforms which we cooperate with, and the relevant Spend & Save coupons issued by the third-party online platforms are deemed as subsidies offered by us.	No	Instant discount	A user can use the “Spend & Save” filter on our platforms to browse the SKUs applicable to the Spend & Save promotion. When the total amount of an order reaches certain monetary threshold as set by our platforms, our platforms will automatically deduct the saved amount in the final price when the user choose to check out.
<b>Special offers<sup>(1)</sup></b> . . .	With the collaboration with pharmaceutical manufacturers and our suppliers, we offer discounts on certain SKUs in light of the marketing strategies we mutually develop.	No	Instant discount	The SKUs offered under special offers are marked with “ON SALE” on our platforms, with both original prices and discounted prices displayed. Our platforms default to apply the discounted prices when a user choose to check out.

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*Notes:*

- (1) In terms of accounting treatment, they are not within the IFRS 15 scope as no enforceable rights and obligations are created between us and our users respectively. They are not accounted for when granted or expired. Their amounts are treated as a reduction in revenue when our users redeem them in their future purchases.
- (2) In terms of accounting treatment, as they are purchased by our users, for example, at a cash consideration of RMB8, we recognize the RMB8 as “contract liabilities – unearned revenue awards to customers” when the coupon package is purchased. We allocate the RMB8 received to each of the coupons comprising the coupon package by putting different weight to them according to our historical experience. Subsequently, “contract liabilities – unearned revenue awards to customers” will be recognized as revenue at the point in time based on the coupon’s allocated value when the user redeems a coupon contained in the coupon package in their future purchases, or when the coupon expires.
- (3) In terms of accounting treatment, when granted, they are recognized as “contract liabilities – unearned revenue awards to customers” against product revenue based on their estimated fair value, which is determined by the right to be given when such coupons are redeemed by the user. Subsequently, such contract liability is recognized as revenue at the point in time when a user redeems the coupons in a later order, or when the coupons expire.

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The table below sets forth the amount of subsidies we provided to customers in each form for the years ended December 31, 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, respectively:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Welcome coupon package . . . . .	2,933	14,006	13,432	5,444	1,587	1,071
Referring coupon . . . . .	726	852	218	246	95	44
Spend & Save . . . . .	39,352	94,332	223,306	466,760	94,140	138,299
Shopping vouchers . . . . .	24,383	78,599	166,283	223,467	48,220	76,775
Special offer . . . . .	15,371	20,590	8,975	26,617	4,939	671
<b>Total . . . . .</b>	<b><u>82,765</u></b>	<b><u>208,379</u></b>	<b><u>412,214</u></b>	<b><u>722,534</u></b>	<b><u>148,981</u></b>	<b><u>216,860</u></b>

Our subsidy policy is usually formulated by the marketing operation department jointly with the general office considering the products' costs and the pricing of comparable products in the market, and approved by the head of marketing operation department. In the case of any loss lead by any subsidy policy, such policy shall be approved by the management and implemented by the marketing operation department.

When providing subsidies to users under our online direct sales channel, we would generally considering following factors:

- Shopping frequency: we review and adjust the value and terms of the subsidies according to a user's frequency of order placing and order amount to strengthen user stickiness. We adopt various subsidy strategies in accordance to their purchase frequencies. For example, for users who have not purchased from us for more than 180 days, we offer subsidies to encourage their shopping with us.
- User profile: based on users' medication history, we provide subsidies for specific medications. For example, for users with suffering diabetes, we offer subsidies for specific drugs, such as Troglitazone.
- Seasonality: we provide subsidies considering the features of different 24 solar terms. For example, during Dahan, we provide subsidies for cold resistant products.
- Market competition: we would consider providing subsidies to remain competitive in the market. If the price of certain SKU is significantly higher than other competitors, we may offer subsidies to adjust our pricing strategy.
- Key dates: we provide subsidies on key marketing dates, such as the Protect Liver Day, the Protect Eyes Day and Mother's Day.
- Locations: we differentiate our subsidies across our operating cites, depending on our marketing strategy and household income in each city. For example, we offer special coupons for products preventing heatstroke in Guangdong in summer.

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During the Track Record Period, subsidies have contributed to our rapid growth in terms of financial and operational performance. Going forward, we plan to adjust the subsidy level based on the overall development strategy of whether the target operating performance have been achieved rather than the absolute amount of subsidies. Furthermore, we plan to pursue more effective scale growth and further improvement of operating efficiency, and are expected to continue to adopt flexible, dynamic and moderate subsidy policies based on market condition to further promote overall operating performance such as revenue growth and stable gross profit margin. We plan to proactively and dynamically adjust the subsidy strategy after taking into account the above factors and our development strategy in order to achieve a stable growth of our gross profit margin. In addition, with our technical capabilities, such as artificial intelligence and big data, we are able to develop various marketing strategies and precise subsidies to different users to further improve our operational performance. Furthermore, we continue to enrich our product and service offerings while maintaining attractive prices, and we believe that we are able to compete on quality, and not solely on price, to meet the needs of our growing and loyal user base.

We accept flexible payment options, including cash, credit card and third-party payment platforms, such as Alipay and WeChat Pay. We may be subject to fraud and other illegal activities in connection with the various third-party payment options we offer. See “Risk Factors — The wide variety of payment methods that we adopt may subject us to risks related to third-party payment processing.” We have internal control measures to mitigate the third-party payment processing risks. Our compliance and legal department is responsible for the reviewing of our agreements with these third-party payment platforms to ensure they are acceptable to our risk management and internal control systems. Our compliance and legal department is also responsible for monitoring the updates and implementation of the rules and regulation that are related to the third-party payment, reviewing the performance of the third-party payment platforms and conducting testing on the system regularly to ensure the transaction is accurately recorded in the settlement summaries. A committee, including the Directors and key members from over legal and compliance department, finance department and IT department, has been set up to monitor the third-party payment processing risks and provide trainings to relevant staff to ensure they have sufficient awareness in relation to third-party payment processing risks. We typically require third-party payment platforms to provide settlement summaries on a monthly basis and our finance department shall review and escalate to the committee for further investigations if there is an issue. The investigation result should be communicated with the third-party payment platforms and the committee is informed on the progress of such investigation.

### SALES AND MARKETING

We employ a variety of online and offline activities to build our brand and to enhance our market recognition. We believe that the market awareness of our brands and the user base of our products and services has grown primarily through a combination of natural traffic, marketing activities, promotional programs, cross-selling between our products and services and collaborations with insurance and reinsurance companies:

- **Natural traffic:** The high quality products and services we provide on our platform establish our brand recognition and reputation among our users, therefore attracting natural Internet traffic for our platforms through word of mouth.
- **Marketing activities:** We actively conduct marketing campaigns in a variety of forms, through both online and offline activities. Our online marketing activities include advertisements and banners on renowned websites, mobile apps and search engines, and other emerging, popular online channels such as short-video platforms. Our offline marketing activities include seasonal and holiday campaigns and advertisements on streets, in buildings and in subway stations.

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- **Promotional programs:** We provide promotional activities to our users to further enhance user loyalty and to gain brand recognition among our existing and new users. We create reward programs which encourage users to share with their friends and family members, and to facilitate the conversion of our active users to paying users.
- **Cross-selling:** The synergy created by our drug express business and our other product and service offerings serves as an important source of user acquisition for each other. Our drug express business directs its user base to our service offerings such as online consultation and prescription renewal, as well as chronic disease and healthcare management. Our high-quality offerings such as online consultation and prescription renewal, as well as chronic disease and healthcare management, also redirect its user traffic back to our drug express business for purchase of healthcare products such as drugs, supplements and medical devices.
- **Collaboration with insurance and reinsurance companies:** We enter into collaborations with insurance and reinsurance companies to enrich their scope of services for their customers, and, in turn, they introduce their customers to our platform. For instance, we participate into the design of the reimbursement packages provided by insurance companies and provide customized medical products and services covered by such packages. We also work with re-insurance companies to provide customized medical products and services to their insurance company clients.

In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, we recorded revenue from the sales covered by the reimbursement packages provided by insurance companies of nil, RMB21.5 million, RMB23.2 million, RMB24.9 million, RMB1.9 million and RMB4.1 million, respectively, accounting for nil, 1.7%, 1.1%, 0.7%, 0.3% and 0.4% of our revenue from pharmaceutical and healthcare business. The material terms of our collaborations with insurance and reinsurance companies include the following:

- **Term and termination:** The contract generally has a term of one year. The contract can be modified by signed supplemental agreements and terminated upon mutual agreement.
- **Collaborations:** We provide service to the insurance and reinsurance companies so that their customers can (i) enjoy a discount when placing orders at our self-operated online platforms, and (ii) have the insurance payout directly advanced by us if the drugs are covered by their insurance packages.
- **Scope of service:** We shall establish and maintain the drug delivery network and organize the accounts of the insurance and reinsurance companies' customers under their authorization and comply with the insurance terms and service guidelines provided by the insurance and reinsurance companies.
- **Payment and settlement:** The insurance and reinsurance companies shall settle the insurance payouts we advanced to their customers periodically based on the system statistics generated from our self-operated online platforms.

In 2018, 2019, 2020, 2021 and the three months ended March 31, 2021 and 2022, our selling and marketing expenses amounted to RMB140.9 million, RMB278.5 million, RMB441.3 million, RMB834.8 million, RMB159.1 million and RMB208.8 million, respectively.

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### CUSTOMER SERVICE

We believe our emphasis on customer service enhances our brand image and user loyalty. We continuously strive to improve our users' level of satisfaction by offering high-quality customer services.

We have established 24/7 customer service centers to resolve customer queries and complaints regarding our products and services. Users can make queries and file complaints via various channels, such as phone calls, online written instant messages, our official accounts on WeChat, and through email. As of March 31, 2022, we had more than 50 customer service representatives in our customer service center. Our customer service representatives are responsible for addressing enquiries and complaints from our users. Each representative is required to complete mandatory training, covering topics such as product knowledge, complaint handling and communication skills. In addition, we also engage AI-based customer service solutions to address queries from users.

Given the special nature of drugs, we generally do not allow users to return or exchange the drug products we sell, unless the products are defective. See “— Product Quality Control.”

We have adopted our internal drug quality complaint management procedures to handle complaints from users. We generally categorize complaints into the following categories:

- urgent complaints: if the drugs have adverse effects endangering users' safety;
- important complaints: if the drugs have quality issues but less likely to cause serious harm to users;
- standard complaints: the drugs meet industry standards and without quality issues; and
- service complaints: if users are not happy with the services or professional skills of our employees.

The quality control department of our headquarter is responsible for urgent complaints and important complaints, and our customer service centers are responsible for standard complaints and service complaints. Our quality control department and customer service centers are required to keep proper records and handle complaints within the required timeline.

### MERCHANDISE SOURCING

As of March 31, 2022, we sell products sourced from more than 4,800 pharmaceutical enterprises and pharmaceutical distribution enterprises.

Before engagement, we adopt stringent selection and evaluation process for our suppliers. We select suppliers on the basis of qualification, brand, past experience, reliability, volume and price. Before signing agreements with our suppliers, we perform background checks on suppliers as well as the products they provide. We examine their business licenses and relevant licenses and certificates for their products, and check their compliance with applicable laws and regulations. We evaluate their brand recognition and make inquiries about the market acceptance of their products among players in the same industry.

After engagement, we continue to meticulously manage our suppliers to ensure the quality of our merchandise sourcing. We have established a team dedicated to the management of our suppliers with respect to product quality, logistics and after-sales customer services. We conduct specific examinations for samples of those products with records of complaints. We regularly monitor data relating to product quality and communicate with the relevant suppliers and third-party merchants when issues arise.

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We normally enter into framework supply agreements with our suppliers and renew them periodically if we are satisfied with the relationship. Set forth below are the key contractual terms of our framework supply agreement with our suppliers:

- **Term:** Typically one year, subject to annual review and renewal.
- **Quality standards:** Detailed quality standards and specifications for the drugs or other materials usually correspond with governmental standard of industrial standard.
- **Pricing:** Price of drugs is typically set forth in a written quote as separately agreed between the suppliers and us.
- **Delivery:** The suppliers are required to deliver the products to our designated place pursuant to the supply agreement and shall bear any related logistics costs.
- **Credit term:** Our suppliers typically grant us a credit term depending on the business relationship between us.
- **Payment:** We generally settle payments with our suppliers every month or every two months.
- **Dispute resolution:** In general, either party can request for a conciliation, usually at the court or arbitral tribunal appointed by our supplier.

In 2015, we launched the FSC Alliance for Pharmaceutical Enterprises, which enabled us to collaborate with world-renowned pharmaceutical enterprises and pharmaceutical distribution enterprises, such as GSK CH, Renhe Pharmaceuticals, Bayer Healthcare, CR Pharmaceutical, Jointown Pharmaceuticals. In general, under the FSC Alliance, we purchase pharmaceutical products from pharmaceutical enterprises, and they may display product information of pharmaceutical products on our platforms; in addition, we provide training to pharmaceutical enterprises in relation to marketing and data analysis, so that pharmaceutical enterprises can improve their sales and ensure supply of pharmaceutical products. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we have collaborated with 126, 201, 205, 140 and 160 pharmaceutical enterprises under the FSC Alliance. The decrease of the number of pharmaceutical enterprises we collaborated with in 2021 was mainly due to the optimization of our sourcing strategies to focus on pharmaceutical enterprises who are able to provide us with favorable prices and terms, and the selected reduction of pharmaceutical enterprises who are less competitive.

Through such direct procurement collaboration, our business is able to reduce intermediate links, receive more resource support, reduce sourcing costs and promote our brand awareness. In addition, we are able to cater to the customized needs of our operations, which in turns better serve the individualized needs of consumers. Pharmaceutical enterprises may also collaborate with us in research and development to better serve our customized needs. For instance, we entered into collaborations with pharmaceutical enterprises and launched products with customized packaging specifications designed for our platform. Leveraging our big data capabilities and our accumulated business know-how, we also collaborate with pharmaceutical enterprises and launch customized products to meet the needs and preferences of consumers.

Our ability to collaborate with such pharmaceutical enterprises partners is rooted in our deep understanding of users in the healthcare industry, and provides us with competitive advantages in the online retail pharmacy market. Pharmaceutical enterprises further provide value to us by improving our procurement efficiency, and broadening the variety of our product mix, so that we can better serve our users. Our direct procurement collaboration with pharmaceutical enterprises also benefit our pharmaceutical enterprises partners, since pharmaceutical enterprises can benefit from our vast user base and be provided with data on pharmaceutical product purchase, which may provide valuable guidance and lower relevant risks and costs for their research, development and manufacturing activities. See “— Our Ecosystem and its Participants.”



### PRODUCT QUALITY CONTROL

We highly value the quality of the product offerings we provide to users. We conduct regular and random inspections of products sourced from our suppliers to ensure compliance with our quality standards. We have established an in-house quality control team to inspect the product quality and vendors' qualifications. Our quality control measures include adopting strict screening processes for business partners, keeping clear and traceable record for products sold on our platforms, and suspending sales of products with quality issues once detected. During the Track Record Period, we had not been subject to any penalties from any relevant regulatory authorities in connection with any counterfeit products sold on our platforms that materially and adversely affected our business, results of operations and financial conditions.

We generally allow users to modify or cancel an order through our online system or customer service center before the order is picked and packed for delivery. Given the special nature of drugs, we generally do not allow users to return or exchange the drug products we sell for reasons other than quality issues. For some non-drug products, we accept unconditional returns or exchanges within seven days of purchase. In general, defective non-drug products, including dietary supplement, can be returned within seven days of purchase. Users should submit an application for return or exchange of the non-drug products. If the application has been accepted, we will either return, exchange or repair the products as long as the application is in compliance with the Laws of the People's Republic of China on Protection of Consumer Rights and Interests, the "Three Guarantees" Policies and the manufacturers' authorized standard for product return or repair. If part of the products has gone missing, is broken or suffers performance failure due to logistic reasons, we have implemented a policy of allowing return of products within seven days of purchase when the user has filed a request within 24 hours after the receipt of the products and such request has been verified.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints or product returns from customers. During the Track Record Period, our services were not involved in any material medical malpractice, complaints or blunders.

During the Track Record Period and up to the Latest Practicable Date, (i) we were not subject to any material administrative or other penalties from the PRC government authorities in connection with product quality or drug safety, (ii) we did not experience any incidents related to material product liability exposure, and (iii) we did not receive any material complaints from consumers, or any material product returns, in connection with product quality.

### TECHNOLOGY

#### Infrastructure

Our network infrastructure is designed to satisfy the requirements of our operations, to support the growth of our business and to ensure the reliability of our service to customers.

We built our IT infrastructure based on microservice technology, which is scalable and expandable. We are devoted to using those microservices to carry out our flexible business requirement and support the development of our business model. Our technology infrastructure uses the mode of mix-cloud and virtualized deployment, in order to protect the flexibility and stabilization of our system.

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### Big Data

Our big data analytics ability is the cornerstone of our technology system. Through continuous data labeling and collection, we made strategic decisions on the selection of locations for our network of pharmacies across different cities in China. Our big data capabilities enable us to conduct smart site selection, smart pharmacy business, smart scheduling and arrangements, and smart operation of our business. With our big data analytic ability, we are able to optimize our user services. For example, we use our CRM marketing system to handle the condition of our users, in order to optimize our marketing service. In addition, we also build a knowledge map between users' health big data and relevant medicine and medical care data, to combine medicine and medical care with big data and conduct in-depth analysis. Based on the historical purchase of the users, the standard treatment of the drugs and the follow-up consultation by the users, we are able to make timely and reasonable promotion to different users, to accurately target their unmet needs in medical products and services.

### Artificial Intelligence

We leverage artificial intelligence and deep-learning to provide our users with the optimal experience in the offering of our products and services. We use deep-learning-powered natural language processing to perform text analysis, semantic matching and search engine ranking to return the most relevant merchant and services when a user conducts a search. For example, we use deep-learning technology to deep learn the medical corpus by extracting the entity, relationship and property from natural language, so as to construct a knowledge graph, which empowers our online platform with ability of reasoning and inference to our users. AI and deep-learning technologies also improve the accuracy of search and recommendation, which empower us with an ability of semantic recall and feature engineering.

### Smart Delivery

Based on our technology of artificial intelligence technology and other technologies developed by ourselves such as dynamic estimation of time, route planning, drug and user profile, E-zoning, and smart order dispatchment system, we successfully built our smart delivering system, which plays a role as the supervisor of our delivery staff. The smart delivery system can auto update itself periodically based on the distribution results and feedbacks of our delivery riders, in order to provide high quality delivery services to our users.

## CUSTOMERS

Our customers primarily include users who purchase our offerings through our online and offline channels, and our distributors. The sales to our largest customer in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, amounted to RMB38.9 million, RMB38.2 million, RMB41.7 million, RMB93.8 million and RMB39.9 million, representing 6.7%, 3.0%, 1.9%, 2.6% and 4.0% of our total sales of the respective periods, and the sales to our five largest customers in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, amounted to RMB72.3 million, RMB112.6 million, RMB111.7 million, RMB223.5 million and RMB81.4 million, representing 12.4%, 8.8%, 5.0%, 6.1% and 8.2% of our total sales of the respective periods.

All of our five largest customers during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the best knowledge of our Directors, owned more than 5% of our issued share capital or had any interest in any of our five largest customers.

## BUSINESS

### SUPPLIERS

Our major suppliers primarily include pharmaceutical enterprises and pharmaceutical distribution enterprises that provide us with products we sell. The purchases to our largest supplier in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, amounted to RMB94.3 million, RMB189.4 million, RMB286.5 million, RMB485.9 million and RMB137.8 million, representing 25.3%, 21.3%, 18.0%, 18.1% and 18.5% of our total purchases of the respective periods, and the purchases to our five largest suppliers in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, amounted to RMB272.7 million, RMB483.3 million, RMB685.5 million, RMB1,454.3 million and RMB406.5 million, representing 73.2%, 54.4%, 43.2%, 54.0% and 54.4% of our total purchases of the respective periods.

The following table sets forth details of our top five suppliers for the year ended December 31, 2018:

Suppliers	Principal Business	Length of Business Relationship	Operating History	Listing	Purchase amount (RMB'000)	% of Total Purchase
Supplier A	Pharmaceutical and medical devices wholesaler, including TCM and biochemical	Since 2018	Since March 9, 1999	Listing	94,292	25.3
Supplier B	Pharmaceutical manufacturer, including powders and tablets	Since 2018	Since February 26, 1990	Not listed	93,856	25.2
Supplier C	Pharmaceutical and medical devices wholesaler, including Chinese patent medicine	Since 2018	Since December 27, 2000	Not listed	45,056	12.1
Supplier D	Pharmaceutical and healthcare products manufacturer and seller, including TCM and western medicine	Since 2015	Since July 6, 2001	Not listed	20,448	5.5
Supplier E	Medical devices manufacturer and seller, including Class I and II medical devices	Since 2018	Since August 7, 2014	Not listed	19,053	5.1
<b>Total</b>					<b>272,705</b>	<b>73.2</b>

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The following table sets forth details of our top five suppliers for the year ended December 31, 2019:

Suppliers	Principal Business	Length of Business Relationship	Operating History	Listing	Purchase amount (RMB'000)	% of Total Purchase
Supplier A	Pharmaceutical and medical devices wholesaler, including TCM and biochemical	Since 2018	Since March 9, 1999	Listed	189,419	21.3
Supplier C	Pharmaceutical and medical devices wholesaler, including Chinese patent medicine	Since 2018	Since December 27, 2000	Not listed	111,608	12.6
Supplier F	Medical devices and healthcare wholesaler and retailer, including disinfectant products	Since 2019	Since January 14, 2019	Not listed	82,607	9.3
Supplier D	Pharmaceutical and healthcare products manufacturer and seller, including TCM and western medicine	Since 2015	Since July 6, 2001	Not listed	58,468	6.6
Supplier G	Trustee for pharmaceutical enterprises in the healthcare sector	Since 2018	Since May 6, 2008	Not listed	41,154	4.6
<b>Total</b>					<b>483,256</b>	<b>54.4</b>

The following table sets forth details of our top five suppliers for the year ended December 31, 2020:

Suppliers	Principal Business	Length of Business Relationship	Operating History	Listing	Purchase amount (RMB'000)	% of Total Purchase
Supplier A	Pharmaceutical and medical devices wholesaler, including TCM and biochemical	Since 2018	Since March 9, 1999	Listed	286,539	18.0
Supplier C	Pharmaceutical and medical devices wholesaler, including Chinese patent medicine	Since 2018	Since December 27, 2000	Not listed	144,231	9.1
Supplier G	Trustee for pharmaceutical enterprises in the healthcare sector	Since 2018	Since May 6, 2008	Not listed	95,679	6.0
Supplier D	Pharmaceutical and healthcare products manufacturer and seller, including TCM and western medicine	Since 2015	Since July 6, 2001	Not listed	82,254	5.2
Supplier H	Pharmaceutical wholesaler, including TCM and antibiotics	Since 2018	Since August 19, 2002	Not listed	76,839	4.8
<b>Total</b>					<b>685,542</b>	<b>43.2</b>

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The following table sets forth details of our top five suppliers for the year ended December 31, 2021:

Suppliers	Principal Business	Length of Business Relationship	Operating History	Listing	Purchase amount (RMB'000)	% of Total Purchase
Supplier A	Pharmaceutical and medical devices wholesaler, including TCM and biochemical	Since 2018	Since March 9, 1999	Listed	485,887	18.1
Supplier C	Pharmaceutical and medical devices wholesaler, including Chinese patent medicine	Since 2018	Since December 27, 2000	Not listed	357,879	13.3
Supplier G	Trustee for pharmaceutical enterprises in the healthcare sector	Since 2018	Since May 6, 2008	Not listed	321,980	12.0
Supplier I	Pharmaceutical and healthcare products manufacturer and seller, including TCM and western medicine	Since 2019	Since December 4, 1996	Listed	218,135	8.1
Supplier K	Pharmaceutical and healthcare products manufacturer and seller, including TCM, chemical pharmaceuticals and biopharmaceuticals	Since 2018	Since January 18, 1994	Listed	70,392	2.6
<b>Total</b>					<b>1,454,273</b>	<b>54.0</b>

The following table sets forth details of our top five suppliers for the three months ended March 31, 2022:

Suppliers	Principal Business	Length of Business Relationship	Operating History	Listing	Purchase amount (RMB'000)	% of Total Purchase
Supplier A	Pharmaceutical and medical devices wholesaler, including TCM and biochemical	Since 2018	Since March 9, 1999	Listed	137,832	18.5
Supplier C	Pharmaceutical and medical devices wholesaler, including Chinese patent medicine	Since 2018	Since December 27, 2000	Not listed	100,133	13.4
Supplier G	Trustee for pharmaceutical enterprises in the healthcare sector	Since 2018	Since May 6, 2008	Not listed	86,533	11.6
Supplier I	Pharmaceutical and healthcare products manufacturer and seller, including TCM and western medicine	Since 2019	Since December 4, 1996	Listed	67,000	9.0
Supplier K	Pharmaceutical and healthcare products manufacturer and seller, including TCM, chemical pharmaceuticals and biopharmaceuticals	Since 2018	Since January 18, 1994	Listed	14,978	2.0
<b>Total</b>					<b>406,476</b>	<b>54.4</b>

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Renhe was among our five largest suppliers in 2018, 2019 and 2020 and Renhe Pharmacy was among our five largest suppliers for the year ended December 31, 2021 and for the three months ended March 31, 2022. Supplier G was among our five largest suppliers in 2019, 2020, 2021 and for the three months ended March 31, 2022, whose shareholder is Guoyao Group Co. Ltd. Guoyao Group Co. Ltd. is the ultimate beneficial owner of Ningbo Qirui and Ningbo Qiling, who are our Pre-IPO Investors. See “History, Reorganization and Corporate Structure — Pre-IPO Investment — Information about The Pre-IPO Investors.”

Save as Renhe and Renhe Pharmacy, as disclosed in the Definition section of this prospectus, as of the Latest Practicable Date, none of our Directors, their close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital or had any interest in any of our five largest suppliers.

Save as Renhe and Renhe Pharmacy, as disclosed in the Definition section of this prospectus, and the Supplier G above, as of the Latest Practicable Date, to the best knowledge of our Directors, during the Track Record Period, there was no past or present relationship, including employment, financing, trust, family or otherwise, between the rest five largest suppliers and ourselves or our subsidiaries, their controlling shareholders, directors or senior management, or any of their respective associates.

### BUSINESS SUSTAINABILITY

During the Track Record Period, our operational and financial performance continued to improve as we expanded our business and our product and service offerings.

From an operational perspective, the number of our smart pharmacies increased from 91 in 2018 to 346 as of the three months ended March 31, 2022. In addition, our total registered users increased from 15.9 million in 2018 to 33.9 million as of the three months ended March 31, 2022. The average MAU and the average monthly paying users increased from 0.8 million and 0.4 million in 2018 to 1.7 million and 0.7 million for the three months ended March 31, 2022. The ARPU of our pharmaceutical and healthcare business from our self-operated online platforms increased from RMB73.0 in 2018 to RMB126.5 for the three months ended March 31, 2022. Our sales orders from online direct sales channel and offline channel increased from 14.1 million in 2018 to 60.5 million in 2021 and increased from 12.9 million for the three months ended March 31, 2021 to 15.8 million for the three months ended March 31, 2022. The ARPO from online direct sales channel (excluding the orders of our partner pharmacies) and offline retail channel increased from RMB42.4 in 2018 to RMB56.3 for the three months ended March 31, 2022.

- Our sales orders from online direct sales channel through self-operated platforms (excluding the orders of our partner pharmacies) increased from 5.3 million in 2018 to 14.7 million in 2021. The sales orders from online direct sales channel through self-operated platforms (excluding the orders of our partner pharmacies) was 2.8 million for the three months ended March 31, 2022. The ARPO from online direct sales channel (excluding the orders of our partner pharmacies) through self-operated platforms increased from RMB38.6 in 2018 to RMB69.0 for the three months ended March 31, 2022.
- Our sales orders from online direct sales channel through third-party platforms increased from 4.2 million in 2018 to 41.5 million in 2021. The sales orders from online direct sales channel through third-party platforms was 11.9 million for the three months ended March 31, 2022. The ARPO from online direct sales channel (excluding the orders of our partner pharmacies) through third-party platforms decreased from RMB44.8 in 2018 to RMB43.6 for the three months ended March 31, 2022.

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As illustrated above, we have achieved substantial growth from an operational perspective during the Track Record Period, such as the sales orders from our online direct sales channel and offline channel, the ARPO from online direct sales channel (excluding the orders of our partner pharmacies) and offline retail channel, the number of our smart pharmacies, our total registered users, the average MAU and the average monthly paying user.

In addition, from a financial perspective, our total revenue increased from RMB584.6 million in 2018 to RMB3,678.7 million in 2021 and increased from RMB779.7 million for the three months ended March 31, 2021 to RMB987.4 million for the three months ended March 31, 2022. Our gross profit increased from RMB240.2 million in 2018 to RMB1,162.3 million in 2021 and increased from RMB237.0 million for the three months ended March 31, 2021 to RMB334.4 million for the three months ended March 31, 2022. The gross profit margin increased from 30.4% for the three months ended March 31, 2021 to 33.9% for the three months ended March 31, 2022, primarily due to reduced product cost that resulted from centralized procurement, optimization of product mix, pilot charging of delivery fees in some cities and product price adjustment strategies that we adopted, while such figure decreased from 41.1% in 2018 to 31.6% in 2021, due to the higher growth rate of cost than that of our revenue. As illustrated above, both of our total revenue and gross profit have increased substantially during the Track Record Period, and though our gross profit margin fluctuated during the same periods, it has remain a stable growth since the beginning of 2022. See “Business — Business Sustainability.”

During the Track Record Period, we were also able to achieve various operating leverage based on the enhanced economies of scale effect we have achieved, as well as the improvement of our general research and development systems. As such, our fulfillment expenses, selling and marketing expenses, research and development expenses and general and administrative expenses generally grew alongside our business growth, while as percentages of our total revenue declined during the same period.

The following table sets forth the achievement of our operating leverage for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	%				(unaudited)	
Fulfillment expenses as a percentage of our revenue . .	16.7	15.7	12.7	11.2	12.4	11.4
Selling and marketing expenses as a percentage of our revenue . . . . .	24.1	21.8	19.8	22.7 <sup>(1)</sup>	20.4	21.1 <sup>(2)</sup>
Research and development expenses as a percentage of our revenue . . . . .	5.4	4.1	3.7	2.6	2.5	2.3
General and administrative expenses as a percentage of our revenue . . . . .	6.3	4.5	5.4 <sup>(3)</sup>	13.1 <sup>(4)</sup>	5.0	10.2

Note:

- (1) Selling and marketing expenses as a percentage of revenue increased in 2021, which was primarily attributable to our increased staff costs and branding promoting activities.
- (2) Selling and marketing expenses as a percentage of revenue increased in three months ended March 31, 2022, which was primarily attributable to the increase in commission fees, as we continue to actively engage live-streaming marketing to increase sales, and, accordingly, incurred substantial commission fees to live rooms and hosts.
- (3) General and administrative expenses as a percentage of revenue increased in 2020, primarily attributable to the increase in professional services fee resulted from the engagement of professional service parties in 2020 as a result of our series B+ financing and the Reorganization, which outpaced the increase in our revenue.
- (4) General and administrative expenses as a percentage of revenue increased in 2021 was primarily due to the increase in the share-based payment. The adjusted general and administrative expense as a percentage of our revenue was 6.3%, 4.5%, 5.0%, 4.5%, 4.8% and 3.2%, respectively, in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, which is excluding the impact of share-based payments.

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We experienced strong business growth during the Track Record Period. Benefiting from the solid foundation we have built and the momentums we have achieved, our Directors believe we are able to maintain sustainability and growth of our business. Going forward, we plan to achieve profitability primarily by further (i) growing our user base and their average spending; (ii) achieving revenue growth in our principal business by increase of sales order volume and ARPO; (iii) improving our result of gross profit margin and increasing operating leverage; and (iv) improving our asset position and cash flow position. These will allow us to increase our revenue and manage our cost and expenses to reach profitability and realize positive operating cash flows. However, we are expected to continue recording a net loss position in the near future, and our path to profitability may not materialize.

### **Steady Growth of User Base and Increase of User Average Spending**

During the Track Record Period, our user base continued to grow as we expanded our business and our product and service offerings, and the ARPU of our self-operated online platforms continued to increase. The number of average MAU from our self-operated online platforms increased by 75.0% from 0.8 million as of December 31, 2018 to 1.4 million as of December 31, 2019, and then by 57.1% to 2.2 million as of December 31, 2020, and decreased to 2.1 million as of December 31, 2021. The number of average MAU from our self-operated online platforms decreased by 10.5% from 1.9 million as of March 31, 2021 to 1.7 million as of March 31, 2022. There was a surge of our MAU during the COVID-19 outbreak in 2020 as the needs of disinfection-related products and personal protective materials increased substantially during the same period, especially through online shopping. By approximately the fourth quarter of 2020, almost all cities in China had eased or lifted domestic travel restrictions and resumed normal social activities, business, work and production, since which, our growth of MAU has been back to a normal trend. The number of average monthly paying users from our self-operated online platforms increased by 50.0% from 0.4 million as of December 31, 2018 to 0.6 million as of December 31, 2019, by 33.3% to 0.8 million as of December 31, 2020, and further increased by 12.5% to 0.9 million as of December 31, 2021. The number of average monthly paying users from our self-operated online platforms decreased by 22.2% from 0.9 million as of March 31, 2021 to 0.7 million as of March 31, 2022. The decrease in average MAU and average monthly paying users for the three months ended March 31, 2022 from such figures for the year ended December 31, 2021 was primarily because (i) relevant governmental restrictions on the sales of “four types of medicines” (namely colds, fevers, cough relieving and anti-inflammatory) were further tightened in some regions due to the impact of the COVID-19 outbreak in the three months ended March 31, 2022. The performance of our self-operated online platforms was more affected by these governmental restrictions compared to our sales performance via third-party platforms, since the sales of drugs accounted for a higher proportion of the total sales on our self-operated online platforms. In the three months ended March 31, 2022, 86.4% of the revenue from our self-operated online platforms was generated from the sales of drugs, while such proportion was 60.2% from third-party platforms during the same period; (ii) due to certain lock-down measures taken by local governments in regions such as Shenzhen, Guangzhou, Shanghai and Beijing during the first quarter of 2022, some of our smart pharmacies temporarily ceased operation as required by local authorities, and the operation of our self-operated online platforms experienced some suspension consequently. See “Business — Impact of COVID -19 on our operations”; and (iii) in light of the COVID-19 outbreak and the lock-down measures taken by local governments in the three months ended March 31, 2022, work-from-home or home quarantine policies were widely adopted in China, which lead to the popularity of online-to-offline platforms and such trend was particularly found in the industry of on-demand digital pharmacy industry since most of them are able to provide one-stop online-to-offline services which are close to users’ necessities of life under such situation, according to Frost & Sullivan. Our revenue generated from the third-party platforms channel under online direct sales in the three months ended March 31, 2022 was also benefited accordingly. The ARPU of our pharmaceutical and healthcare business from our self-operated online platforms increased by 34.7% from RMB73.0 in 2018 to RMB98.3 in 2019, by 31.2% to RMB129.0 in 2020 and further increased to RMB132.2 in 2021. The ARPU of our pharmaceutical and healthcare business from our self-operated online platforms increased by 34.7% from RMB82.7 for the three months



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ended March 31, 2021 to RMB126.5 for the three month ended March 31, 2022. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, the percentage of our self-operated online platforms out of our revenue generated from online direct sales was 52.0%, 44.1%, 36.5%, 30.5%, 31.1% and 27.4%, respectively.

Our growing user base and ARPU of our self-operated online platforms during the Track Record Period reflects the strength and popularity of our products and services as well as our continuous broadening product offerings and value-added services to users. In 2018, 2019, 2020, 2021 and the three months ended March 31, 2022, our drug express service offering recorded a total of 14.1 million, 26.4 million, 40.5 million, 60.5 million and 15.8 million sales orders, respectively, through our online direct sales channel and offline channel, representing a CAGR of 62.3% from 2018 to 2021. As our users realise the benefits of our platform due to our quality of service, like on-demand delivery, they would become more inclined to use and purchase our products or services, thereby increasing our ARPU of our pharmaceutical and healthcare business and, in turn, contributing towards our revenue growth and improved results of operations.

Additionally, we constantly seek to expand our product and service offerings with the aim of catering to users' evolving needs and requirements. We strive to meet the on-demand health needs of our users by providing service offerings such as online medical consultation and chronic disease and healthcare management. As of the Latest Practicable Date, we have assembled a team of 20 full-time and 72 part-time doctors, as well as more than 800 external doctors whom we are connected to through our collaboration with a third-party medical institution to provide our users with online medical consultation. In 2018, 2019, 2020, 2021 and the three months ended March 31, 2022, we recorded a total of approximately 0.1 million, 2.2 million, 4.4 million, 6.8 million and 1.8 million online consultations, respectively. We believe our online medical consultation and chronic disease and healthcare management services complement our drug express service as the former is able to increase user demand, improve user experience and redirect user traffic to our drug express service to purchase our products.

### **Sustainable Revenue Growth of Our Principal Business**

#### ***Growth of Our Principal Business during Track Record Period***

During the Track Record Period, our business scale grew rapidly, with total revenue increasing from RMB584.6 million in 2018 to RMB3,678.7 million in 2021, and with a CAGR of 84.6%, and increasing by 26.6% from RMB779.7 million for the three months ended March 31, 2021 to RMB987.4 million for the three months ended March 31, 2022, benefiting primarily from the rapid growth in each of our business channels. See "Financial Information" for a detailed explanation of our revenue growth during the Track Record Period. According to the Frost & Sullivan Report, the market of on-demand digital pharmacy grew significantly from RMB2.0 billion in 2016 and expanded to RMB24.1 billion in 2021, with a CAGR of 64.8%, and is expected to reach RMB65.6 billion in 2025, representing a CAGR of 28.4%. We believe we are well positioned to capitalize these industry trends and significant growth opportunities leveraging our market leadership. During the Track Record Period, we generated revenue primarily from pharmaceutical and healthcare business and others.

- Revenue from online direct sales increased from RMB389.6 million in 2018 to RMB2,583.6 million in 2021, with a CAGR of 87.9% and increased by 33.0% from RMB535.8 million for the three months ended March 31, 2021 to RMB712.5 million for three months ended March 31, 2022. The increase in revenue from online direct sales was primarily as a result of (i) the growing user base: the total number of registered users on our self-operated platforms increased from 15.9 million in 2018 to 33.0 million in 2021, with a CAGR of 27.6%, and further increased to 33.9 million for the three months ended March 31, 2022; (ii) continuous expansion of our smart pharmacy network: we continued to improve our infrastructure such as our smart pharmacies network during the Track Record Period in order to better serve our

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clients and further outspread our express digital healthcare service. The number of our smart pharmacies grew from 91 as of December 31, 2018 to 342 as of December 31, 2021, with a CAGR of 55.5%, and further increased to 346 as of March 31, 2022; (iii) continuous growth of the sales orders from online direct sales: the number of online direct sales orders (excluding the orders of our partner pharmacies) increased from 9.4 million in 2018 to 56.3 million in 2021, with an average growth rate of 81.6%, and increased by 26.7% from 11.6 million for the three months ended March 31, 2021 to 14.7 million for the three months ended March 31, 2022; and (iv) continuous increase in ARPO: ARPO from online direct sales (excluding the orders of our partner pharmacies) increased from RMB41.3 in 2018 to RMB45.9 in 2021, with a CAGR of 3.6%, and increased by 5.2% from RMB46.1 for the three months ended March 31, 2021 to RMB48.5 for the three months ended March 31, 2022.

- Revenue from business distribution increased from RMB118.4 million in 2018 to RMB408.9 million in 2021, with a CAGR of 51.2%. The increase in revenue from business distribution was mainly because (i) we have continued to expand our distribution network, and the number of distributors we cooperated with increased from 55 as of December 31, 2018 to 185 as of December 31, 2021, with a CAGR of 49.8%; and (ii) we have continued to enrich our sales products and deepen our cooperation with distributors. Our number of distributors further increased to 209 as of March 31, 2022, however, due in part to the impact on shipment of goods in relation to the COVID-19 lock-down measures taken in certain regions, revenue from business distribution decreased by 13.6% from RMB98.3 million for the three months ended March 31, 2021 to RMB85.0 million for the three months ended March 31, 2022.
- Revenue from offline retail increased from RMB54.2 million in 2018 to RMB568.8 million in 2021, with a CAGR of 118.9% and increased by 25.2% from RMB127.1 million for the three months ended March 31, 2021 to RMB159.2 million for the three months ended March 31, 2022. The increase in revenue from offline retail was mainly as a result of (i) continuous expansion of our smart pharmacies network: we continued to improve our infrastructure, such as our smart pharmacies network, during the Track Record Period in order to better serve our users and further outspread our express digital healthcare service; (ii) continuous growth of sales order from offline retail: sales orders from offline retail increased from 1.0 million in 2018 to 3.6 million in 2021, with a CAGR of 53.3% and increase by 14.3% from 0.7 million for the three months ended March 31, 2021 to 0.8 million for the three months ended March 31, 2022; and (iii) continuous increase in ARPO: ARPO from offline retail increased from RMB51.7 in 2018 to RMB158.9 in 2021, with a CAGR of 45.4% and increased by 13.8% from RMB175.5 for the three months ended March 31, 2021 to RMB199.7 for the three months ended March 31, 2022.
- Revenue from others increased from RMB22.5 million in 2018 to RMB117.4 million in 2021, with a CAGR of 73.5% and increased by 66.6% from RMB18.5 million for the three months ended March 31, 2021 to RMB30.8 million for the three months ended March 31, 2022. The increase in revenue from others was primarily as a result of our having acquired additional marketing services customers, which is attributable to the expansion of the scale of our business, the enhanced cooperation with our marketing services customers, and the increase in the influence of our platforms. We expect such business to grow steadily going forward.

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### *Drug express services*

Our drug express services witnessed rapid growth during the Track Record Period. Revenue from our drug express services accounted for the substantial all revenue of our pharmaceutical and healthcare business. Our revenue from pharmaceutical and healthcare business increased by 122.5% from RMB562.1 million in 2018 to RMB1,250.9 million in 2019, by 76.2% to RMB2,204.7 million in 2020, and further increased by 61.5% to RMB3,561.3 million in 2021. Our revenue from pharmaceutical and healthcare business increased by 25.7% from RMB761.2 million for the three months ended March 31, 2021 to RMB956.6 million for the three months ended March 31, 2022. Such increases were primarily due to the enhancement of our popularity among consumers online, the increase in our investment in branding, and in particular, the expansion of our smart pharmacy network. As of the Latest Practicable Date, we had established 351 smart pharmacies covering 17 cities in China. Drug express services include online direct sales, business distribution and offline retail business channels.

Sales order volume is one of the key drivers for our business growth. Our sales order volume from online direct sales grew from 9.4 million in 2018 to 56.3 million in 2021, with a CAGR of 81.6%, and increased by 26.7% from 11.6 million for the three months ended March 31, 2021 to 14.7 million for the three months ended March 31, 2022, and our offline retail order volume grew from 1.0 million in 2018 to 3.6 million in 2021, with a CAGR of 53.3%, and increased by 14.3% from 0.7 million for the year ended March 31, 2021 to 0.8 million for the year ended March 31, 2022. The significant increase in our sales order volume during the Track Record Period was attributable to our successful development strategy, as well as the brand recognition and customer loyalty that we have gradually built up in the on-demand segment. Going forward, we expect our sales order volume to maintain a steady growth, mainly as a result of (i) the expansion of our smart pharmacy network and the growth of our user base; (ii) our competitive prices for goods and services; (iii) brand loyalty and trust built between us and users; and (iv) the consumption habits of online drug purchase formed during the COVID-19 pandemic.

Our ARPO reflects the strength and popularity of our products and services as well as our continuously broadening product offerings and value-added services to users. Our ARPO from online direct sales channel (excluding the orders of our partner pharmacies) and offline retail channel was RMB42.4, RMB41.3, RMB47.3, RMB52.7 and RMB56.3, respectively. Additionally, the increase of ARPO from online direct sales and offline retail was mainly attributable to (i) our growing capability to cross-sell products and services to better fulfill users' needs in a single order, benefiting from our enriched portfolio of products and service offerings and excellent operational skills; (ii) the number of our products with higher unit price has gradually increased and our ability to connect different channels gradually strengthened, resulting in higher ARPO; and (iii) the expansion of DTP drugs after the acquisition of Yaofangwang in 2021, and the higher unit price of DTP drugs significantly increased the ARPO from offline retail. Going forward, we expect the ARPO to continue to grow, mainly as a result of: (i) our ability to further cross-sell our products and services in a single order; (ii) our ability to increase the unit price of products and products to introduce products with higher unit price, among others; and (iii) the collection of delivery fees: we rarely charged or charged a few delivery fees during the Track Record Period. In the future, we plan to gradually charge delivery fees as our business becomes more mature.

We believe our pharmaceutical and healthcare business will maintain sustainable growth. We will continue to concentrate our efforts on constantly attracting users and expanding our smart pharmacy network. We believe the headroom for growth is significant given that (i) expected strong growth of the digital retail pharmacy and on-demand digital pharmacy market in China; (ii) we are still expanding our smart pharmacy network to meet the increasing demand from users; and (iii) awareness of the value of our offerings among our existing and potential users continues to grow as an increasing number of consumers choose to order pharmaceutical products online driven by the convenience and cost-effectiveness, according to the Frost & Sullivan Report. Taking into account the above, we believe that we are well-positioned to continuously grow our pharmaceutical and healthcare business and increase our revenue.

***Online medical consultations and chronic disease and healthcare management***

Our online medical consultations service also witnessed robust growth but has not yet contributed material revenue during the Track Record Period. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, we also provided our users with a total of 0.1 million, 2.2 million, 4.4 million, 6.8 million and 1.8 million online medical consultations, respectively. The synergy between our online medical consultation service offering and our drug express service offering successfully enhanced our users' willingness to make purchase for our products. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the conversion rate for our products from online medical consultation service in terms of realizing sales of product through our self-operated online platforms, defined as the proportion of the number of sales orders placed by users to the number of prescription provided by us from our online medical consultation service, was 51.4%, 69.9%, 68.8%, 77.5% and 81.1%, respectively. According to the Frost & Sullivan Report, compared with other players in digital retail pharmacy market, the conversion rate for the year ended December 31, 2021 was in line with the industry. For individual users, since September 2019, we have also launched additional services to send timely reminders to accurately address their demand for refill prescriptions while improving our repurchase rate. In the period since the reminder services launched until December 31, 2019, and in 2020, 2021 and for the three months ended March 31, 2022, the repurchase rate based on such services, defined as the number of users who repurchased chronic disease related drugs through our self-operated platforms among users who received our timely reminders during the same period, was 27.5%, 30.6%, 33.4% and 27.2%, respectively. The decrease in repurchase rate for our chronic disease and healthcare management service in the three months ended March 31, 2022 was mainly due to that such repurchase rate was calculated for the period of three months ended March 31, 2022 only, and it shall increase along the operation of this service till the end of the year since a user who receives our timely reminders in these three months may decide to purchase relevant chronic disease related drugs later during the rest of the year. In addition, our chronic disease and healthcare management service is subject the influence of seasonality in the first quarter of a year, as our service generally focuses in metropolitans populations, while many of them go on vacation out of the city during Chinese New Year. See “— Seasonality.” While the increase in the conversion rate for our products from online medical consultation service in the three months ended March 31, 2022 was mainly due to such service is generally more in nature of a real-time service, and users usually place orders with us right after the online medical consultations conducted on our platform based on their instant drug use demand.

Since the drugs under the chronic disease and health management service are generally in nature of prescription drugs and our users are required to obtain new prescriptions for repurchasing prescription drugs, more than 95% of users who enjoy the chronic disease and health management services would also need to obtain a prescription accordingly through online medical consultation on our online platform during the Track Record Period. Therefore, there may be an overlap for the users who enjoy our chronic disease and health management service and the users who enjoy our online medical consultation service.

We believe our online medical consultations and chronic disease and healthcare management services will maintain sustainable growth. Our online medical consultation has five specialties namely, general medicine, surgery, gynecology, pediatrics and Chinese medicine. We intend to establish specialized departments, especially in andrology, hepatology and dermatology by 2024 by recruiting more high-calibre medical experts, providing technical support and monitoring user feedback to ensure that we provide broader and more specialized online medical services to our users, as well as penetrate our existing user base to create more cross-selling opportunities among drug express services, online medical consultations and chronic disease and healthcare management services. We believe that with the additional specialized departments, our platform is able to provide comprehensive services to meet both the medical demands and the pharmaceutical demands of users, enhancing user sickness, our full-service capability and our reputation in the industry.

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We plan to attract medical experts to our platform with tailored plans:

- for well-known medical experts, we plan to help them build their own online IP, provide a platform for academic thoughts and scientific research sharings, and further enhance our influence in the industry;
- for young doctors, we plan to help them enhance their professional expertise and build up reputation in their practicing areas for sustainable long-term career development; and
- for newly qualified doctors, we plan to provide training on relevant laws and regulations, and to provide a platform for accurate doctor-patient matching.

We believe we will further grow online medical consultations and chronic disease and healthcare management services given that (i) the expected strong growth of the online medical consultations market in China. See “Industry Overview — The Online Medical Consultation Market In China”; (ii) users using our drug express services have additional needs for online medical consultations and chronic disease and healthcare management services; and (iii) potential monetization opportunities for online medical consultations and chronic disease and healthcare management services leveraging our expanding user base. The monetization plan for our online consultation and chronic disease and health management services includes three stages:

- Stage I (2019 to 2023): focusing on free online consultation to meet users’ basic consultation demands and promote our drug express business;
- Stage II (2024 to 2026): initiating on pay-per-use and annual membership plans to satisfy the personalized demands of users and provide expert doctor consultation and testing services. We plan to launch pay-per-use plan (RMB20 to RMB200), annual personal plan (RMB400 to RMB600) and annual family plan (RMB1,800 to RMB2,200), specifically,
  - For pay-per-use plan, we plan to charge different prices according to the services provided by doctors of different level of expertise and qualifications. Our users may consult with the doctors online or through telephone calls based on their preference.
  - For annual personal plan, we plan to provide users with two to three options to have expert doctor consultations at a discounted price on top of the standard online consultation service. In addition, we plan to provide expert doctor appointment reminder services to annual personal plan users.
  - For the annual family plan, we intend to provide plan for a family of three at the price of RMB1,800 and plan for a family of four or more at the price of RMB2,200. The plan would provide users with a full-time family doctor, unlimited expert doctor visits and 24/7 health butler services, among others. Our annual family plan would provide uses with a team of doctors including general practitioners, specialists and external doctors. In addition to online consultation service, it would also provide the users with healthcare management, chronic disease management and lifecycle management services.

We also plan to provide home testing and in-store testing services to the plan users. At the same time, we plan to provide testing services to non-plan-users for a charge.

The prices of aforementioned plans are based on the current market prices at a discount. The actual charges in the future will be adjusted according to the market condition.

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- Stage III (after 2026): focusing on the ecological layout of “medical + medicine + testing + insurance” to satisfy users’ one-stop health management demands. We expect our online medical consultations and chronic disease and healthcare management services to seamlessly connect with our digital pharmacy business. In terms of the ecological layout of medical + medicine + testing + insurance, we believe the synergy between our digital pharmacy business and online medical and healthcare management services would also contribute to the monetization, as our digital pharmacy business would direct our users to use our online medical consultations and chronic disease and healthcare management services while the latter would in turn direct users to our digital pharmacy business. We also plan to provide home testing and in-store testing services so that, applicable tests, users may conduct test and receive test results following the instructions from our medical consultation services without spending more time making appointments with clinical laboratories. In addition, we plan to strengthen the system connection with the commercial insurance and social medical insurance systems so that our users may have a convenient and efficient payment process.

According to the Frost & Sullivan Report, with the development of digital health and wellness market, online consultation service has become an important component of digital healthcare service. Some players in this market have already promoted paying services, such as family doctor services and online chronic disease management services, which are with high gross profit margin. Taking into account the above, with more doctors joining our platform, the scale of our business will gradually increase we believe that our online medical consultations and chronic disease and healthcare management services would contribute to our overall business.

In addition, by leveraging the enhanced market recognition of our brand, growing sales network and user base, as well as the comprehensive online and offline resources, we are able to offer different marketing services to pharmaceutical enterprises, including product promotion in different channels, advertisement placement and event promotion. During the Track Record Period, revenue from others increased from RMB22.5 million in 2018 to RMB117.4 million in 2021, with a CAGR of 73.5% from 2018 to 2021, and increased by 66.6% from RMB18.5 million for the three months ended March 31, 2021 to RMB30.8 million for the three months ended March 31, 2022. We expect such business to grow steadily going forward.

### **Our Ability to Further Improve Our Results of Operations**

Our gross profit experienced significant growth during the Track Record Period. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, our gross profit amounted to RMB240.2 million, RMB470.0 million, RMB766.2 million, RMB1,162.3 million, RMB236.9 million and RMB334.4 million, corresponding to the gross profit margin of 41.1%, 36.8%, 34.4%, 31.6%, 30.4% and 33.9%, respectively. The decrease of our gross profit margin from 2018 to 2021 was due to the higher growth rate of cost than that of our revenue, as a result of:

- changes in our product mix, as the proportion of sales of drugs (including OTC drugs and prescription drugs), and, especially, the sales of prescription drugs, which are of lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report, increased. During the Track Record Period, we increased the sales of prescription drugs in our product offerings to capture opportunities related to the industry trends of prescriptions outflow. Specifically, for the years ended December 31, 2018, 2019, 2020 and 2021, revenue from prescription drugs as a percentage of revenue from pharmaceutical and healthcare business increased from 9.4% to 11.7%, and then to 17.1%, and further to 34.5%, which has remained stable since 2021, and for the three months ended March 31, 2021 and 2022, such figure was 35.4% and 33.6%, respectively. Meanwhile, according to Frost & Sullivan, the price of prescription drugs is regulated by national authorities by different policies, such as Medical

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Insurance Cost Controlling (醫保控費) and Pharmaceutical Centralized Procurement (醫藥集中採購), and the national policies over prescription drugs is much stricter than OTC and healthcare products. However, OTC drugs are less affected by national policies, and healthcare products are basically not affected by national policies, and the overall gross profit margins on prescription drugs in the market ranges from 10% to 20% in 2021. Therefore, the gross profit margin of prescription drugs was lower than the ones of OTC drugs and healthcare products. For the years ended December 31, 2018, 2019, 2020 and 2021, gross profit margin of prescription drugs decreased from 27.8% to 25.7%, and then to 20.9%, and further to 17.5%, which has remained stable since 2021, and for the three months ended March 31, 2021 and 2022, such figure was 18.0% and 19.1%, respectively;

- the acquisition of Yaofangwang, which contributed substantially to the increase in our sales of prescription drugs, with relatively lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report. The acquisition of Yaofangwang contributed to our decreasing gross profit margin primarily because Yaofangwang has a substantial amount of DTP business, which entailed lower gross profit margin than OTC drugs, healthcare products and prescription drugs in general. For the year ended December 31, 2021, Yaofangwang had a gross profit margin of 15.3%; and
- impact of pricing and subsidy strategy, as we dedicated to enhancing market recognition, retaining existing users and acquiring new users and maintaining competitiveness in the industry by taking methods such as offering subsidy policy to consumers. During the Track Record Period, we adopted a relatively active subsidy policy in order to keep our pricing competitive and achieve our development strategy of rapid expansion of business scale while maintaining our operating losses within an affordable range. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, the total subsidies provided to users were RMB82.8 million, RMB208.4 million, RMB412.2 million, RMB722.5 million, RMB149.0 million and RMB216.9 million, respectively. These subsidies are primarily provided under business of online direct sales. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, the subsidy ratio of our online direct sales (defined as the subsidy amount divided by the sum of subsidies and revenue of online direct sales and multiplied by 100%) was 17.5%, 18.7%, 19.6%, 21.9%, 21.8% and 23.3%, respectively, and our subsidy amounts per order from online direct sales were RMB8.8, RMB9.2, RMB11.1, RMB12.8, RMB12.3 and RMB14.4 in the same periods, respectively, representing an upward trend, while the gross profit margin of our online direct sales decreased from 39.1% in 2018 to 35.4% in 2019 and 33.9% in 2020 and further decreased to 29.9% in 2021, before increasing from 30.2% for the three months ended March 31, 2021 to 32.6% for the three months ended March 31, 2022. In addition, the expansion of the network of our smart pharmacies and the expansion of our operating cities contributed to the decreasing gross profit margin from 2018 to 2021 primarily because we provided new purchasers with more subsidies and delivery deduction to attract new users to place orders and to experience our “express delivery” on a 24/7 basis compared to the existing operating cities where we have mature operations. Going forward, we will proactively and dynamically adjust the subsidy level based on the overall development strategy of whether the target revenue and gross profit margin have been achieved rather than the absolute amount of subsidies. See “– Pricing and Payment” above in this section.

As a result, our gross profit margin decreased from 2018 to 2021. Such performance in relation to prescription drugs is in line with the performance of major market players during the relevant periods, according to the Frost & Sullivan Report. We generally review our product mix, pricing policy and subsidy ratio dynamically according to the market competition environment and our development strategy, and control the overall cost of sales so as to achieve overall business goals.

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We expect our overall gross profit margin to stabilize and gradually increase in the future, as (i) we are able to take effective control on the product mix. We expect that our product mix will remain generally stable in the near future, subject to our dynamic business strategy in response to the market and policy environments. Therefore, we expect the sales of prescription drugs will bring less adverse impact on our overall financial performance. In addition, we have adjusted our business strategy and have been increasingly focused on the SKUs with higher gross profit margin. Specifically, we have reviewed the key SKUs sold on our platforms and conducted catalogue planning across our various platforms for products of different brands and varieties under a single disease. The catalogue planning primarily aims to increase the proportion of sales of products with higher gross profit margin by analyzing historical sales. Accordingly, we introduce more products with higher gross profit margin and prioritize the display of such products on our platforms. We have also designated departments responsible for planning, updating and executing the catalogue which conduct monthly review of the implementation of catalogue planning to ensure its effectiveness; (ii) we expect to dynamically adjust the subsidy ratio based on market competition and evolving trends. In terms of pricing, we will try to gradually increase the pricing of products, especially the pricing of low-margin products, so that the gross profit margin will improve; (iii) we plan to further reduce procurement costs through centralized procurement. We have built a rich network of upstream supplier channels and cooperated with them in depth. At the same time, through centralized direct procurement scheme, we can further reduce procurement costs by reducing intermediaries and conducting centralized procurement negotiations for high-frequency SKUs and products with large procurement volumes; (iv) we intend to take other measures, including expanding government and corporate sales channels and gradually charging delivery fees, and (v) for our self-operated online platforms, dynamically increase such threshold, and dynamically increase the fees for delivery services at third-party online platforms, both taking into account each operating city's operational environment such as purchasing amounts, delivery needs and competition, in an expectation to generate more revenue from our delivery services. Through continuous efforts as described above, our gross profit margin increased from 30.6% in the first half of 2021 to 32.4% in the second half of 2021, and increased from 30.4% in the three months ended March 31, 2021 to 33.9% in the three months ended March 31, 2022. According to the Frost & Sullivan Report, due to COVID-19 outbreak in 2020, the offline purchase of prescription drugs became inconvenient for chronic disease populations, leading to an increase of the proportion of prescription drug sales to total sales in the whole digital retail pharmacy industry. With China's good control of the pandemic, it is expected that the proportion of prescription drug sales through other channels being gradually stabilized. Thus, we believe that our gross profit margin will stabilize and increase as a result of the continuous implementation of the above business strategies. See "Financial Information — Description of Selected Components of Statements of Profit or Loss — Gross Profit and Gross Profit Margin."

Furthermore, we intend to optimize our costs of revenue and operating expenses by achieving increasing economies of scale and cost-efficiency as our business continues to grow and we cooperate with more pharmaceutical factories to lower the costs. We have also been implementing centralized procurement, a procurement method that reduces the cost of revenue by taking the advantage of our economies of scale. As of December 31, 2021, the procurement amount in relation to our procurement under this centralized procurement accounted for approximately 9.0% of the our total procurement amount. Before the implementation of the centralized procurement policy, our subsidiaries in each operating city are responsible for procurement of all SKU for corresponding smart pharmacies. After implementing the central procurement policy, we procure certain SKUs through centralized procurement, while the remaining SKUs are still procured by our managing subsidiaries of each region. We expect that the centralized procurement will increase substantially in the next few years. In addition, we will keep seeking suppliers with favorable prices and terms and broaden our supply channels to achieve lower cost of revenue. With respect to our fulfillment expenses, we expect to continue to benefit increasingly from the development of our technology, including the E-zoning technology, which increased our efficiency in fulfillment, as well as our expanded business scale. With respect to our selling and marketing expenses, we expect to continue to benefit increasingly from the network effect of our extensive user base, as well



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as the strong word-of-mouth referrals that it generates, though we expect a slight increase in light of our expansion plan of opening approximately 100 new smart pharmacies by the end of 2022 and approximately 150 new smart pharmacies by the end of 2023. In terms of the promotion and advertising expense, although we plan to continue to maintain our current promotion strategy, benefited from the accumulated brand effect from the past years of business operation and the increase of brand awareness, we expect that our investments in promotion and advertising activities will be more effective to reflect certain extent of economies of scale. Therefore, we believe our total selling and marketing expenses as a percentage of our total revenue will decrease in the future. We also intend to optimise our general and administrative expenses and research and development expenses by enhancing our level of centralised management, streamlining our internal workflows, and leveraging technology to drive cost-efficiency of supply chain management. See “Financial Information — Significant Factors Affecting Our Results of Operations.”

Our net loss was RMB103.2 million, RMB273.9 million, RMB919.7 million, RMB1,599.0 million, RMB748.9 million and RMB404.4 million for the years ended December 31, 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, respectively. The increasing net loss was primarily due to the significant amount of cost of revenue, selling and marketing expenses and general and administrative expenses. We incurred significant operating expenses primarily because we intended to drive the rapid growth of our product and service offerings, enhance brand awareness and lay a solid foundation to support our future expansion. In addition to the foregoing factors, our net loss in the Track Record Period was also attributable to the fair value changes on financial liabilities at FVTPL, which will be reclassified to equity as a result of the automatic conversion upon the Listing. Our adjusted net loss (non-IFRS measure) was RMB69.6 million, RMB123.2 million, RMB149.3 million, RMB329.5 million, RMB69.7 million and RMB44.1 million for the years ended December 31, 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, respectively, primarily due to the net loss incurred during the same periods.

During the Track Record Period, we were able to achieve the following operating leverage:

- Our fulfillment expenses as a percentage of our revenue declined from 16.7% in 2018 to 15.7% in 2019 to 12.7% in 2020, and further to 11.2% in 2021. Our fulfillment expenses as a percentage of our revenue declined from 12.4% for the three months ended March 31, 2021 to 11.4% for the three months ended March 31, 2022. We expect fulfillment expenses to grow alongside our business growth, while as a percentage of our revenue continue to decline, primarily because:
  - (i) the logistics expenses under our fulfilment expense during the Track Record Period was mainly composed of services fees paid to riders engaged by our delivery partners and third-party carriers. Driven by our expanded business operations and enhanced economies of scale, we are able to obtain favourable prices from these service providers with strengthened bargaining power based on the increase in the number of our sales orders and the collaborative relationship with them. For example, one of our third-party carriers offered laddering discount (up to 19% off) for their services provided if we are able to meet certain delivery volume, and some of our delivery partners had similar arrangements with us; and
  - (ii) with the improvement of our smart order dispatchment system and path optimization system, we are able to increase our delivery efficiency and control our fulfilment expense by fully mining the big data collect during our operations. Based on the big data collected, our smart order dispatchment system and path optimization system can calculate the best match of the rider with the order by analysing information including locations, ordered products, and the characteristics of riders (some prescription drugs requiring low temperatures storage, which needs to be matched to specific riders with

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special equipment to ensure such refrigerated conditions), in order to provide the best delivery service for each user, rider and smart pharmacy while minimizing our delivery costs. Furthermore, our technology system is able to calculate based on variables (such as weather, road conditions, rider characteristics) under non-variables (such as rider's location, riding speed and the requested delivery time) to reach an optimal solution which satisfies (a) the user, as the order is delivered on time; (b) the rider, as the delivery route designed for him or her is the most efficient so that the rider's delivery capacity can be fully utilized; and (c) the smart pharmacy, as its supply is matched with demand, and the sale is completed most efficiently.

- Our selling and marketing expenses as a percentage of our revenue declined from 24.1% in 2018 to 21.8% in 2019, and then to 19.8% in 2020, and then increased to 22.7% in 2021. Our selling and marketing expenses as a percentage of revenue remained relatively stable at 20.4% in the three months ended March 31, 2021 and 21.1% in the three months ended March 31, 2022. We expect selling expenses to grow alongside our business growth, driven by the increase of staff costs due to the expected increase in the number of our sales and marketing and offline smart pharmacies personnel, and promotion and advertising expenses. We expect that selling and marketing expenses will increase along with business growth in the future, while as a percentage of revenue to decline, because our investments in promotion and advertising will be more effective, and the enhanced economies of scale effect will be further reflected.
- Our research and development expenses as a percentage of our revenue declined from 5.4% in 2018 to 4.1% in 2019, to 3.7% in 2020, and then further to 2.6% in 2021. Our research and development expenses as a percentage of our revenue remained relatively stable at 2.5% and 2.3% for the three months ended March 31, 2021 and 2022, respectively. We expect research and development expenses to grow primarily due to expected increase in the number of professional technicians to expand our research and development team, while as a percentage of our revenue to continue to decline, primarily because the growth of research and development expenses is not in proportion to the growth of revenue due to its nature of endogenous growth.
- Our general and administrative expenses as a percentage of our revenue was 6.3%, 4.5%, 5.4% and 13.1% in 2018, 2019, 2020 and 2021, respectively. Our general and administrative expenses as a percentage of our revenue increased from 5.0% for the three months ended March 31, 2021 to 10.2% for the three months ended March 31, 2022. The increase in our general and administrative expenses in 2021 was primarily due to the increase in the share-based payment. We expect our general and administrative expenses to increase in the future, mainly due to the expected increase in general and administrative team, while as a percentage of revenue to decline, primarily due to the enhanced economies of scale effect. Please refer to Note 29 of the Accountants' Report in Appendix I to this prospectus. We expect general and administrative expenses to grow alongside our business growth, primarily driven by the increase in staff costs of our administrative personnel due to the expected increase in the number of our administrative personnel, while as a percentage of our revenue to maintain relatively stable as a result of our improved operating efficiency and generally in line with the expansion of our smart pharmacy network.

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The aggregate amount of our fulfillment expenses, selling and marketing expenses, research and development expenses and general and administrative expenses as a percentage of our revenue decreased from 52.4% for the year ended December 31, 2018 to 46.1% for the year ended December 31, 2019, and then to 41.6% for the year ended December 31, 2020. For the year ended December 31, 2021, it was 49.6%. It increased from 40.3% for the three months ended March 31, 2021 to 45.0% for the three months ended March 31, 2022. We had a significant amount of share-based payment in the year ended December 31, 2021 and the three months ended March 31, 2022, which affected our operating expenses for the respective periods. Please refer to Note 29 of the Accountants' Report in Appendix I to this prospectus. Despite the increase in the operating expenses during the Track Record Period, we believe the sustainable revenue growth from our product and service offerings would dilute and eventually offset increases in the operating expenses, leading to profitability. In particular, we believe our operating expenses are measurable and controllable and are spent in accordance to our strategies for long term success. Going forward, we expect to continuously evaluate and monitor the efficacy and efficiency of our operating expenses in a sustainable manner.

### **Solid Track Record in Displaying Improved Asset Position and the Ability to Improve Cash Flow Position**

We had net current liabilities as of December 31, 2018 and turned around to net current assets position as of December 31, 2019, 2020 and 2021 and March 31, 2022. As of December 31, 2019, 2020 and 2021 and March 31, 2022, our net current assets were RMB113.0 million, RMB491.9 million, RMB1,528.8 million and RMB1,474.9 million, respectively, primarily due to the growth of inventories, trade and other receivables and prepayments and cash and cash equivalents. Our net current liabilities of RMB132.8 million as of December 31, 2018 was primarily due to financial liabilities at FVTPL resulting from the fair value changes of our shares with preferred rights. Our shares with preferred rights would be reclassified from liabilities to equity as a result of automatic conversion into our Shares upon the Listing. Afterwards, we do not expect to recognize any further loss or gain on fair value changes from the shares with preferred rights. See “Financial Information — Discussion of Certain Selected Items Form the Consolidated Statements of Financial Position.”

We had seen a significant increase in our total cash position during the Track Record Period, from RMB46.2 million in 2018 to RMB144.7 million in 2019 and RMB260.6 million in 2020, and further to RMB1,553.0 million in 2021 and RMB1,498.2 million for the three months ended March 31, 2022. Although we recorded net operating cash inflow of RMB10.2 million for the year ended December 31, 2018, and then continuously recorded net operating cash outflows of RMB265.9 million, RMB193.0 million, RMB295.5 million and RMB16.6 million for the year ended December 31, 2019, 2020 and 2021 and the three months ended March 31, 2021, respectively, and then RMB12.9 million net operating cash inflow for the three months ended March 31, 2022, we believe the outflows were in line with our business expansion and strategic development plan. Our cash was primarily used in operating activities related to the build-up of online-to-offline solutions which include operations related to our online platforms, offline smart pharmacies and express delivery service. Although we achieved continuous increase in revenue and gross profit, along with the growth of our business, our operating expenses increased substantially. Specifically, our order volume of online direct sales increased substantially, resulting in the increase of our fulfillment expenses; our number of smart pharmacies grew continuously, incurring growing expenses related to the personnel and operations, which resulted in the increase of our selling and marketing expenses; our platforms and delivery efficiency further improved as our comprehensive technological capabilities strengthened, resulting in higher research and development expenses; and, along with the expansion of our business operations, the number of headquarter staff increased, incurring heightened general and administrative expenses. Apart from that, although our net operating cash outflow increased from 2019 to 2021, our operating cash outflows in working capital decreased steadily during the same period, from RMB201.7 million for the year ended December 31, 2019 to RMB115.9 million for the year ended December 31, 2020, and further to RMB50.2 million for the year ended December 31, 2021. In

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addition, our operating cash position turned from an outflow of RMB16.6 million for the three months ended March 31, 2021 to an inflow of RMB12.9 million for the three months ended March 31, 2022, while our working capital inflow of RMB31.4 million for the three months ended March 31, 2021 further increased to RMB36.6 million for the three months ended March 31, 2022. See Financial Information – Liquidity and Capital Resources.”

However, based on the growth momentum we have seen during the Track Record Period in our user base and user average spending, sales order volume, brand recognition and customer loyalty, among others, we estimate that we will be able to continue to narrow the cash outflows from operations and achieve positive cash flows from operations by following the path and strategy of (i) increasing sales revenue and improving gross profit margin. For example, we have been dynamically adjusting product mix to include products of higher profit margin. In addition, our procurement size increases with the growth of our business scale, and we expect to have better bargaining power to obtain more favorable price and credit terms to effectively control cost. Our implementation of centralized procurement also helps us control costs of products; (ii) reducing per order delivery costs by elevating delivery efficiency through research and development, with results that our revenue shall surpass the growth of our fulfillment expenses, though the absolute amount of our fulfillment expenses shall go up in line with the increase of our sales order volume. Based on the big data collected, our smart order dispatchment system and path optimization system can calculate the best match of the rider with the order by analysing information, including locations, ordered products and the characteristics of riders (some prescription drugs requiring low temperatures storage, which needs to be matched to specific riders with special equipment to ensure such refrigerated conditions), in order to provide the best delivery service for each user, rider and smart pharmacy while minimizing our delivery costs. To further reduce the delivery costs, we will further optimize the our research and development systems. For example, we plan to upgrade the aforementioned systems’ capacity to accurately identify orders with similar delivery conditions and dispatch them to the same rider. We also plan to introduce new modules to the aforementioned systems to automatically delegate eligible orders to third-party carriers when the delivery capacity of our delivery partners is limited, in order to balance the overall delivery efficiency and delivery costs. In addition, we intend to cooperate with leading uncrewed vehicle delivery service providers and pilot a new delivery model with a combination of uncrewed vehicles and manual labor in areas approved by relevant laws and regulations to reduce the delivery costs in general; (iii) enhancing cost control capacity by making full use of economies of scale to achieve faster growth in revenue than in cost of revenue; and (iv) continuously improving working capital management by proactive management of trade receivables, trade payables and inventory turnover and deepened cooperation with our suppliers. Since we have been invested in these systems during the Track Record Period and have achieved sound results, we believe further related investments would not have substantial impact on our research and development expenses going forward. We expect our research and development expenses related to these systems would not exceed RMB30.0 million per year in the next three years upon listing.

In addition, we seek further improvements in operating efficiency by proactively adjusting our operation and development strategy while approaching profitability. We believe that based on the current momentum we have seen and as our product and service offerings achieve more operating leverage, we will be able to further grow our cash flow from operations before changes in working capital and manage the cash working capital and cash spent on capital expenditure.

On the basis of the factors set out above and the Group’s historical financial performance during the Track Record Period, nothing has come to the attention of the Joint Sponsors that would cause them to doubt the reasonableness of the Director’s views mentioned above in any material respects.

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### IMPACTS OF THE COVID-19 OUTBREAK

Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. In response, China, together with other countries and regions across the world, has imposed widespread lockdowns, closure of workplaces and restrictions on mobility and travel to contain the spread of the virus. By approximately the fourth quarter of 2020, cities in China had generally eased or lifted strict domestic travel restrictions and generally resumed normal social activities, business, work and production. During the COVID-19 outbreak, particularly in the first quarter of 2020, our business was mainly affected by the following aspects:

- During the COVID-19 outbreak, the PRC government restricted the sales of four types of drugs, including cold, fever, cough relieving and anti-inflammatory, and the sales volume of such four types of drugs significantly reduced. In contrast, demands for products other than the four types of drugs restricted by the government and the online medical consultation increased, especially through online channels.
- Due to the sudden surge in sales orders, although we generally did not suspend operations during the pandemic, at the beginning of the COVID-19 outbreak, our delivery capacity was overwhelmed by the surge in orders, resulting in some delays in delivery. By the end of March 2020, our performance in delivery in most cities where we operated across China had been back to normal.
- We prioritize the health conditions of our employees in all our business operations. We have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations, such as (i) providing personal protection products such as masks, sanitizers and gloves to front-line employees; (ii) fully sanitizing the pharmacies every day and ensuring ventilation; (iii) equipping each pharmacy and office with forehead thermometers to take each employee's temperature three times a day; (iv) enforcing contact free delivering mechanism and requiring all employees to wear masks and gloves in accordance with relevant regulation; (v) sanitizing all office areas daily and encouraging staff to communicate by telephone or live-chat applications to minimize in-person contact; and (vi) organizing nucleic acid testing for all employees and organizing vaccination as per government requirements.
- Despite the impacts of the COVID-19 outbreak on the general economy, we still managed to achieve improved financial performance in the year ended December 31, 2020, which was primarily due to (i) increasing sales of disinfection-related products and personal protective materials, including masks, wipes, hand sanitizers, medical gloves, safety glasses, thermometers, and disinfection products, during the COVID-19 outbreak, which may not recur in the future; the revenue contribution from sales of disinfection-related products and personal protective materials in 2018, 2019, 2020, 2021 and the three months ended March 31, 2021 and 2022, was RMB6.8 million, RMB17.0 million, RMB175.3 million, RMB44.1 million, RMB12.4 million and RMB50.9 million, respectively, revenue contribution of sales of disinfection-related products and personal protective materials accounted for 1.2%, 1.3%, 7.9%, 1.2%, 1.6% and 5.2% of our total revenue, respectively, and the gross profit from sales of disinfection-related products and personal protective materials during the same period amounted to RMB3.7 million, RMB7.2 million, RMB41.3 million, RMB17.6 million, RMB5.0 million and RMB21.8 million respectively, corresponding to gross profit margin of 54.1%, 42.4%, 23.6%, 39.8%, 40.1% and 42.7% respectively; and (ii) lower level of fulfillment expenses as a result of a series of policies regarding reduction and exemption of enterprise's social insurance contributions promulgated by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration, which did not recur in the future; In 2020, our fulfillment expenses was reduced by RMB 7.0 million with the benefit of such policies, accounting for 2.5% of the actual fulfillment expenses in the same period.

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The tables below set forth the breakdown of the revenue contribution of sale of disinfection-related products and personal protective materials for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(RMB in millions)				(unaudited)	
Disinfection-related products <sup>(1)</sup> . . . . .	2.1	7.0	66.4	20.1	4.9	3.3
Personal protective materials <sup>(2)</sup> . . . . .	4.7	10.0	108.9	24.0	7.5	47.6
<b>Total</b> . . . . .	<b>6.8</b>	<b>17.0</b>	<b>175.3</b>	<b>44.1</b>	<b>12.4</b>	<b>50.9</b>

*Notes:*

(1) Disinfection-related products include wipes, hand sanitizers and disinfection products.

(2) Personal protective materials include masks, medical gloves, safety glasses and thermometers.

Although conditions have substantially improved since the second half of 2020 in China, there has been an increasing number of COVID-19 cases around the world due to the Delta and Omicron variants. With the sustained implementation of the disease prevention and containment policies and the development of vaccines, it is still uncertain whether the COVID-19 outbreak can continue to be largely contained in China and what further impact COVID-19 will have on our business or our industry.

Since the beginning of 2022, another wave of COVID-19 broke out in the PRC, which caused surging numbers of COVID-19 cases in certain regions, such as Shenzhen, Guangzhou, Shanghai and Beijing, and local governments have taken certain lock-down measures to prevent further spread of COVID-19. Some of our smart pharmacies temporarily ceased operation as required by local authorities and were approved to re-open after relevant bans were lifted by local governments. From January 1 to June 1, 2022 the number of smart pharmacies ceased operation as required by local authorities in Beijing, Shanghai, Shenzhen, Guangzhou and other cities in respect to the COVID-19 outbreak accounted for 28.1%, 85.2%, 19.4%, 12.0%, 16.1%, respectively, of respective total number of pharmacies.

The table below sets forth the details of our smart pharmacies that temporarily ceased operations from January 1, 2022 to June 1, 2022 by cities:

	Beijing	Shanghai	Shenzhen	Guangzhou	Others
	(Numbers)				
1 day to 15 days . . . . .	20	14	3	2	21
16 days to 30 days . . . . .	2	10	4	1	2
Longer than 30 days . . . . .	3	22	0	0	0
<b>Total</b> . . . . .	<b>25</b>	<b>46</b>	<b>7</b>	<b>3</b>	<b>23</b>

The table below sets forth the recovery status of our smart pharmacies by cities as of June 1, 2022:

	Beijing	Shanghai	Shenzhen	Guangzhou	Others
	(Numbers)				
Still under temporarily ceased operation . . . . .	10	2	0	0	0
In normal operation . . . . .	79	52	36	25	143
<b>Total</b> . . . . .	<b>89</b>	<b>54</b>	<b>36</b>	<b>25</b>	<b>143</b>

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Our overall operational and financial position as of and for the three months ended March 31, 2022 were not materially adversely affected by this recent COVID-19 outbreak since there were no large-scale and prolonged lock-down measures implemented during the same period. However, since the local authorities in Shanghai and other regions have imposed strict and large-scale lock-down measures since the beginning of April, 2022, our operational and financial position may be affected to some extent in particular cities. Some of our smart pharmacies in Shanghai and other regions had ceased operation under relevant lock-down measures, causing the decrease of the sales order volume of our smart pharmacies related business (representing (A) our online-to-offline model under online direct sales channel, and (B) offline retail channel for walk-in users, both supported by our smart pharmacies), which was primarily due to the disruption on logistics imposed by the lock-down measures. For example, the sales order volume of our smart pharmacies related business in Shanghai in April 2022 decreased to around 50% of that in April 2021, while our revenue from smart pharmacies related business in Shanghai in April 2022 was slightly higher than that in April 2021, which was primarily due to a 135% increase of ARPO (from online direct sales channel (excluding the orders of our partner pharmacies) and offline retail channel) from RMB41.1 in April 2021 to RMB96.7 in April 2022, given users' increasing willingness to stock up products in response to the lock-down measures. Meanwhile, we have been seeking measures to mitigate any potential adverse impact on our operational and financial positions. As of the date of this prospectus, most of our smart pharmacies in Shanghai and other regions have resumed normal operation, and we believe the resurgence of COVID-19 does not materially affect our overall business operation and financial position.

In the case of further spread of COVID-19, our business may be disturbed by actions adopted by the government authorities to contain it. See “Risk Factors – Risks relating to Our Business and Industry – We face risks related to health epidemics, which could significantly disrupt our business, financial condition and results of operations.”

### COMPETITION

According to the Frost & Sullivan, the markets in which we operate are highly competitive. We compete with other major players in China's digital health and wellness market. We also compete with companies operating traditional pharmacies across China. We believe the full range of product and service offerings and the ultimate user experience we provide to our users, our end-to-end supply chain and resource advantages, our services provided by pharmacists and doctors, our strength in research and development and our experienced management team enable us to compete effectively against our competitors.

We believe that we are well positioned to excel in the competitions within our industries. However, some of our current and potential competitors may have greater financial, technical and marketing resources than we do, and may be able to develop products and services that are more popular than ours. See “Risk Factors — Risks Relating to Our Business and Industry — We face intense competition in our business. If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.”

### SEASONALITY

We experience seasonality in our business as our results of operations are affected by holidays in China. During the Track Record Period, generally, our revenue experienced a steady increase on monthly basis except for the months of Chinese New Year. The reason of the seasonal fluctuation is our online and offline sales were focused in metropolitans populations, many of whom go on vacation out of city during Chinese New Year. In addition, the seasonality we experience is also reflected by the online retail seasonality patterns. For example, e-commerce companies in China hold special promotional campaigns from time to time, which can affect our results for those quarters. We generally experience more user traffic and sales orders on and around special promotional campaigns, which has significant impact on our results for those quarters. See “Risk Factors — Our results of operations are subject to seasonal fluctuations.”

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### INTELLECTUAL PROPERTY

Intellectual property is fundamental to our success and competitiveness. We currently hold a collection of intellectual property rights related to certain aspects of our business operation. As of the Latest Practicable Date, we had registered in China a total of 425 trademarks, 162 domain names, 90 copyrights and 24 patents, and we were in the process of applying to another 36 patents in China.

We protect our intellectual property rights, including trademarks, patents, copyrights and domain names, strictly in accordance with the relevant laws and regulations. We regularly improve and update our intellectual property management system in line with the development of our business. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. On the other hand, for proprietary know-hows that are not patentable and processes the patents for which are difficult to enforce, we expect to rely on business confidentiality agreements to safeguard our interests in this respect. We have entered into confidentiality agreements, or employment agreements with confidentiality terms, with our employees, requiring them to strictly comply with our confidentiality requirements. See “Appendix IV — Statutory and General Information — Further Information about our Business — Intellectual Property Rights.”

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors — Risks Relating to Our Business and Industry — We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.”

### CYBERSECURITY, DATA PRIVACY AND PROTECTION

We are committed to protecting our cybersecurity, information and privacy of our users, patients, medical professionals and other participants in our ecosystem. To establish our compliance system on cybersecurity and data security, we have taken the following measures:

- Our business systems mainly include Dingdang Medicine Express System and Dingdang Kuaiyi Hainan Internet Hospital System. The two systems have obtained the level 3 cybersecurity graded protection filing certificate and have passed the cybersecurity graded protection evaluation.
- We have implemented technical measures such as access control and identity authentication measures, data encryption or desensitization processing, and data backup to protect networks and data from interference, destruction or unauthorized access, and prevent data leakage, tampering, and loss. We are equipped with data encryption technology: (i) in terms of storage, user data is stored with specific encryption strategies and the keys are managed by designated personnel in charge; (ii) in terms of sharing, user data shall not be shared among applications without approval, which shall be granted on a “need-to-know” basis; and (iii) in terms of display, all user data will be replaced by “\*” to obscure key information in display versions.
- We have established a cybersecurity management system, a data protection procedure, and formulated a personal information protection system, including the Data Access Control Procedure, the Data Classification and Grading Requirements, and Regulation on the collection and use of personal information. We strictly comply with laws and regulations and do not distribute or sell our users’ personal data for any illegal or unauthorized purpose.
- We have formulated and implemented emergency plans for cybersecurity incidents and data security incidents.



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- We have signed the Data Confidentiality and Security Agreement with our employees and have provided regularly trainings on data confidentiality and personal information protection to our employees.
- We have formulated a personal information protection impact assessment template. Before processing sensitive personal information, making an intelligent decision, and entrusting the processing or sharing of personal information, we conduct a personal information protection impact assessment and record the processing.
- We have formulated a data compliance audit template, and plan to regularly conduct compliance audits on our processing of personal information in compliance with laws and regulations.

The user data we collect and process during our operations includes information such as name, birthday, gender, email address, telephone number, delivery address, purchase information and relevant medical record. We collect such user data from our users when they register on our platform, place orders with us and initiate consultations with us. We enter into *Dingdang Medicine Express User Registration Agreement* (《叮當快藥註冊協議》) with our users when they register on our mobile App, according to which users grant us authorization to collect, process and use their personal information and the relevant data generated during the course of our services. We collect, process and use the user data within the scope of such authorization only for the purpose of providing services to them, such as registration, product promotion, payment and delivery arrangement.

We have taken the following specific measures to ensure that data from our business and products comply with the relevant laws and regulations.

- We have formulated a privacy policy for each product or service. For products or services involving children's personal information, we have formulated rules for the protection of such information. The above privacy documents comply with the current laws on integrity, legibility and presentation form.
- We have provided users' separate consent option for sensitive data processing and data sharing or other lawful reasons for related data processing behavior in our product design.
- We have provided a convenient way to deny intelligent decision-making and a method of turning off system permissions in the our mobile App, and a method of turning off system permissions in the our mini-program.
- We have formulated data sharing agreements and terms, as well as data entrustment agreements and terms, and are in the processing of signing. We have fully advised the information related to data sharing, including the names of recipients, the official link, the purpose of processing, the method of processing and the type of personal information in the privacy document.
- We have stipulated the data deletion mechanism, and the scenarios that require the deletion of personal information include: data storage exceeding a period of time, deletion of personal information requested by the user when processing personal information in violation of the law or contract, account deregistration or termination of business relationship, and destruction of personal information storage devices.

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- We disclose the exercise of user rights related to personal information, including access, correction, deletion, obtaining a copy, changing the scope of authorization and consent, account deregistration, transfer of personal information to designated third party, and complaints about the result of intelligent decision-making, as well as the conditions and methods for the close relatives of the deceased to exercise their rights in the privacy documents, and stipulate the response process for users to exercise their right in the personal information protection regime.
- Our business and products have not yet involved data transfer, public disclosure, or cross-border transmission. As advised by our PRC Legal Advisors, under the FSC Alliance, the statistical data of the purchase, sale and inventory of pharmaceuticals transferred by us to pharmaceutical enterprises does not contain information that can be used to independently identify or be combined with other information to identify specific natural persons, and therefore does not fall within the scope of personal information under the abovementioned laws, rules and regulations. Our PRC Legal Advisors are of view that, under applicable PRC laws, rules and regulations, the FSC Alliance does not involve any processing of personal information, and does not involve any legal risks related to the collection, use and disclosure of personal information.

### EMPLOYEES

Our human resources department is responsible for recruiting, managing and training our employees. As of March 31, 2022, we had 3,002 full-time employees, most of whom were based in China, mostly in Beijing, with the rest based in major cities across China such as Shenzhen, Zhangshu, Shanghai, Guangzhou. As of March 31, 2022, we also had one full-time employee based in Hong Kong.

The following tables set forth the number of our employees by function as of March 31, 2022:

<u>Employee Function</u>	<u>Number of employees</u>
Sales, Marketing and Business Development . . . . .	2,110
Technology, Research and Development . . . . .	287
Management . . . . .	367
Administration . . . . .	238
<b>Total</b> . . . . .	<u><u>3,002</u></u>

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations.

We enter into employment contracts and agreements regarding confidentiality, intellectual property ownership and non-competition with our executive officers, managers and core employees. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. Our PRC Legal Advisors are of view that, during the Track Record Period and up to the Latest Practicable Date, except as otherwise disclosed in this prospectus, we have complied with the applicable PRC labor law and regulations in all material respects. See “— Legal Proceedings and Compliance — Compliance.”

We endeavor to hire the best talented employees in the market by offering competitive wages and benefits, systematic training opportunities and internal upward mobility. We also conduct introductory training for new staff and have periodic training for our full-time employees.

**INSURANCE**

We consider our insurance coverage to be adequate and in line with general practice in the industry. We provide social security insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees. In line with general market practice, we do not maintain any business interruption insurance, which are not mandatory under PRC laws. We do not maintain keyman insurance, insurance policies covering damages to our network infrastructures or information technology systems, except for some property insurance. In relation to our services provided our full-time doctors through our Hainan Internet Hospital, we carry professional liability insurance covering a maximum of RMB3,000,000 in the aggregate over the course of a year, under which no claim had been made during the Track Record Period and as of the Latest Practicable Date. Although we do not maintain insurance policies covering the services provided by the part-time doctors or the external doctors on our platform, we have control on such risks arisen from them by way of contractual arrangements, see “— Online Medical Consultation — Our Medical Team.” In relation to the services provided by the external doctors through our platform, relevant third-party medical institutions generally carry and pay for professional liability insurance covering medical malpractice claims for approximately 70% of the external doctors assigned to our platform. During the Track Record Period, we did not make any material insurance claims in relation to our business. Since October 2021, we have also maintained product liability insurance for products offered on our self-operated platforms, including OTC drugs, prescription drugs and healthcare products. See “Risk Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to counter business risks” for further details.”

**PROPERTIES****Owned Properties**

As of the Latest Practicable Date, we did not have any owned properties.

**Leased Properties**

As of the Latest Practicable Date, we leased 442 buildings in China with an aggregate gross floor area of approximately 82,511.93 sq.m., which were primarily used for offices, warehouses and offline pharmacies. Among them, we had obtained valid title certificates or documents to prove their legal rights from relevant landlords of 281 leased buildings with an aggregate gross floor area of approximately 53,209.53 sq.m (accounting for 64.5% of the aggregate gross floor area of our leased buildings). Among the other 161 leased buildings with an aggregate gross floor area of 29,302.40 sq.m, the landlords of such buildings had not provided us with the relevant title certificates. Such leased buildings are used for offices, warehouses and offline pharmacies.

We believe that the reasons that the landlords failed to provide us with the relevant title certificates are beyond our control. To the best of our knowledge, as of the Latest Practicable Date, some of the landlords were applying for the relevant title certificates. In order to minimize the potential negative impacts of the above title defects on our operations, we have maintained regular and active communications with such landlords regarding the progress of their rectification of the title defects. We will also consult our external legal advisor with regard to reviewing the title certificates and other documents of our new leased buildings in order to ensure compliance with applicable PRC laws and regulations.

For any of our leased buildings with any of the aforementioned defects, we believe we are able to find comparable properties as alternatives at commercially acceptable terms to us if we must stop occupying any of these leased buildings, without significant costs, delay or interruption that would materially and adversely affect our business, results of operations and financial conditions.

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In addition, as of the Latest Practicable Date, we had not registered the lease agreements for 414 of our leased buildings with the relevant competent authorities in accordance with applicable PRC regulations. As advised by our PRC Legal Advisors, failure to register the lease agreements would not affect the validity and enforceability of such lease agreements. However, if we and the landlords fail to register such lease agreements as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreements. As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities, and the amount of potential penalties accounts for a minimal portion of our total revenue during the Track Record Period.

As a result of the reasons above, we believe that the defects of our leased buildings would not materially and adversely affect our business operations.

### **ENVIRONMENT, SOCIETY AND GOVERNANCE**

We are committed to social responsibility and believe that Environmental, Social and Governance (“ESG”) is essential to our sustainable development. Our focus areas include economic reciprocity, employee responsibility, customer responsibility, partner responsibility, environmental responsibility and public responsibility.

#### **Governance on ESG Matters**

Our ESG strategy and policy include, among others: (i) the direct involvement of our directors in the design of our ESG strategy and objectives and in evaluating, determining and addressing the risks associated with ESG; (ii) our ESG governance structure, which is comprised of energy saving and environmental protection team, learning and training institute, supervision and assessment team, etc. set up and supervised by our management; (iii) integration of the environmental protection concept into all aspects of our work, including daily operations and appraisals, to encourage low-carbon services; (iv) promotion of environmental protection and drug waste reduction, including encouraging users to reduce drug hoarding by ensuring on-time delivery of drugs so that there would be no need to hoard drugs, thus reducing the health risks and environmental pollution associated with expired medications, while also reducing unnecessary costs for our users; (v) occupational and health and work safety policies, including organizing staff training and staff activities and issuing holiday benefits to employees in order to improve team health and team cohesion; (vi) employment of people with disabilities and creating working conditions that allow them to mix in with other employees; and (vii) donation of materials to community workers, schools, etc., based on community needs.

#### **Impact of Environmental, Social and Climate-Related Risks**

Supervised by our management, we actively identify and monitor the actual and potential impact of environmental, social and climate-related risks on our businesses, strategy and financial performance over the short, medium and long term, and we seek to incorporate such issues into our businesses, strategy and financial planning. Our management and the energy saving and environmental protection team will evaluate the likelihood of occurrence of such risks and the estimated magnitude of the resulting impacts over short, medium and long term horizons. As we do not operate any production facilities, we are not subject to significant health, safety, environmental or social risks. It is also expected that the extreme weather conditions for potential physical risks and change in climate-related regulations and policy for potential transition risks would not have a material impact on our operation in the short, medium and long terms. Nonetheless, our management have been assessing and managing business risks and opportunities, and set forth below are opportunities identified over the short, medium and long term.

### *Long-term opportunities*

As China's aging population continues to grow, people's demand for a better life and medical and health services continues to grow. In expectation of growing demands for health products, we will strengthen our expertise in healthcare consultation and medicine supply and consolidate our position in the industry to provide residents with more convenient, professional and efficient service through integrated online and offline one-stop medical and healthcare services.

### *Medium-term opportunities*

With the tide of technological innovations, new online remote consultation and new treatment methods will continue to emerge. We aim to utilize and develop cutting edge technology to further improve our online and offline product and service offerings.

### *Short-term opportunities*

We have set up response mechanism to counter unexpected natural disasters and social events. With our operations and product and service offerings, we aim to be among the first to support the society by providing 24-hour free access to medical services, emergency deployment of pharmaceutical supplies, etc.

### **ESG Policy and Strategy**

We are committed to social responsibilities. We have formulated visions and goals to meet higher standards in ESG aspects. We focus on areas where we can use our existing capabilities to empower our industry and the whole society. For example, we have adopted stringent internal policies to monitor the presentation of drugs and medical devices on our platforms to prevent false information and exaggerated advertisements. We have established a quality control system in accordance with the good supply practice (GSP) for pharmaceutical products and set up our own quality management standards. Our dedicated quality control team has established business control mechanism to ensure the quality of our products through quality testing measures to provide solid protection for our users.

In addition, we have adopted policies to prevent "over-prescriptions". For example, we have put in place internal prescription review procedures to avoid "over-prescriptions" by doctors.

- In terms of prescription drugs offered on our self-operated online platforms, all prescription drug sales must be accompanied with prescriptions issued by our doctors. The prescriptions issued by our doctors expire three days after issuance and patients are strictly prohibited to purchase the prescription drugs with expired prescriptions. Our doctors are required to fill in all information and expiry date on the prescription in our system. In addition, we have set upper limits for prescription drug dosage pursuant to the relevant rules and regulations. Maximum five types of prescription drugs are allowed to dose for each prescription, and Chinese herbal medicine, traditional Chinese medicine and Western medicine are not allowed to be dosed in the same prescription. Furthermore, special approval is required from licensed pharmacists if more than one prescription drugs are dosed, who will reassess the symptoms of the patients.
- In terms of prescription drugs sold from our offline retail, licensed pharmacists or other pharmaceutical professionals shall be on duty, who are responsible to check the details on the prescriptions. In addition, they are also responsible to reassess patients' the present symptoms in light of the dosage on the prescription to avoid "over-prescriptions".

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In case there is any abnormal prescriptions noted, licensed pharmacists or other pharmaceutical professionals will consult with our qualified doctors and update the prescriptions where necessary. Periodical trainings are provided to our doctors, licensed pharmacists and other pharmaceutical professionals to address the importance of suitable prescription.

### Metric and Targets for Evaluating and Managing the Risks

We do not operate any production facilities. Therefore, we are not subject to significant health, safety or environmental risks. We do not expect to incur any material liabilities or expenditures in health, safety and environmental issues. Nonetheless, we have adopted mechanisms to be socially responsible.

We believe in the importance of caring for our planet and we strive to balance our role as a for-profit company with the betterment of people on the planet. Under our ESG Policy, we have established a comprehensive set of key performance indicators to evaluate and guide our business operations. The table below sets forth a quantitative analysis of our environmental performance during the Track Record Period.

	For the year ended December 31,				For the three months ended March 31,
	2018	2019	2020	2021	2022
<b>Electricity consumption</b>					
Total electricity consumption in thousand kWh . . . . .	1,259.5	2,695.6	3,776.6	5,378.3	1,126.7
<b>Water consumption</b>					
Total water consumption in thousand tons . . . . .	8.4	14.8	22.9	27.1	6.0
<b>Paper consumption</b>					
Total paper consumption in thousand tons . . . . .	0.4	0.7	1.9	2.7	0.8

We purchase and use environmental-friendly equipment and facilities and also leverage our video monitoring system to avoid unintended power usage during off-hours. In addition, as of May 31, 2022, in the distribution process, the majority of our third-party riders generally use electric vehicles as the delivery tools in delivering drugs and commodities.

Our delivery process relies on riders in delivering products and uses a lot of packaging materials, which may be bespoke, both of which entail a certain degree of environmental, social and climate-related risks. However, to mitigate such risks we primarily use paper packaging bags as packaging materials in an effort to reduce the consumption of packaging materials and enhance waste recycling. We also aim to gradually switch to the use of more environmental-friendly manufactured biodegradable packaging materials with the advanced technologies produced by socially responsible manufacturers. Furthermore, to reduce paper use, we have adopted e-invoices and encourage our customers to use it unless their specific requests for physical invoices.

We intend to further decrease the consumption of packaging material and energy in our daily operations while meeting the requirement of relevant regulations and laws on the delivery of drugs and healthcare products.

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In addition, we encourage low-carbon and environmentally friendly travel. Our staff patrol all areas of our offices around the clock to turn off unnecessary air conditioning and power equipment in a timely manner to reduce waste of resources. We actively promote paperless office. For documents that must be printed, we encourage double-sided printing. We also actively classify garbage for recycling and reduce domestic and work waste. To ensure compliance with applicable laws and regulations, our human resource department will, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, safety or environmental regulations.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continuously improving these systems, developing a risk management culture and raising the risk management awareness of all employees. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations.

#### **Operational and Information System Risk Management**

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures, third-party payment processing risks, or external events. We have established a series of internal policies and procedures to manage such risks. In particular, we pay close attention to risk management relating to our information technology and data privacy and protection, as sufficient maintenance, transmission, storage and protection of user data and other related information are critical to our success. We have been committed to promoting compliance culture, and will adopt policies and procedures on various compliance matters. In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal policies and procedures to ensure compliance of our business operations with relevant laws and regulations. In particular, our compliance and legal department is responsible for ensuring ongoing compliance with the relevant data privacy and protection laws and regulations and relevant rules and requirements governing electronic fund transfers in the PRC. In addition, we continually review our internal policies and procedures and the implementation of our measures to ensure that our policies and their implementation are effective and sufficient. Our Directors will be involved in the formulation of the internal policies and procedures.

#### **Internal Audit Risk Management**

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. For the professional qualifications and experiences of the members of our audit committee, see the section headed “Directors and Senior Management”. We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee and senior management on any issues identified.

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We accept payment through the E-Commerce Witness System established by a commercial bank (the “**Witness Bank**”). When a user purchases goods or services on our platforms, the funds are transferred into a special bank account established and held in escrow by the Witness Bank. We are not able to manage or operate the special account, and the funds in the special account are completely segregated from our own funds. After an order has delivered the goods or services to the user and the user has confirmed acceptance, the Witness Bank will split the funds and made the payment to the relevant parties and us respectively. Based on the confirmation letter issued by the Witness Bank and the verbal consultation conducted by the respective representatives of our PRC Legal Advisors and of the Joint Sponsors with the Witness Bank, the E-Commerce Witness System of the Witness Bank has been filed with the People’s Bank of China. Therefore, the PRC Legal Advisors are of the view that our cooperation with the Witness Bank complies with the relevant rules and requirements governing electronic fund transfers in the PRC in all material aspects. However, since the relevant regulations governing electronic fund transfers in the PRC are relatively new and evolving, risks and uncertainties still exist on how they will be interpreted or enforced.

### **Human Resources Risk Management**

We provide regular and specialized training tailored to the needs of our employees in different departments. We schedule regular online and offline trainings to ensure that our staff’s skill sets and knowledge level of our policies remain up-to-date, enabling them to better discover and meet consumers’ and merchants’ needs. We have in place an employee handbook and a code of conduct approved by our management and have distributed them to all our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

### **Anti-corruption**

We have in place an anti-bribery and corruption policy to safeguard against any corruption within our Company. The policy explains potential bribery and corruption conduct and our anti-bribery and corruption measures. We make our internal reporting channel open and available for our staff to report any bribery and corruption acts, and our staff can also make anonymous reports to our anti-fraud team. Our anti-fraud team is responsible for investigating the reported incidents and taking appropriate measures.

### **LICENSES AND PERMITS**

We are required to obtain various licenses, permits and certifications for our operations.

As advised by our PRC Legal Advisors, during the Track Record Period and as of the Latest Practicable Date, except as disclosed hereunder, we had duly obtained and maintained all material licenses, permits and certificates required by PRC laws and regulations for our operations, and such licenses, permits and certificates have remained in full effect, in addition, we had not been subject to any fines or other penalties in relation to such licenses, permits and certifications for our operations. Our PRC Legal Advisors have advised us that there is no material legal impediment to renewing our licenses, permits and certificates required for our operations, provided that we have complied with all the requirements under the applicable laws and regulations.



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The following table sets out a list of material licenses, permits and certifications currently held by us, as of the Latest Practicable Date:

Entity	Name of the License, Permit and Certification	Registered Number	Grant Date	Expiration Date
Dingdang Medicine Express Technology Group Ltd. (叮噹快藥科技集團有限公司), . . .	Value-Added	京ICP證150310號	2020.02.26	2025.02.26
	Telecommunications Business Operating License (增值電信業務經營許可證) <sup>(1)</sup>	京B2-20150510	2020.05.06	2025.05.06
	Value-Added Telecommunications Business License (增值電信業務許可證)	京B2-20212409	2021.07.15	2026.07.15
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務資格證書)	京-(經營性)-2015-0019	2020.06.22-	2025.06.21
	Medical Devices Internet Transactions Services Third-Party Platform Filing Certificate (醫療器械網絡交易服務第三方平台備案憑證)	(京)網械平台備字(2018)第00006號	2018.06.01	N/A
Dingdang Smart Pharmacy (Beijing) Co., Ltd. (叮噹智慧藥房(北京)有限公司) . . .	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務資格證書)	(京)-非經營性-2015-0052	2021.03.02	2025.03.17
	Pharmaceutical Operation License (藥品經營許可證)	京BA0619007	2021.01.08	2024.12.09
	Medical Devices Operation License (醫療器械經營許可證)	京豐食藥監械經營許 20150266號	2021.11.24	2024.11.18

*Note:*

(1) Dingdang Medicine Express Technology had not obtained the Value-Added Telecommunications Business Operating License for the business category of “online data processing and transaction processing business” (“**EDI Licence**”) until 3 March, 2021. Based on the verbal consultation conducted by the respective representatives of our PRC Legal Advisors and of the Joint Sponsors with the MIIT, which is the competent authority of the value-added telecommunications business, on February 5, 2021, Dingdang Medicine Express Technology and its subsidiaries had not been found to have violated any laws or regulations in their daily operations since their establishment and had not been imposed any administrative penalties by the MIIT or included in the list of undesirable telecommunications business operations. Therefore, the PRC Legal Advisors are of the view that the possibility of us being subject to administrative penalties as a result of Dingdang Medicine Express Technology’s failure to obtain the EDI Licence in a timely manner during the Track Record Period is low.

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Entity	Name of the License, Permit and Certification	Registered Number	Grant Date	Expiration Date
Dingdang Smart Pharmacy (Guangdong) Co., Ltd. (叮嚕智慧藥 房(廣東)有限公司) . . .	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	(粵)-經營性-2021-0347	2021.08.06	2026.08.05
	Pharmaceutical Operation License (藥品經營許可證)	粵BA7550414	2021.06.04	2026.06.03
	Medical Devices Operation License (醫療器械經營許可證)	粵327333	2017.12.15	2022.12.14
Dingdang Smart Pharmacy (Guangzhou) Co., Ltd. (叮嚕智慧藥 房(廣州)有限公司) . . .	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	(粵)-經營性-2019-0079	2019.03.29	2024.03.38
	Pharmaceutical Operation License (藥品經營許可證)	粵BA0200513	2018.12.18	2023.12.17
	Medical Devices Operation License (醫療器械經營許可證)	粵穗食藥監械經營許 20200934號	2021.01.14	2025.11.23
Chengdu Dingdang Smart Pharmacy Chain Co., Ltd. (成都叮嚕智慧藥 房連鎖有限公司) . . . .	Pharmaceutical Operation License (藥品經營許可證)	川BA02814621(18)	2020.04.03	2025.04.02
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	(川)-非經營性-2021-0195	2021.07.07	2026.07.06
	Medical Devices Operation License (醫療器械經營許可證)	川蓉食藥監械經營許 20201100號	2020.10.29	2025.10.28
Jiangxi Dingdang Health Pharmacy Chain Co., Ltd. (江西叮嚕健康藥 房連鎖有限公司) . . . .	Pharmaceutical Operation License (藥品經營許可證)	贛BA7950284	2020.11.24	2025.11.23
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	贛B202007950044	2020.10.15	2025.10.14
	Value-Added Telecommunications Business Operating License (增值電信業 務經營許可證)	贛B2-20210030	2021.01.11	2026.01.11
	Medical Devices Operation License (醫療器械經營許可證)	贛宜樟市監械經營許 20210524號	2021.02.19	2026.02.18

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Entity	Name of the License, Permit and Certification	Registered Number	Grant Date	Expiration Date
Dingdang Smart Pharmacy (Shanghai) Co., Ltd. (叮噹智慧藥 房(上海)有限公司) . . .	Pharmaceutical Operation License (藥品經營許可證)	滬BA0210053	2022.07.06	2027.07.05
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	(滬)-非經營性-2021-0002	2021.09.16	2026.09.15
	Medical Devices Operation License (醫療器械經營許可證)	滬寶食藥監械經營許 20190002號	2020.06.03	2024.01.03
Dingdang Smart Pharmacy (Wuhan) Co., Ltd. (叮噹智慧藥 房(武漢)有限公司) . . .	Pharmaceutical Operation License (藥品經營許可證)	鄂BA0271032	2019.08.01	2024.06.27
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	(鄂)-非經營性-2019-0048	2019.07.11	2024.07.10
	Medical Devices Operation License (醫療器械經營許可證)	鄂漢食藥監械經營許 2020B018號	2020.07.31	2025.07.30
Dingdang Smart Pharmacy (Hangzhou) Co., Ltd. (叮噹智慧藥 房(杭州)有限公司) . . .	Pharmaceutical Operation License (藥品經營許可證)	浙BA5710071	2019.10.12	2024.06.20
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	(浙)-經營性-2021-0012	2021.05.11	2026.02.21
Dingdang Smart Pharmacy (Nanjing) Co., Ltd. (叮噹智慧藥 房(南京)有限公司) . . .	Pharmaceutical Operation License (藥品經營許可證)	蘇BA0250034	2019.10.15	2024.10.14
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	(蘇)-非經營性-2020-0013	2020.01.16	2025.01.15

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Entity	Name of the License, Permit and Certification	Registered Number	Grant Date	Expiration Date
Dingdang Smart Pharmacy (Tianjin) Co., Ltd. (叮嚀智慧藥 房(天津)有限公司), . . .	Pharmaceutical Operation License (藥品經營許可證)	津CB1100062-002	2019.01.02	2024.01.01
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	(津)-非經營性-2019-0001	2019.01.17	2024.01.16
	Medical Devices Operation License (醫療器械經營許可證)	津麗食藥監械經營許 20190022號	2020.03.25	2024.08.25
Henan Dingdang Smart Pharmacy Co., Ltd. (河 南叮嚀智慧藥房有限公 司), . . . . .	Pharmaceutical Operation License (藥品經營許可證)	豫BA37100096	2020.07.24	2025.07.23
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	豫-非經營性-2021-0015號	2021.02.05	2026.02.04
Jiangxi Renhetang Pharmaceutical Chain Co., Ltd. (江西仁和堂 醫藥連鎖有限公司), . .	Pharmaceutical Operation License (藥品經營許可證)	贛BA7950184	2020.01.03	2025.01.02
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	贛A202007950015	2020.06.15	2025.06.14
	Medical Devices Operation License (醫療器械經營許可證)	贛樟食藥監械經營許 20150021號	2020.06.28	2025.06.27
Renhe Yaofangwang (Beijing) Medicine Technology Co., Ltd. (仁和藥房網(北京)醫藥 技有限公司), . . . . .	Pharmaceutical Operation License (藥品經營許可證)	京BA0619006	2020.08.26	2024.06.12
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	(京)-經營性-2018-0221	2020.02.03	2023.11.13
	Value-Added Telecommunications Business Operating License (增值電信業 務經營許可證)	京B2-20180434	2020.03.18	2023.03.07
	Medical Devices Operation License (醫療器械經營許可證)	京豐食藥監械經營許 20150100號	2020.03.23	2024.10.07

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Entity	Name of the License, Permit and Certification	Registered Number	Grant Date	Expiration Date
Dingdang Kuaiyi (Hainan) Internet Hospital Co., Ltd. (叮 嚙快醫(海南)互聯網醫 院有限公司) . . . . .	Value-Added Telecommunications Business License (增值電信業務許可證)	瓊B2-20200387	2020.07.03	2025.07.03
	Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務 資格證書)	(瓊)-經營性-2020-0021	2020.07.28	2025.07.27
	Practice License of Medical Institution (醫療機構執業許可證)	MA5T9EDF546000017D102	2019.08.02	2024.08.01
Dingdang Kuaiyi (Hainan) Telemedicine Center Co., Ltd. (叮嚙 快醫(海南)遠程醫療中 心有限公司) . . . . .	Practice License of Medical Institution (醫療機構執業許可證)	MA5T9EDF546000017D102	2019.08.02	2024.08.01

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal Proceedings

From time to time, we may become involved in legal and administrative proceedings and other disputes in the ordinary course of our business.

The table below sets forth the administrative penalties we received during the Track Record Period alleging our violation of relevant licensing requirements and food labelling and packaging regulations, all of which have been fully settled with relevant authorities.

Entity	Date	Type	Matter
Dingdang Smart Pharmacy (Shanghai) Co., Ltd. Changping Road pharmacy (叮嚙智慧藥房(上 海)有限公司昌平路店) . . . . .	2020.04.17	Correction, warning, confiscation of drugs with cost of RMB5,950 in violation of laws and regulations, confiscation of illegal income of RMB12,952, fined RMB62,980	violation of licensing requirements by (i) conducting business outside the approved venue; (ii) failure to store drugs under the requirements <sup>(1)</sup>
Dingdang Smart Pharmacy (Tianjin) Co., Ltd. No. 1 pharmacy (叮嚙智 慧藥房(天津)有限公司第一店) . . . . .	2020.11.27	Warning	violation of food labelling and packaging regulations by mixing sales of special food and ordinary food.

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Entity	Date	Type	Matter
Dingdang Smart Pharmacy (Shanghai) Co., Ltd. Beiyu Road pharmacy (叮嚙智慧藥房(上海)有限公司北漁路店) . . . . .	2021.11.23	Warning	violation of licensing requirements by (i) failure to store drugs under the requirement; (ii) failure to display business license, pharmaceutical operation license and pharmacist license.
Chengdu Dingdang Smart Pharmacy Chain Co., Ltd. Dafujianying Road (成都叮嚙智慧藥房連鎖有限公司大福建營巷藥店) . . . . .	2022.03.22	Suspend Pharmaceutical Operation License, fined RMB10,000	violation of licensing requirements by providing falsified house ownership certificates for application of pharmaceutical operation license <sup>(2)</sup>

*Notes:*

- (1) The incident was due to (i) the pharmacy conducted business outside the permitted premises under its Pharmaceutical Operation License; and (ii) doors of the temperature-controlled storage cabinets were left open, resulting failure to meet the temperature conditions as required by the relevant regulatory requirements.
- (2) The incident took place before our acquisition of this smart pharmacy, while the administrative penalty was received after the acquisition.

The above non-compliances were primarily due to misunderstanding of applicable requirements or policies by our related employees. To ensure on-going compliance with the PRC laws and regulations, we have improved our relevant internal control policies and enhanced internal procedures to monitor our business operations. For example, we require our pharmacy managers check whether daily operation of their each pharmacy complies with relevant regulations and requirements, including drug records, purchase and sales records, food labeling, placement of licenses, store equipment and accuracy of advertising content. Furthermore, when we plan to open new pharmacies, we will communicate with relevant government authorities to fully understand required licenses in advance. We have also enhanced internal training programs to help our employees to familiarize themselves with relevant laws and regulations. We believe our improved internal control policies are adequately and effectively designed to prevent the re-occurrence of similar incidents above and such internal control measures have been fully implemented.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

## **Compliance**

### ***Recent regulatory development in the PRC***

#### *Regulatory Development on Drug Administration*

On July 16, 2021, the National Health Insurance Administration (NHA) issued the Opinions of NHA on Optimizing Convenient Services in the Health Insurance Field (《國家醫療保障局關於優化醫保領域便民服務的意見》), which actively promotes “Internet Plus Health Insurance Services” and explores information sharing to realize the integration of prescription flow, online payment and settlement, and home delivery of medicines according to the principle of online and offline equity and health insurance payment policies.

The Draft Implementation Regulations, which has not been formally adopted, made proposed changes in research and development, production, sales, supervision and management of drugs, and the proposed changes related to us mainly relates to our drug sales operation. One of the most important proposed changes in drug administration is Article 83 of the Draft Implementation Regulations which proposes that third-party platform providers shall not be directly involved in online drug sales activities. In addition, the Draft Implementation Regulations made detailed provisions in the management of drug sales operation business, for example, pharmaceutical companies should establish a drug traceability system, sell prescription drugs in closed shelves, and shall not give away or promote prescription drugs and Class A non-prescription drugs. Besides, drug retail chain enterprises should set up a unified management system and meet strict regulatory operating procedures of the transportation and distribution of drugs.

According to the verbal consultation with the National Medical Products Administration conducted by our PRC legal advisors and the Joint Sponsors on July 11, 2022, (i) currently, there is no further official explanation or interpretation on “directly involved in online drug sales activities” as stipulated in Articles 83 of the Draft Implementation Regulations, and it remains unclear on the subsequent revisions of this regulation, and (ii) assuming the Draft Implementation Regulations is adopted in its current form and the latter possible interpretation as described below is applied, our business shall be in compliance with Article 83 of the Draft Implementation Regulations with the operation adjustments as proposed below. Our PRC Legal Advisors confirmed that the National Medical Products Administration is the competent authority and its officer who accepted the consultation is the competent person to provide the foregoing confirmation and interpretation.

According to our PRC Legal Advisors, “directly involved in online drug sales activities” as stipulated in Articles 83 of the Draft Implementation Regulations may have two possible interpretations: (i) a group may use separate entities to conduct third-party platform business and online drug sales activities respectively; and (ii) a group shall not act as a third-party platform provider and conduct online drug sales activities at the same time, even using separate entities. Given that our third party platform business and self operated online drug sales business are currently conducted by separate entities, if the former interpretation is applied when the Draft Implementation Regulations is formally adopted, according to our PRC Legal Advisors, our businesses do not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form), including our cooperation with third-party partner pharmacies on our self-operated online platforms and our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies. If the latter interpretation is applied when the Draft Implementation Regulations is formally adopted, we will (a) cease cooperation with third-party partner pharmacies’ operating on self-operated online platforms and cease operating our self-operated online platforms as third-party platform providers; and (b) utilize our self-operated online platforms only for our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies. Our PRC Legal Advisors are of the view that, if the latter

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interpretation is applied, and assuming we adjust the operation of our self-operated online platforms as the aforementioned, our self-operated online platforms will not be regarded as third-party platform providers, and therefore our sales through our self-operated online platforms supported by our subsidiaries including our own smart pharmacies will not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form). Revenue generated from the collaboration with partner pharmacies was immaterial compared to our total revenue during the Track Record Period, which was RMB10.4 million, RMB2.7 million, RMB4.9 million, RMB2.8 million and RMB1.0 million, respectively, representing 1.8%, 0.2%, 0.2%, 0.1% and 0.1% of our total revenue in 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022.

As advised by our PRC Legal Advisors, our Directors are of the view that our sales through third-party online platforms will not be materially affected by Article 83 of the Draft Implementation Regulations (if promulgated in its current form), since (i) according to Frost & Sullivan, the key third-party online platforms we cooperate with primarily engage in the platform business and operate as “third-party platform providers”, such as hosting our online stores and supporting our drug sales activities, and our PRC Legal advisors are of the view that, Article 83 of the Draft Implementation Regulations (if promulgated in its current form) do not prevent third-party online platforms from engaging in the platform business, and (ii) we believe most of the third-party online platforms we cooperate with would continue operating as “third-party platform providers” on the basis that the majority of revenue of the key third-party online platforms we cooperate with is from third-party platform business related business, according to Frost & Sullivan. If any of them choose to cease operating as a “third-party platform provider” and focus on its own online drug sales activities in order to comply with the Draft Implementation Regulations (if promulgated in its current form and latter interpretation is applied), we have sufficient flexibilities to cooperate with other third-party online platforms in the market only operating as “third-party platform providers”, according to Frost & Sullivan. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, revenue from third-party online platforms amounted to RMB186.8 million, RMB506.9 million, RMB1,075.9 million, RMB1,795.4 million, RMB369.0 million and RMB517.5 million, respectively, accounting for 48.0%, 55.9%, 63.5%, 69.5%, 68.9% and 72.6% of our revenue from online direct sales of the corresponding periods, respectively.

Furthermore, according to our PRC Legal Advisors, our sales under the business distribution channel do not violate Article 83 of the Draft Implementation Regulations (if promulgated in its current form). However, if the Draft Implementation Regulations is promulgated in its current form and the latter interpretation is applied, in a worst-case scenario, our sales under the business distribution channel may be indirectly affected since some of our customers under the business distribution channel may be affected if they are deemed as third-party platform providers while being directly involved in online drug sales activities. If they decide to cease their self-operated business directly involving in online drug sales activities for the purpose of compliance with the laws and regulations, they may cease their procurements from us under our distribution channel for the drugs distributed by their self-operated business. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the revenue generated from the sales of OTC drugs and prescription drugs (affected by the Draft Implementation Regulations if it is implemented in its current form) sold by us under the business distribution channel was RMB14.1 million, RMB27.3 million, RMB54.4 million, RMB101.6 million and RMB21.3 million, representing 2.4%, 2.1%, 2.4%, 2.7% and 2.2% of our total revenue.



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Therefore, based on our PRC Legal Advisors' analysis above, our Directors and our PRC Legal Advisors are of the view that the Draft Implementation Regulations, if implemented in its current form, would not have a material adverse impact on our business, since the operation of self-operated online platforms (as adjusted to comply with relevant laws and regulations), the operation of our pharmacy network, our cooperation with delivery partners, and our pharmacist attendance at our smart pharmacies are in compliance with the Draft Implementation Regulations in all material aspects if promulgated in its current form. Based on the independent due diligence conducted and having considered the views and basis of the Directors and the PRC Legal Advisors as above, as of the date of this prospectus, the Joint Sponsors are of the view that the Draft Implementation Regulations, if implemented in its current form, will not have a material adverse impact on the Group's business. However, substantial uncertainties exist with respect to its enactment timetable, final content, interpretation and implementation. We will closely monitor and assess any development in the rule-making process.

### *Regulatory Development on Cybersecurity and Data Privacy*

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which has taken effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security.

The Revised CAC Measures, which became effective on February 15, 2022, and superseded the Measures for Cybersecurity Review promulgated on April 13, 2020. The Revised CAC Measures provides that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Revised CAC Measures also provides that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. The Draft for Comments, which provides that data processors listing in Hong Kong which affects or may affect national security shall apply for cybersecurity review.

Our Directors and our PRC Legal Advisors are of the view that the Revised CAC Measures and the Draft for Comments, if implemented in its current form, would not have a material adverse impact on our business operations or the proposed listing on the basis that (i) we have implemented a comprehensive set of internal policies, procedures, and measures to ensure our compliance practice as disclosed in "Business – Cybersecurity, Data Privacy and Protection," (ii) as of the Latest Practicable Date, we had not been subject to any material investigation, inquiry, or sanction in relation to cybersecurity or data security or any cybersecurity review from the CAC, or any other relevant government authority (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with cybersecurity or data security laws or regulations, (iv) as advised by our PRC Legal Advisors, we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Revised CAC Measures during the Track Record Period and up to the Latest Practicable Date, (v) as advised by our PRC Legal Advisors, given that Hong Kong does not fall within the definition of "abroad" in the provision, although we possess more than one million users' personal information, the requirement is not applicable to us given that we are seeking a listing in Hong Kong instead of abroad, and (vi) we will closely monitor and assess further regulatory developments regarding cybersecurity and data security laws and comply with the latest regulatory requirements. According to the verbal consultation conducted by our PRC legal advisors on April 26, 2022 with the China Cybersecurity Review Technology and Certification Center, which is authorized by the CAC to accept public consultation and cybersecurity review submissions, the Draft for Comments have not been formally adopted, and our listing in Hong Kong does not fall within the

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definition of “abroad” in the provision of the Measures for Cybersecurity Review. Therefore, we are not required to apply for cybersecurity review currently. While the scope of critical information infrastructure operators and the scope of network products or services or data processing activities that affect or may affect national security remain unclear and are subject to interpretation by relevant government authorities and we cannot preclude the possibilities that new regulations or rules in the future may impose additional compliance requirements on us, we have been closely monitoring the applicable regulatory updates and the aforementioned view of us and our PRC Legal Advisors that we had not been involved in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Revised CAC Measures is on the basis that, during the Track Record Period and as of the Latest Practicable Date, (i) we had implemented comprehensive data collection, retention, and safeguard procedures, (ii) we had not experienced any data breach or violation of data security laws and regulations that has a material adverse effect on our business operations, (iii) we had not been subject to any material investigation, inquiry, or sanction relating to cybersecurity or data security or any cybersecurity review from the CAC, the CSRC, or any other relevant government authority, and (iv) we had not been notified by any authorities of being classified as a critical information infrastructure operator. We will maintain ongoing communication with government authorities regarding the latest regulatory development and requirements of new regulations and timely implement necessary measures.

The Joint Sponsors have conducted, among other things, the following independent due diligence work in respect of the implications of the Measures for Cybersecurity Review on the Group’s business operations and financial performance:

- (i) reviewed the Measures for Cybersecurity Review published by the CAC with the assistance of the PRC legal advisors of the Company and of the Joint Sponsors;
- (ii) discussed with the management of the Company to understand, among others, the cybersecurity and data privacy control of the Company and impact on the business of the Company caused by the current applicable PRC laws and the recent regulatory developments on cybersecurity;
- (iii) discussed with the management of Company and PRC Legal Advisors on the implication from PRC laws perspective of the Measures for Cybersecurity Review on the Group’s business operations and financial performance, the basis of the PRC Legal Advisors’ interpretation of such implication, the potential impact and latest status of the aforementioned recent regulatory developments;
- (iv) obtained and reviewed representations made by the Company in the responses to the due diligence questionnaire about the Measures for Cybersecurity Review and the relevant supporting documents; and
- (v) obtained and reviewed advanced draft of a standalone PRC legal opinion prepared by the PRC Legal Advisors in relation to compliance of the Company with the applicable laws and regulations of cybersecurity and data security, and such advanced draft of PRC legal opinion did not reveal any material non-compliance of the Group in this regard.

Based on the information currently-available to the Joint Sponsors and the independent due diligence work conducted as described above, nothing has come to the Joint Sponsors’ attention as of the date of this prospectus that would cause them to disagree with the Company’s and the PRC Legal Advisors’ views mentioned above in any material respects.

### *Regulatory Development on Overseas Listing*

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the the Opinions on Strictly Combatting Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) (the “**6 July Opinion**”), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. Furthermore, along with the promulgation of the 6 July Opinion, overseas-listed China-based companies (中概股公司) are experiencing a heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data flow and management of confidential information from PRC regulatory authorities. Such laws and regulations are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process. As of the Latest Practicable Date, we have not received any inquiry, notice, warning, or sanctions regarding this offering from the CSRC or any other PRC government authorities in such respect.

The Draft Provisions and the Draft Measures (together with the Draft Provisions, “the Drafts”), which are open for public comments until January 23, 2022. Pursuant to the Drafts, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Overseas offerings and listings that are prohibited by specific laws and regulations, constitute threat to or endanger national security, involve material ownership disputes, the PRC domestic companies, their controlling shareholder or actual controller involving in certain criminal offence, or directors, supervisors and senior management of the issuer involving in certain criminal offence or administrative penalties, among other circumstances, are explicitly forbidden. Failure to complete the filing under the Draft Provisions may subject a PRC domestic company to a warning or a fine of RMB1 million to RMB10 million. If the circumstances are serious, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked. However, as of the date of this prospectus, the Drafts were released for public comments only and the final version and effective date of such regulations are subject to substantial uncertainties.

At the press conference held for these Drafts on December 24, 2021, officials from the CSRC clarified that implementation of the Drafts will follow the nonretroactive principle, which means that only the initial public offerings by China-based companies and additional public offerings by existing overseas-listed China-based companies to be conducted after the effectiveness of the foregoing regulations will be required to fulfill the filing procedure. In addition, the new regulations and rules will allow a proper transition period for existing overseas listed China-based companies that do not have an imminent plan for public offerings to comply with the filing requirement in due course. Further, the officials from the CSRC confirmed that companies with VIE structure that comply with the applicable PRC laws and regulations can still conduct overseas offering and listing upon the completion of the requisite procedures.

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As advised by our PRC Legal Advisers, our listing is currently not subject to any filing procedures with, or approval from, the CSRC. As of the date of this prospectus, we had not received any inquiries, notices, warnings, or sanctions regarding the listing or our corporate structure from the CSRC or any other PRC government authorities in terms of compliance with the proposed filing requirement under the new regulatory regime, if enacted. Therefore, if the Drafts became effective in their current form, other than the uncertainties of the filing procedures which may be further clarified in the final version of the Drafts and/or their implementation rules, our Directors and our PRC Legal Advisers believe the Drafts will not impact our business operations, our financial performance, the Contractual Arrangements or our proposed listing in Hong Kong and do not foresee any impediment for us to comply with the Drafts in any material respects.

As advised by the PRC Legal Advisers, we believe that, as of the Latest Practicable Date, there was no potential impact of the above mentioned regulatory development in the PRC on our business operations in all material respects. We will maintain ongoing communication with government authorities regarding the latest regulatory development and requirements of new regulations and timely implement necessary measures.

During the Track Record Period and up to the Latest Practicable Date, except as disclosed hereunder and elsewhere in this prospectus, we had not been involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations, and we are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

### *Inspections by governmental authorities*

During the Track Record Period and as of the Latest Practicable Date, governmental authorities had conducted inspections on our business, which had been all completed and resolved, and there was no administrative penalty issued following such inspections. We have taken remedial measures and submitted relevant rectification reports as required by the relevant governmental authorities. The details and status of such inspections and remedial measures taken by us are listed as below:

<u>Inspections Details</u>	<u>Remedial Measures</u>
One of our operating entities changed the manager of the quality management department in August 2020 and did not conduct any internal audit accordingly.	We have completed internal audit on its quality management system in October 2020.
One of our operating entities did not review the drugs damaged in the process of delivery.	We have adopted internal measures to review unqualified drugs and generate reports quarterly.
One of our operating entities did not keep a proper storage of drugs in its warehouse.	We have adopted internal measures to make sure drugs are properly stored at different decker/pile in its warehouses.
One of our operating entities did not maintain relevant quality guarantee agreements with its suppliers valid and updated.	We have adopted internal measures to systemically file agreements, records and other documents with different suppliers.
One of our operating entities did not conduct periodical drug maintenance summary and review.	We have adopted internal measure to conduct summary and review regarding drug maintenance and generate reports quarterly.

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The Directors believe that the relevant internal policies and remedial measures as mentioned above are effective in accordance with the Company's internal control systems, which has been reviewed and advised by our independent internal control consultant.

### *Social insurance and housing provident funds*

#### *Background and reasons for non-compliance*

During the Track Record Period, we had not made social insurance and housing provident fund contributions for some of our employees timely or in full in accordance with the relevant PRC laws and regulations, and as of the Latest Practicable Date, 463 of our employees were involved in our non-compliance with social securities and housing provident funds contributions, representing 16.3% of the total number of our employees as at the same period. The provision we have made related to social insurance and housing provident fund contributions amounted to approximately RMB14.7 million, RMB22.2 million, RMB28.4 million, RMB44.0 million, RMB11.9 million and RMB12.2 million in 2018, 2019, 2020, 2021 and the three months ended March 31, 2021 and 2022, respectively. We were unable to make full social insurance and housing provident fund contributions for such employees primarily because (i) certain of our employees were not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salary, and (ii) a certain number of our employees were migrant workers who were typically not willing to participate in the social welfare schemes of the city where they temporarily resided and instead they chose to participate in local welfare schemes offered in their place of residency. In those cases, we provide these employees with compensation and benefits in lieu of such contribution.

#### *Potential legal consequences*

According to Article 86 of the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) if an employer fails to pay social insurance contributions in full and on time, the social insurance contribution collection agency shall order the payment within a certain period of time and impose a late payment fee of 0.05% of the amount of the late payment per day; if the payment is still overdue, the relevant administrative department shall impose a penalty of not less than twice and not more than three times the amount of the defaulted payment. According to the Regulations on Management of Housing Fund (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and became effective on April 3, 1999 and as amended on March 24, 2019, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated time limit; otherwise, an application may be made to a local court for compulsory enforcement.

We have made provision for the outstanding amount of social insurance contributions and housing provident fund. We have undertaken that if we are ordered by the relevant authorities to pay social insurance contributions or housing provident fund, we will pay the outstanding amount and any applicable late payment fee in full and on time. As such, the PRC Legal Advisors have advised us that the likelihood that we are subject to such penalty is low.

#### *Latest status and remedial measures*

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order or been informed to settle the deficit amount. Moreover, as of the Latest Practicable Date, we were not aware of any complaint filed by any of our employees regarding our social insurance and housing provident fund policy.

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We have taken the following internal control rectification measures to prevent future occurrences of such non-compliance:

- we have made provisions for paying the outstanding amount, surcharge and additional fine of social insurance contributions and the housing provident fund contributions, upon request by the competent social insurance and/or housing provident fund authorities;
- we have enhanced our human resources management policies, including revising our current version of employee handbook and employment agreement template to explicitly require participation in the social insurance and housing provident fund schemes, and contribution to the social insurance and housing provident fund in full in accordance with the relevant laws and regulations in the PRC and applicable local requirements and all of our new employees are required to agree to such material terms related to social insurance and housing provident funds;
- in respect of employees who started employment prior to our new employment agreement, we will assign responsibility to the human resource department to maintain record of them and their corresponding compliance details, and make relevant provisions for the unpaid amount of social insurance and housing provident fund;
- we are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees, and as at the Latest Practicable Date, we had not received any material complaint from our employees;
- we have assigned responsibility to the human resource department to ensure compliance with the PRC laws and regulations on social insurance and housing provident funds after Listing;
- we will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and
- we will consult our PRC legal advisors on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

Having considered the foregoing, we believe that such non-compliance would not have a material adverse effect on our business, results of operations or financial condition, considering that: (i) we had not been subject to any administrative penalties during the Track Record Period and up to the Latest Practicable Date due to such non-compliance with respect to social insurance and housing provident funds, (ii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds, and (iii) we have obtained an indemnity from Mr. Yang Wenlong to indemnify us against any claims, fines, economic losses and other losses which may arise from such non-compliance.

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Having considered the nature of and reasons for the non-compliance incidents above, the rectification actions taken and the enhanced internal control measures adopted by the Group, the Joint Sponsors are of the view that the enhanced internal control measures are effective and sufficient on the following basis:

- the independent internal control consultant of the Company has performed a review of the Group's internal control system, and confirmed that all material deficiencies identified during its review, including those relating to the internal control systems for the payment of social insurance and housing provident fund contributions, had been rectified;
- the Group has implemented substantially all of the recommendations made by the independent internal control consultant, in particular, the Group has improved and enhanced the Company's internal control system to comply with the Listing Rules and applicable PRC laws and regulations; the independent internal control consultant further confirmed that no material deficiency was identified in the internal control system of the Group following implementation of its recommendations;
- the Directors of the Company have confirmed that, (i) with the implementation of the internal control rectification measures as above, the Group will comply with the relevant PRC laws and regulations relating to the payment of social insurance and housing provident fund contributions in all material respects upon Listing; and (ii) the Company had not been subject to any administrative penalties as of the Latest Practicable Date relating to the payment of social insurance and housing provident fund contributions; and
- the Company's PRC Legal Advisors have confirmed that the likelihood that the Company will be subject to the abovementioned penalties due to the above non-compliance is low.

### AWARDS AND RECOGNITIONS

During the Track Record Period, we have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition we have received are set forth below.

<u>Award/Recognition</u>	<u>Award year</u>	<u>Awarding Institution/Authority</u>
China Industrial Supply-side Digital Service Platforms . . .	2021	iiMedia Ranking
China New Economy Enterprise with Greatest Growth Potential . . . . .	2021	The Capital
2020 High Growth Chinese Enterprise . . . . .	2020	Forbes
2020 China Gazelle Enterprise . . . . .	2020	Hurun
2020 Annual Chinese Enterprise with Greatest Growth Potential . . . . .	2020	China Entrepreneur Magazine
2019 King of the New Economy — Internet Healthcare . .	2019	36 Kr

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## CONTRACTUAL ARRANGEMENTS

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### PRC REGULATORY BACKGROUND

#### Background

Foreign investment activities in the PRC are mainly governed by the Catalog of Encouraged Industries for Foreign Investment (2020 Edition) (the “**Catalog**”) and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (the “**Negative List**”), which have been promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Catalog and the Negative List divides industries into four categories in terms of foreign investment, namely, “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories). As advised by our PRC Legal Advisors, a summary of our businesses that is subject to foreign investment restriction or prohibition in accordance with the Negative List and other applicable laws and regulations and certain interviews with governmental authorities (collectively, the “**Relevant Businesses**”) is set out below:

<u>Categories</u>	<u>Our business/operation</u>
Value-added telecommunication services business . . . . .	<p>Dingdang Medicine Express Technology and Jiangxi Health Pharmacy primarily engage in providing express digital healthcare service. As advised by our PRC Legal Advisors, such businesses fall within the scope of telecommunications and information services and data processing and transaction processing services provided through public network infrastructure (defined as “<b>value-added telecommunication services business</b>”) under the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016 and Classification Catalogue of Telecommunications Services (《電信業務分類目錄》) Promulgated by the MIIT on December 28, 2015 and last amended on June 6, 2019.</p> <p>Each of Dingdang Medicine Express Technology and Jiangxi Health Pharmacy holds a value-added telecommunications business operating license for online data processing and transaction processing services (for e-commerce only) and information services (Internet information services only).</p>



## CONTRACTUAL ARRANGEMENTS

Categories	Our business/operation
	<p>According to the Negative List, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise conducting value-added telecommunications services business (excluding e-commerce, domestic multi-party communication, storage-forwarding and call center services). Further, following the recent removal of Qualification Requirements (as defined below), there is no further guidance on specific requirement or regulatory procedures published yet for foreign investment in the value-added telecommunications business in the PRC. Please see “— Recent Update on the FITE Regulations” for details. The respective PRC legal advisors of the Company and of the Joint Sponsors conducted verbal consultations with MIIT on April 22, 2021 and June 8, 2022, respectively. The officers of MIIT confirmed that, (i) in practice, our Company currently cannot hold the value-added telecommunications business operating licenses to operate online medicine business as a foreign-invested company and (ii) MIIT would not accept or approve any application for EDI or ICP licence by a foreign-invested enterprise at the moment as the detailed examination and approval rules or guidelines in light of the removal of the Qualification Requirements have not yet been issued. Our PRC Legal Advisors are of the view that MIIT is the competent authority and its officers who attended the consultation were competent persons to provide the foregoing confirmation. On the above basis and as advised by our PRC Legal Advisors, to maintain the business operation of Dingdang Medicine Express Technology and Jiangxi Health Pharmacy in compliance with applicable PRC laws and local authorities’ requirements, our Company cannot hold equity interests in Dingdang Medicine Express Technology and Jiangxi Health Pharmacy as a foreign-invested company.</p>
Online hospital services business . . . . .	<p>Hainan Dingdang Kuaiyi, Hainan Internet Hospital and Hainan Telemedicine Center primarily engages in the provision of online hospital services. Each of Hainan Internet Hospital and Hainan Telemedicine Center currently holds a medical institution practicing license (the “<b>Medical Institution Practicing License</b>”) issued by Health Commission of Hainan Province (海南省衛生健康委員會). The license stipulates that the licensed diagnostic and treatment services shall be provided via the Internet. Hainan Dingdang Kuaiyi is a holding company holding equity interest in Hainan Internet Hospital and Hainan Telemedicine Center. As of the Latest Practicable Date, Hainan Dingdang Kuaiyi does not have any business operation. The Company undertakes to procure Hainan Dingdang Kuaiyi not to conduct any businesses that are not subject to foreign investment restrictions or prohibitions under the PRC laws and regulations.</p>

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## CONTRACTUAL ARRANGEMENTS

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### Categories

### Our business/operation

The Negative List categorizes medical institutions as “restricted” but lacks clear guidance on the categorization of operation of “online hospital services” in terms of foreign investment restriction, as the PRC online healthcare industry is new and evolving. Based on the verbal consultation conducted by the respective PRC legal advisors of the Company and of the Joint Sponsors with Health Commission of Hainan Province, the officer of Health Commission of Hainan Province confirmed that the medical institutions mentioned in the Negative List include Internet hospitals and telemedicine centres. Based on the foregoing, our PRC Legal Advisors is of the view that, the Health Commission of Hainan Province is the competent authority to give the confirmation and the operation of online hospital services would be categorized as “restricted” under the Negative List and is subject to the foreign investment restriction. Pursuant to the Interim Measures for the Administration of Sino-foreign Joint Venture and Cooperative Medical Institutions (《中外合資合作醫療機構管理暫行辦法》) promulgated by the Ministry of Health (the predecessor of the National Health Commission of the PRC) and Ministry of Foreign Trade and Economic Cooperation (the predecessor of the MOFCOM), taking effect on July 1, 2000, the foreign investors are not allowed to hold more than 70% of the equity interests in medical institutions.

Pursuant to the verbal consultation with the Health Commission of Hainan Province by the respective PRC legal advisors of the Company and of the Joint Sponsors on April 8, 2021, the Health Commission of Hainan Province confirms that it currently does not accept or approve any application for (i) establishing an entity providing online hospital services or (ii) change in shareholding of an entity providing online hospital services. The respective PRC legal advisors of the Company and of the Joint Sponsors also conducted verbal consultation with National Health Commission (國家衛生健康委員會) on June 4, 2021, the officer of National Health Commission confirmed that, the introduction of foreign capital in Hainan Internet Hospital, and Hainan Telemedicine Center shall be approved by the Health Commission of Hainan. Our PRC Legal Advisors are of the view that (i) the National Health Commission and Health Commission of Hainan Province are competent authorities and the officers who attended the consultation were competent persons to provide the foregoing confirmation; and (ii) based on the foregoing verbal consultation with the National Health Commission and Health Commission of Hainan Province, to maintain the business operation of Hainan Dingdang Kuaiyi, Hainan Internet Hospital and Hainan Telemedicine Center in compliance with applicable PRC laws and local authorities’ requirement, our Company cannot hold equity interests in Hainan Dingdang Kuaiyi, Hainan Internet Hospital and Hainan Telemedicine Center.

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## CONTRACTUAL ARRANGEMENTS

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For further details of the limitations on foreign ownership in PRC companies conducting value-added telecommunications services and online hospital service under applicable PRC laws and regulations, please refer to “Regulatory Overview — Regulations Relating to Foreign Investment”

### Recent Update on the FITE Regulations

Foreign investment in a company providing value-added telecommunication services, including Internet content provision services, is subject to the Provisions on the Administration of Foreign-invested Telecommunications Enterprises (《外商投資電信企業管理規定》), or the FITE Regulations, which were promulgated by the State Council on December 11, 2001, and subsequently amended on September 10, 2008, February 6, 2016 and recently on March 29, 2022 by the Decision on Amending and Abolishing Some Administrative Regulations (《關於修改和廢止部分行政法規的決定》) issued by the State Council (the “**Order No. 752**”). Following the issue of Order No. 752, the qualification requirements (the “**Qualification Requirements**”) previously set out in the FITE Regulations which the main foreign investor must satisfy for investing in a PRC value-added telecommunication business was removed with effect from May 1, 2022. Nevertheless, under the amended FITE Regulations, whilst foreign investors are able to invest in entities holding an ICP License (holding up to 50% equity interest and not more), whether an entity held by foreign shareholders may hold a value-added telecommunication license is still subject to the examination of substance and merits by relevant authority.

On April 22, 2021, the respective PRC legal advisors of the Company and of the Joint Sponsors conducted a verbal consultation with the MIIT during which the officer of the MIIT confirmed that in practice, our Company is unable to obtain ICP and EDI licences to conduct online medicine business as a foreign-invested company, even if the foreign investors of our Company meet the Qualification Requirements. According to a further verbal consultation with the MIIT conducted by the respective PRC Legal Advisors of the Company and the Joint Sponsors on June 8, 2022, the officer of the MIIT confirmed that it would not accept or approve any application for EDI or ICP licence by a foreign-invested enterprise at the moment as the detailed examination and approval rules or guidelines in light of the amended FITE Regulations have not yet been issued. Our PRC Legal Advisors are of the view that each of the officers of the MIIT who attended the consultations was a competent person to provide the aforementioned confirmation.

On the above basis and as advised by our PRC Legal Advisors, as of the Latest Practicable Date, (i) no further guidance on specific requirement or regulatory procedures had been published for foreign investment in the value-added telecommunications business in the PRC in view of the removal of the Qualification Requirements; and (ii) the removal of the Qualification Requirements would not invalidate our ICP or EDI licenses or require us to adjust the Contractual Arrangements under applicable PRC laws.

We will communicate with the relevant authorities following the Listing to keep abreast of any regulatory developments, and will adjust the Contractual Arrangements to satisfy the “narrowly tailored” principle as soon as practicable after further guidance from authorities is published with respect to the specific requirements under the then PRC laws and regulations and the regulatory procedures that we need to follow to complete such adjustment.

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## CONTRACTUAL ARRANGEMENTS

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### OUR CONTRACTUAL ARRANGEMENTS

#### Overview

Because foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined above, we do not directly own any equity interests in our Consolidated Affiliated Entities. As of the Latest Practicable Date, Dingdang Medicine Express Technology is held by Mr. Yang Wenlong as to 24.44%, Dingdang No. 1 as to 9.44%, Dingdang No. 2 as to 9.44%, Dingdang No. 3 as to 18.89% and Dingdang No. 4 as to 37.78%.

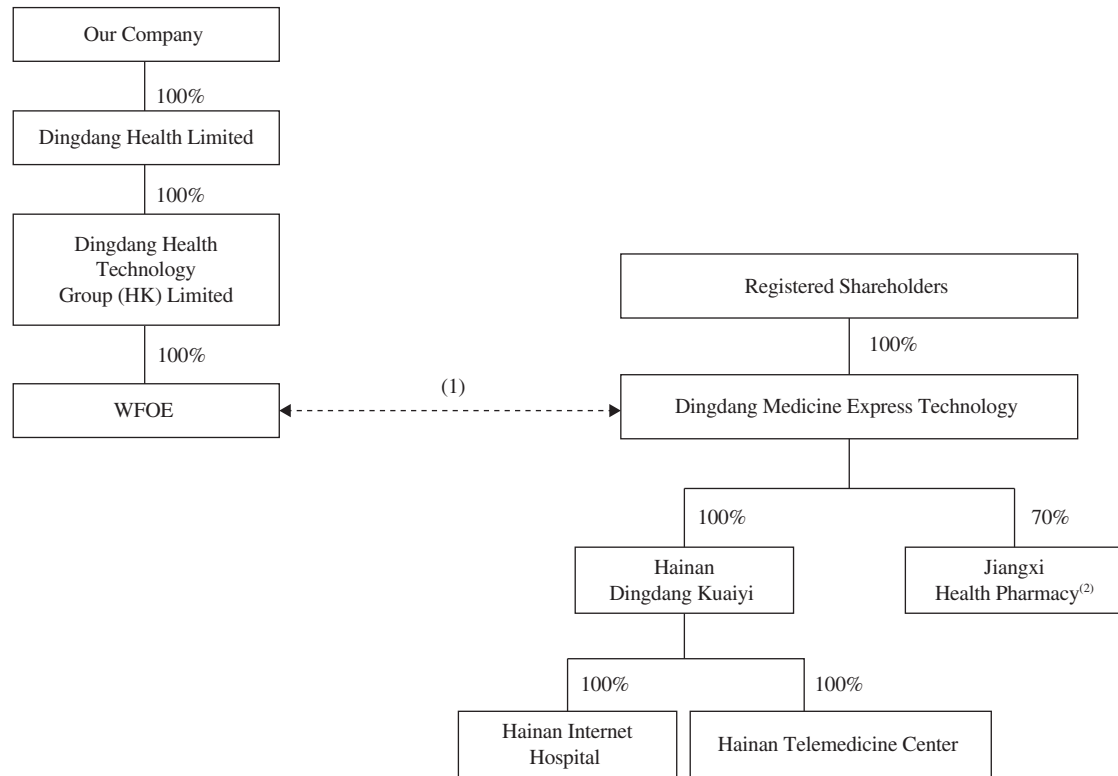
In view of the aforementioned PRC regulatory background and verbal consultations mentioned above, after consultation with our PRC Legal Advisors, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements.

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganization activities. Pursuant to the Reorganization, we acquired equity interests in entities whose businesses are not subject to foreign investment restrictions and entered into Contractual Arrangements between the WFOE, and Dingdang Medicine Express Technology (which holds the remaining Consolidated Affiliated Entities) and the Registered Shareholders. The Contractual Arrangements allowed the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of our Group. Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among the WFOE, our Consolidated Affiliated Entities and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreement with the WFOE, which is our indirect subsidiary incorporated in the PRC, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

## CONTRACTUAL ARRANGEMENTS

The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



————— denotes legal and beneficial ownership  
 - - - - - denotes Contractual Arrangements

- (1) The WFOE provides business support, technical and consulting services in exchange for service fees from Dingdang Medicine Express Technology. For details, please refer to “Contractual Arrangements — Our Contractual Arrangements — Summary of Material Terms under the Contractual Arrangement.”
- (2) The remaining 30% equity interest of Jiangxi Health Pharmacy is held by Feng Gang (馮綱), who holds several positions within our Group, including the executive director and general manager of Dingdang Smart Pharmacy (Shanghai) Co., Ltd. (叮嚀智慧藥房(上海)有限公司).

### Summary of the Material Terms under the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

#### *Exclusive Business Cooperation Agreement*

Pursuant to the exclusive business cooperation agreement dated May 25, 2021 between Dingdang Medicine Express Technology and the WFOE (the “**Exclusive Business Cooperation Agreement**”), Dingdang Medicine Express Technology agreed to engage the WFOE as its exclusive provider of comprehensive business support, technical services and consultation services, including but not limited to, the following services: technology development, technology promotion, technology transfer, technology services; basic software services; application software services; software development; software consulting; product design; model design; market research; and business management consulting.

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## CONTRACTUAL ARRANGEMENTS

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Under the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated profit. Notwithstanding the foregoing, the WFOE may adjust the service fees at its own discretion without the consent of Dingdang Medicine Express Technology.

In addition, absent the prior written consent of the WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the matters set forth in the Exclusive Business Cooperation Agreement, Dingdang Medicine Express Technology shall not accept any consulting and/or services provided by any third party, establish cooperation relationships with any third party, or on its own initiative perform any acts which might affect the confidentiality of the technology and secrets involved in the service provided by the WFOE or the effectiveness and efficiency of the technical supports or allow any third party to do the same. The WFOE may appoint other parties, who may enter into certain agreements with Dingdang Medicine Express Technology, to provide Dingdang Medicine Express Technology with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provides that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights whether developed or created by Dingdang Medicine Express Technology or the WFOE during the performance of the Exclusive Business Cooperation Agreement.

The validity period of the Exclusive Business Cooperation Agreement shall start from the execution date and it shall remain effective for 20 years unless terminated (a) by agreement between the WFOE and Dingdang Medicine Express Technology; or (b) by a written notice from the WFOE at least 30 days before termination. Dingdang Medicine Express Technology is not entitled to unilaterally terminate the agreement, unless Dingdang Medicine Express Technology has sufficient evidence to prove that the WFOE has material negligence or fraudulent conducts to Dingdang Medicine Express Technology. The term of the agreement may be extended prior to its expiration upon written confirmation by the WFOE. The period of extension shall be determined by the WFOE, and Dingdang Medicine Express Technology shall accept the period of extension without conditions.

### *Exclusive Purchase Option Agreement*

Pursuant to the exclusive purchase option agreement dated May 25, 2021 among Dingdang Medicine Express Technology, the WFOE and each of the Registered Shareholders (the “**Exclusive Purchase Option Agreement**”), the WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Dingdang Medicine Express Technology to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time. Dingdang Medicine Express Technology and the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of Dingdang Medicine Express Technology, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- they shall maintain Dingdang Medicine Express Technology’s corporate existence and operation in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs, and procure Dingdang Medicine Express Technology to perform its obligations under the Exclusive Business Cooperation Agreement;

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## CONTRACTUAL ARRANGEMENTS

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- without the prior written consent of the WFOE, they shall not and shall procure its subsidiaries not, at any time following the date when the Exclusive Purchase Option Agreement came into effect sell, transfer, pledge or dispose of in any manner any assets or the legal or beneficial interest in the business or revenues of Dingdang Medicine Express Technology or allow the encumbrance thereon of any security interest;
- without the prior written consent of the WFOE, Dingdang Medicine Express Technology shall not incur, inherit, guarantee or assume any debt, except for payables incurred in the ordinary course of business not generated from loans and debts which have been disclosed to and approved by WFOE;
- Dingdang Medicine Express Technology shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;
- without the prior written consent of the WFOE, they shall not cause Dingdang Medicine Express Technology to execute any material contract with a value of more than RMB100,000, except the contracts executed in the ordinary course of business;
- without the prior written consent of the WFOE, they shall not cause Dingdang Medicine Express Technology to provide any person with any loan or credit, or guarantee for any third-party debt;
- they shall provide the WFOE with information on Dingdang Medicine Express Technology's business operations and financial condition at the request of the WFOE;
- if requested by the WFOE, they shall procure and maintain insurance in respect of Dingdang Medicine Express Technology's assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of the WFOE, they shall not cause or permit Dingdang Medicine Express Technology to merge, consolidate with, acquire or invest in any person, or procure or permit Dingdang Medicine Express Technology to sell the assets with a value of more than RMB100,000;
- they shall immediately inform the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Dingdang Medicine Express Technology's assets, business or revenue;
- to maintain the ownership by Dingdang Medicine Express Technology of all of their assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;
- without the prior written consent of the WFOE, Dingdang Medicine Express Technology shall not in any manner distribute profits or dividends to their shareholders, provided that upon the request of the WFOE, Dingdang Medicine Express Technology shall immediately distribute all distributable profits to their shareholders;

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## CONTRACTUAL ARRANGEMENTS

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- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors of Dingdang Medicine Express Technology, replace or remove the directors of Dingdang Medicine Express Technology;
- unless otherwise mandatorily required by PRC laws, Dingdang Medicine Express Technology shall not be dissolved or liquidated without the prior written consent by the WFOE;
- in the event of bankruptcy, dissolution, liquidation, death or loss of legal capacity (if applicable) of any of Consolidated Affiliated Entities' shareholders, or other circumstances that may affect Dingdang Medicine Express Technology's equity interests, any successor of an existing shareholder shall be deemed to be a party to the Exclusive Purchase Option Agreement. The Exclusive Purchase Option Agreement and other contractual arrangements shall prevail over any form of agreements relating to the disposition of interests in Dingdang Medicine Express Technology unless prior written consent from the WFOE is obtained;
- if the execution and performance of the Exclusive Purchase Option Agreement and the stock transfer options granted under the Exclusive Purchase Option Agreement shall require any third party's consent, permission, waiver, authorization or any governmental agency's approval, license, immunity, registration or filing in accordance with the law, Dingdang Medicine Express Technology shall make every endeavour to help satisfy the above conditions.

In addition, the Registered Shareholders, among other things, have covenanted that:

- without the written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Dingdang Medicine Express Technology, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement;
- for each exercise of the equity purchase option, they shall cause the shareholders' meeting and/or the board of directors of Dingdang Medicine Express Technology to vote on the approval of the transfer of equity interests and any other action requested by the WFOE;
- Registered Shareholders whose equity interest has not been transferred shall relinquish the pre-emptive right (if any) they are entitled to in relation to the transfer of equity interest by any other shareholders to the WFOE and/or any entity or individual appointed by the WFOE pursuant to Exclusive Purchase Option Agreement;
- without the written consent of the WFOE, each of the Registered Shareholders shall not request Dingdang Medicine Express Technology to distribute dividends or profits in any form, propose resolutions in relation to this at a general meeting, or vote to pass such resolutions. In any event, unless decided otherwise by the WFOE, if any Registered Shareholder receives corporate income, profits or dividends from Dingdang Medicine Express Technology, they shall pay or transfer the received income, profits, dividends to the WFOE or any party designated by the WFOE to the extent allowed by the PRC laws; and
- Registered Shareholders shall also strictly comply with the provisions of the Exclusive Purchase Option Agreement between Registered Shareholders, Dingdang Medicine Express Technology and the WFOE, and shall faithfully perform the obligations under such agreements and shall not conduct any act and/or omission which shall affect the validity and enforceability of such agreements. If any Registered Shareholder retains any rights on the equities as in the Equity Pledge Agreement, it shall not exercise such rights unless instructed in writing by the WFOE.



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## CONTRACTUAL ARRANGEMENTS

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The validity period of the Exclusive Purchase Option Agreement shall be 20 years starting from the execution date. The WFOE may choose to renew the Exclusive Purchase Option Agreement. If the WFOE fails to confirm the renewal of the agreement upon the expiration of its term, the agreement shall be automatically renewed until the WFOE delivers a confirmation letter to determine the renewal term of the agreement.

If the Registered Shareholders or Dingdang Medicine Express Technology materially breach any obligation under the Exclusive Purchase Option Agreement, the WFOE shall be entitled to terminate the agreement and/or claim damages from Registered Shareholders or Dingdang Medicine Express Technology. Unless otherwise provided by PRC laws, neither Registered Shareholders nor Dingdang Medicine Express Technology shall have the right to terminate the Exclusive Purchase Option Agreement under any circumstances.

### *Equity Pledge Agreement*

Pursuant to the equity pledge agreement dated May 25, 2021 entered into among Dingdang Medicine Express Technology, the WFOE, and each of the Registered Shareholders (the “**Equity Pledge Agreements**”), the Registered Shareholders agreed to pledge all their respective equity interests in Dingdang Medicine Express Technology that they own, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in favour of the WFOE takes effect upon the completion of change of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Dingdang Medicine Express Technology under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Dingdang Medicine Express Technology under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), unless such default is cured following the Registered Shareholders or Dingdang Medicine Express Technology’s receipt of the written notice which requests the cure of such default, the WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered shareholders.

The equity pledge registrations under the Equity Pledge Agreements as required by the relevant laws and regulations have been completed in accordance with the Equity Pledge Agreements and PRC laws and regulations.

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### *Proxy Agreement*

Pursuant to the proxy agreement dated May 25, 2021 issued by the each of the Registered Shareholders (collectively, the “**Proxy Agreement**”), pursuant to which, each of the Registered Shareholders irrevocably and exclusively appointed the WFOE or any entity or persons designated by the WFOE as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Dingdang Medicine Express Technology, including without limitation:

- to propose to convene and to attend shareholders’ meetings of Dingdang Medicine Express Technology and to receive any notice of shareholders’ meetings and the convening of proceedings;
- to exercise all shareholder’s rights and shareholder’s voting rights in accordance with law and the constitutional documents of Dingdang Medicine Express Technology, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Dingdang Medicine Express Technology, the signature of the minutes of meetings of Dingdang Medicine Express Technology in the name and on behalf of the shareholders, the approval of Dingdang Medicine Express Technology to file the documents with the relevant corresponding registration and filing department;
- to designate or appoint the legal representative (chairman), directors, supervisors, chief executive officer (or manager) and other senior management of Dingdang Medicine Express Technology;

### *Loan Agreement*

The WFOE entered into a loan agreement with each of the Registered Shareholders dated May 25, 2021 (the “**Loan Agreement**”), pursuant to which the WFOE agreed to provide loan to the Registered Shareholders for the management, operation and business development in Dingdang Medicine Express Technology. All the equity interests in Dingdang Medicine Express Technology held by the Registered Shareholders will be pledged to the WFOE. The term of the Loan Agreement shall be 20 years from the date of the agreement, which may be extended upon mutual consent of the Parties. When the Registered Shareholders transfer the equity interests to the WFOE or the WFOE’s designated person(s), in the event that the transfer price of such equity interests equals or is lower than the principal of the loan under the Loan Agreement, the loan under this agreement shall be deemed an interest-free loan. In the event that the transfer price of such Acquired Interests exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the interest of the loan under this agreement payable by the Registered Shareholders to the WFOE.

The WFOE and the Registered Shareholders agree and acknowledge that the method of repayment shall be at the sole discretion of the WFOE and may take the form of: (i) transferring the equity Interest of the Registered Shareholders in whole to the WFOE or the WFOE’s designated persons (legal or natural persons) pursuant to the WFOE’s exercise of its right to acquire the equity interest under the Exclusive Purchase Option Agreement, and (ii) any property legally distributed after liquidation of the Dingdang Medicine Express Technology shall be used by the Registered Shareholders to repay the loan to the WFOE or the WFOE’s designated party in the event of liquidation of the Dingdang Medicine Express Technology.

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### *LP Undertaking*

Each of the limited partners of the LPs (namely, Dingdang No.1, Dingdang No.2, Dingdang No.3 and Dingdang No. 4), general partners (namely, Dingdang Wisdom) of the LPs and Mr. Yang Wenlong, as the controlling shareholder of Dingdang Wisdom has signed an unconditional and irrevocable undertaking dated May 25, 2021 (the “**LP Undertaking**”) to the effect, among others, that each of them undertakes:

- to procure the LPs to continuously comply with the Contractual Arrangements and will not initiate or adopt any claims which will contradict the Contractual Arrangements;
- their interests in Dingdang Medicine Express Technology through the LPs are beneficially owned by the WFOE and he/she/it will not claim on such interests;
- without prior written consent of the WFOE or its designated person, he/she/it will not, and will procure the LPs not to, amend the partnership agreement, partnership composition or dispose any interests in the LPs;
- to transfer his/her/its interests in the LPs to the designated person in accordance with the instruction of the WFOE or its designated person to the extent permissible by applicable laws, and to remit the consideration (if any) to the WFOE or its designated person;
- to procure the LPs not to raise any proposition or take any action against the Contractual Arrangements based on their shares in Dingdang Medicine Express Technology;
- if the WFOE or any individual designated by it requires amendments on relevant items of the LPs in accordance with the Contractual Arrangements, to facilitate and accomplish such requirements as requested; and
- if he/she/it breaches any of the undertakings, to bear liability of such breach in the same way as a breaching party does under the Contractual Arrangements and compensate for losses.

### *Spouse Undertaking*

The spouse of each of Mr. Yang Wenlong and the limited partners of LPs has signed an undertaking (the “**Spouse Undertaking**”), to the effect, among others, that each of them unconditionally and irrevocably:

- confirmed and agreed that any equity interests (together with any other interests therein) held by their respective spouse as a Registered Shareholder or as a limited partners of the LPs, as the case may be, are separate properties of their spouse and do not fall within the scope of communal properties; their respective spouse and LPs are entitled to deal with the respective spouse’s equity interests and any interests therein in Dingdang Medicine Express Technology in accordance with the Contractual Arrangements without the prior consent of them;
- confirmed that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her;
- will not raise any proposition or take any action against the Contractual Arrangements based on the shares in Dingdang Medicine Express Technology held by their respective spouse;

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## CONTRACTUAL ARRANGEMENTS

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- if all or part of the shares held by their respective spouse are transferred to him/her, to pledge, sell or dispose such shares in accordance with the provisions and requirements prescribed in the Contractual Arrangements, to observe obligations of their respective spouse or the LPs as a shareholder of Dingdang Medicine Express Technology under the Contractual Arrangements, and to sign all necessary documents and take all necessary actions to ensure the Contractual Arrangements to be properly performed;
- promised that he/she has never and does not intend to participate in the operation, management or voting matters of the Dingdang Medicine Express Technology; and
- waives, unconditionally and irrevocably, any shareholding rights or any other rights related to the equities that may be vested in him/her in accordance with applicable laws.

### *Other aspects of the Contractual Arrangements*

#### *Dispute resolution*

Each of the agreements, excluding the Proxy Agreement, LP Undertaking and Spouse Undertaking, under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provision also provides that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of Dingdang Medicine Express Technology or injunctive relief (e.g., limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding-up of Dingdang Medicine Express Technology; any party may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company), and the places where the principal assets of Dingdang Medicine Express Technology are located for interim remedies or injunctive relief.

However, our PRC Legal Advisors have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding-up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result, in the event that Dingdang Medicine Express Technology or the Registered Shareholders or the other individuals stated above breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. For details, please refer to “Risk Factors — Risks Relating to our Corporate Structure and Contractual Arrangements”

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## CONTRACTUAL ARRANGEMENTS

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### *Potential conflict of interest*

To ensure our effective control over the Dingdang Medicine Express Technology, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Pursuant to the Exclusive Purchase Option Agreement, the WFOE has the right to require the Registered Shareholders to transfer any or all their equity interests in Dingdang Medicine Express Technology to the WFOE or its designated third party. Under the Proxy Agreement, each of the Registered Shareholders appointed the WFOE or any entity or persons designated by the WFOE as their attorney-in-fact to exercise its rights in respect of its equity interests in Dingdang Medicine Express Technology. Furthermore, under the Spouse Undertaking, the spouse of each of Mr. Yang Wenlong and the limited partners of the LPs unconditionally and irrevocably (i) acknowledged the execution of the Contractual Arrangements by their spouses; (ii) confirmed that any equity interests of their respective spouse in Dingdang Medicine Express Technology do not fall within the scope of their community properties; (iii) undertook that he or she shall not take any actions against the Contractual Arrangements; and (iv) confirmed that his or her consent and approval are not required for the implementation of the Contractual Arrangements, any amendments thereto or the termination thereof.

Based on the foregoing, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with potential conflicts of interest between our Group and the Registered Shareholders and that these measures are sufficient to protect our Group's interest in the Consolidated Affiliated Entities.

### *Loss sharing*

Under the relevant PRC laws and regulations, none of our Group and the WFOE is expressly legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. The WFOE intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when necessary. In addition, given that our Group conducts its business operations in the PRC through the Consolidated Affiliated Entities, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on the WFOE and our Company resulting from any loss suffered by our Consolidated Affiliated Entities.

### *Liquidation*

Pursuant to the Exclusive Purchase Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholders shall give the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

### *Insurance*

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

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## CONTRACTUAL ARRANGEMENTS

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### *Company's confirmation*

As of the Latest Practicable Date, the Company had not encountered any interference by or encumbrance from any PRC governmental authorities in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

### *Protection Measures*

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, including Mr. Yang Wenlong, as if the successors were signing parties to the Contractual Arrangements. Under the PRC Civil Code, the statutory successors include the spouse, children, parents, siblings, paternal grandparents and the maternal grandparents. In case of a breach, the WFOE can enforce its rights against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the registered shareholders under the Contractual Arrangements as a result of their bankruptcy, dissolve, liquidation or under other circumstance which would affect their exercise of equity interest in Dingdang Medicine Express Technology, as if the inheritor was a signing party to such Contractual Arrangements.

The limited partners of LPs are not parties to the Contractual Arrangements. Even so, they have committed to cooperate with the Contractual Arrangements. Furthermore, they have committed that the WFOE has the right to require them to transfer their equity interests to any other party designated by the WFOE at any time. Therefore, the incapacity, death, bankruptcy, marriage or divorce of each of the limited partners of LPs will not affect the performance of those Contractual Arrangements.

The spouse of each of Mr. Yang Wenlong and the limited partners of LPs has executed an irrevocable undertaking, whereby they expressly and irrevocably acknowledge and undertake that (i) any equity interests of Dingdang Medicine Express Technology/partnership shares of LPs held by Mr. Yang Wenlong/the limited partners of LPs do not fall within the scope of their communal properties; (ii) they will not have any claim on these equity interests/partnership shares; (iii) they will not participate in the operation or management of Dingdang Medicine Express Technology/LPs; (iv) in the event of the death of their spouse, they will take all necessary measures to procure the transfer of entire equity interests/partnership shares belong to their spouse at lowest price allowed by PRC laws to the WFOE or any appointees and return any consideration (if any) paid by WFOE or appointees.

Based on the foregoing, our PRC Legal Advisors are of the view that, in the event of loss of capacity, death, bankruptcy, marriage or divorce of each of Mr. Yang Wenlong or the limited partners of LPs, the Contractual Arrangements provide sufficient protection to the Group.

### *Circumstances under which we will adjust or unwind the Contractual Arrangements*

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the licenses for operating the Relevant Business made by sino-foreign equity joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

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## CONTRACTUAL ARRANGEMENTS

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### LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisors are of the opinion that the Contractual Arrangements are designed to minimize the potential conflict with relevant PRC laws and regulations and that upon the execution of the Contractual Arrangements:

- (1) all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements;
- (2) the parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them would be deemed as “false declaration of intention” and void under the Civil Code of the People’s Republic of China (“**the PRC Civil Code**”);
- (3) none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities or the WFOE;
- (4) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
  - a. the exercise of the option by our WFOE or its designee of its rights under the Exclusive Business Cooperation Agreement to acquire all or part of the equity interests in Dingdang Medicine Express Technology is subject to the approvals of filing with and/or registrations with the PRC governmental authorities;
  - b. any share pledge contemplated under the Equity Pledge Agreement is subject to the registration with local administration bureau for SAMR; and
  - c. the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement.
- (5) each of the Contractual Arrangements is valid, legal and binding under PRC laws, and the adoption of the Contractual Arrangements does not constitute a breach of the relevant laws and regulations except for the following provisions regarding dispute resolution and the liquidating committee:
  - a. the Contractual Arrangements provide that any dispute shall be submitted to the CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of Dingdang Medicine Express Technology or injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding-up of Dingdang Medicine Express Technology; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC (being the place of incorporation of Dingdang Medicine Express Technology) and the places where the principal assets of Dingdang Medicine Express Technology are located also have jurisdiction over the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of Dingdang Medicine Express Technology. However, our PRC Legal Advisors have advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; and

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## CONTRACTUAL ARRANGEMENTS

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- b. the Contractual Arrangements provide that the Registered Shareholders have appointed the person designated by the WFOE to exercise on their behalf voting rights on the liquidation of Dingdang Medicine Express Technology, which shows that the Registered Shareholders undertake to appoint a committee designated by our WFOE as the liquidation committee upon the winding-up of Dingdang Medicine Express Technology to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

However, we have been advised by our PRC Legal Advisors that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Advisors.

Notwithstanding the foregoing, the respective PRC legal advisors of the Company and of the Joint Sponsors consulted with competent authorities supervising the Company's Relevant Businesses in February and March 2021. During the consultations, the relevant authorities confirmed that the Contractual Arrangements would not be challenged or subject to penalty by the relevant authorities for violation of any PRC laws or regulations. Our PRC Legal Advisors have advised us that such authorities are competent government authorities for the Company's Relevant Businesses and are competent to interpret the relevant PRC laws, regulations and rules for the industry in which our Company operates its business and make the abovementioned oral confirmations.

Based on the above analysis and advice from our PRC Legal Advisors, the Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. For details, see "Risk Factors — Risks Relating to Our Corporate Structure and Contractual Arrangements"

### ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

#### Consolidation of financial results of Consolidated Affiliated Entities

Under the Exclusive Business Corporation Agreement, it was agreed that, in consideration of the services provided by the WFOE, Dingdang Medicine Express Technology shall pay service fees to the WFOE. The service fees shall be equal to approximately 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. The WFOE has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

In addition, under the Exclusive Purchase Option Agreement, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders as the WFOE's prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the service fees under the Exclusive Business Corporation Agreement, such income, profit distribution or dividend to the WFOE or any other person designated by the WFOE to the extent permitted under applicable PRC laws.

As a result of the Contractual Arrangements among our WFOE, Dingdang Medicine Express Technology, the Registered Shareholders and the individuals stated above, our WFOE is able to effectively control, recognize and receive substantially all the economic benefits of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 2.1 to the Accountants' Report set out in Appendix I.



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## CONTRACTUAL ARRANGEMENTS

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### FOREIGN INVESTMENT LAW

#### Background

On March 15, 2019, the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**2019 FIL**”) was formally passed by the thirteenth NPC and took effect on January 1, 2020. The 2019 FIL stipulates different forms of foreign investment as below:

- foreign investors set up foreign invested enterprises in China severally or jointly with other investors;
- foreign investors acquire shares, equity, properties or other similar interests in any domestic enterprise;
- foreign investors invest in new projects in China severally or jointly with other investors; and
- foreign investors invest through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.

The 2019 FIL stipulates that the Negative List is applied in certain industry sectors. The Negative List set out in the 2019 FIL classified the relevant prohibited and restricted industries into the catalog of prohibitions and the catalog of restrictions, respectively, according to which, the foreign investors are not allowed to invest in the areas in which the foreign investment is prohibited. Foreign investors are allowed to invest in sectors set out in the catalog of restrictions, subject to the satisfaction of certain conditions. Foreign investors are allowed to invest in any sector beyond the Negative List and shall be managed on the same basis as domestic investments.

Where a foreign investor invests in the sectors specified in the catalog of prohibitions, the relevant competent departments shall order it to stop the investment activities, and dispose of the shares, properties or other necessary measures within a time limit to restore the state before the investment is implemented and the illegal income shall be confiscated (if any). Where the investment activities of a foreign investor violate the restrictive special management measures stipulated in the sectors specified in the catalog of restrictions, the relevant competent departments shall order it to make corrections and take necessary measures to meet the requirements for access to special management measures; where the offender refuses to make corrections, punishments are implemented according to the aforementioned provisions.

#### Impact and potential consequences of the 2019 FIL on the Contractual Arrangements

Our PRC Legal Advisors have advised that, since contractual arrangements are not specified as foreign investments under the 2019 FIL, and no relevant laws, administrative regulations or provisions of the State Council have incorporated contractual arrangements as a form of foreign investment, the 2019 FIL does not apply to our Contractual Arrangements, and it does not substantially change the identification of foreign investors in the field of foreign investment and the principle of recognition and treatment of our Contractual Arrangements. Therefore, each of the agreements comprising the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties if there are no changes to relevant laws and regulations in this respect.

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## **CONTRACTUAL ARRANGEMENTS**

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Notwithstanding the above, the 2019 FIL stipulates that foreign investors investing through any other methods stipulated under laws, administrative regulations or provisions of the State Council may be considered as a form of foreign investment. It is therefore possible that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors — Risks Relating to Our Corporate Structure and Contractual Arrangements”.

### **COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS**

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (2) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (3) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (4) our Company will engage external legal advisors or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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## CONNECTED TRANSACTIONS

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Upon Listing, the transactions between members of our Group and our connected persons will constitute connected transactions of our Group under Chapter 14A of the Listing Rules.

### CONNECTED PERSONS

The following persons, among others, will be our connected persons upon Listing:

- Mr. Yang Wenlong, a substantial Shareholder of our Company, hence our connected person by virtue of Rule 14A.07(1) of the Listing Rules; and
- Renhe, a limited company incorporated in the PRC, with Mr. Yang Wenlong controlling the exercise of 30% or more of its voting power, hence an associate of Mr. Yang Wenlong and our connected person by virtue of Rule 14A.07(4) of the Listing Rules.

Accordingly, the following transactions between our Group and our connected persons, which will continue after the Listing, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

### FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

#### 1. Trademark Licence Framework Agreement

##### *Principal terms*

We entered into a trademark licence framework agreement (the “**Trademark Licence Framework Agreement**”) with Renhe on August 26, 2022, pursuant to which Renhe has agreed to grant our Group a licence, on a non-exclusive and royalty-free basis, to use certain trademarks (“**Licensed Trademarks**”) registered by Renhe in the PRC for product package, presentation and marketing. The initial term of the Trademark Licence Framework Agreement will commence on the Listing Date and end on December 31, 2024 and can be renewed upon its expiry as agreed by relevant parties to the Trademark Licence Framework Agreement for another term of three years.

We have been using the Licensed Trademarks in our daily business and have received market recognition. We believe that to continue to use such Licensed Trademarks after completion of the Global Offering is in the best interest of our Group and the shareholders as a whole.

Our Directors currently expect that all the relevant percentage ratios for transactions under the Trademark Licence Framework Agreement calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be less than 0.1% on an annual basis. Therefore, such transactions are de minimis transactions and will be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

##### *Listing Rules implications*

As the license to use the Licensed Trademarks is granted to us on a royalty-free basis, the transactions under the Trademark Licensing Framework Agreement constitute *de minimis* transactions and are fully exempt from the annual reporting, announcement, independent Shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

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## CONNECTED TRANSACTIONS

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### 2. Products Procurement Framework Agreement – Procurement of Products

We entered into a products procurement framework agreement with Renhe on August 26, 2022 (the “**Products Procurement Framework Agreement**”), under which, among other things, Renhe has agreed to, and will procure its associates to, provide self-branded OTC drugs, prescription drugs, and other healthcare products produced by Renhe and its associates (“**Relevant Products**”) to our Group from time to time (“**Procurement of Products**”). The initial term of the Products Procurement Framework Agreement will commence on the Listing Date and end on December 31, 2024 and can be renewed upon its expiry as agreed by relevant parties to the Products Procurement Framework Agreement for another term of three years.

The procurement amount to be charged by Renhe and its associates for the Relevant Products shall be negotiated at arm’s length, with reference to prevailing market prices, on terms no less favorable than those offered by Renhe and its associates to Independent Third Parties, and on terms no less favourable than those offered by Independent Third Parties to our Group.

Renhe and its associates own a number of well-known brands of drugs and healthcare products with high levels of market recognition. The core business of Renhe and its associates (research, development, and manufacture of pharmaceuticals) and of our Group (online and offline retail of pharmaceuticals) are inextricably linked and complementary, and the Procurement of Product between Renhe and its associates and our Group has been, and is expected to remain, a mutually beneficial cooperation arrangement, leveraging the reputable brands and market positions of Renhe and its associates and the well-developed online distribution channels and pharmacy network of our Group. Based on our previous experience in business dealings with Renhe and its associates, we believe that Renhe and its associates are capable of effectively satisfying our demands for the Relevant Products in a stable and reliable manner, which is in the interests of our Group and the shareholders as a whole.

Our Directors currently expect that all the relevant percentage ratios for transactions in relation to Procurement of Products under the Products Procurement Framework Agreement calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be less than 0.1% on an annual basis. Therefore, such transactions are de minimis transactions and will be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### 3. Products Procurement Framework Agreement – Trademark License for Renhe-branded Products procured by the Group

Parties: Renhe (as supplier); and

Our Group (as purchaser)

*Principal terms:*

With a view to better catering for diversified need of customers and users based on their purchase patterns through our Group’s retail channels, we may be in demand, from time to time, for certain self-branded products of Renhe with customized specifications; while Renhe and its associates may not have production capacity to develop and manufacture such customized products. As such, we agreed with Renhe, among other things, under the abovementioned Products Procurement Framework Agreement, that where Renhe and its associates are in lack of production capacity to produce such customized products, Renhe will grant our Group a licence, on a

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## CONNECTED TRANSACTIONS

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non-exclusive basis, to use certain trademarks registered by Renhe in the PRC (“**Trademark License**”) under separate trademark license agreements, which authorizes and enables us to procure its self-branded products from independent third-party manufacturers. The number of products to be produced by independent third-party manufacturers under the Trademark License, together with product specifications, and product package is subject to Renhe’s prior approval.

The initial term of the Products Procurement Framework Agreement will commence on the Listing Date and end on December 31, 2024 and can be renewed upon its expiry as agreed by relevant parties to the Products Procurement Framework Agreement for another term of three years.

***Reasons for the transaction:***

Renhe and its associates own a number of well-known brands of drugs and healthcare products with high levels of market recognition. The core business of Renhe and its associates (research, development, and manufacture of pharmaceuticals) and of our Group (online and offline retail of pharmaceuticals) are inextricably linked and complementary, and the product procurement arrangement between Renhe and its associates and our Group has been, and is expected to remain, a mutually beneficial cooperation arrangement, leveraging the reputable brands and market positions of Renhe and its associates and the well-developed online distribution channels and pharmacy network of our Group.

Our group believe the above arrangements in connection with the Trademark License as contemplated under the Products Procurement Framework Agreement will enable our Company to further expand our product offerings in response to ever-changing user demands, as well as to maintain sufficient supply in Renhe’s self-branded products. Further, we have a long-term and stable business relationship with Renhe and its associates. Renhe and its associates are familiar with our business process and needs, quality standards and operational requirements, and are able to supply the Trademark License needed by us on a constant basis. Our Directors believe that maintaining a stable and quality business relationship with Renhe and its associates will facilitate our current and future business operations.

***Pricing policy:***

The royalty fee payable by our Group to Renhe in relation to the Trademark License is charged based on the retail prices (before tax) of the Renhe-branded products procured by us from independent third-party manufacturers using the Trademark License, multiply by predetermined royalty rates as prescribed under the Products Procurement Framework Agreement. The royalty rate for Trademark License is determined based on arm’s length discussion between our Group and Renhe, with reference to the market average royalty rates, no less favourable than the rates offered by Renhe to Independent Third Parties or those offered by Independent Third Parties to our Group. According to the Frost & Sullivan, the royalty rate is in line with the industry norm.

## CONNECTED TRANSACTIONS

### *Historical amounts:*

The historical transaction amounts of royalty fees paid by our Group to Renhe for the Trademark License for the year ended December 31, 2018, 2019, 2020, 2021 and three months ended March 31, 2022 are set out as below:

	For the year ended December 31,				For the three months ended March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trademark license royalty fees . . . . .	3,146	7,188	8,954	5,178	418

### *Annual caps:*

The following table sets forth the proposed annual caps the Trademark License contemplated under the Products Procurement Framework Agreement:

	Proposed annual caps for the year ending December 31,		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Trademark license royalty fees . . . . .	4,000	4,000	4,000

The Group's costs of revenue for the self-branded products of Renhe procured from independent third-party manufacturers in relation to the Trademark License as contemplated under the Products Procurement Framework Agreement for the years ended December 31, 2018, 2019, 2020, 2021 and the three months ended March 31, 2022 was RMB79.5 million, RMB184.9 million, RMB213.5 million, RMB133.9 million, and RMB11.6 million, respectively. Our sales from the self-branded products of Renhe for the years ended December 31, 2018, 2019, 2020, 2021 and the three months ended March 31, 2022 was RMB143.7 million, RMB337.1 million, RMB396.3 million, RMB189.8 million, and RMB15.2 million, respectively.

### *Basis of caps:*

When estimating the annual caps, our Directors have taken into consideration the following factors:

- *Trademark license:*
  - (i) the growth rate of the historical transaction amounts for the years ended December 31, 2018, 2019 and 2020, which was 128% from 2018 to 2019 and 25% from 2019 to 2020. The growth of historical transaction amount was mainly due to the business expansion of our Group; the historical transaction amounts for the years ended December 31, 2020 and 2021 decreased by 42% mainly because the Company was able to procure adequate OTC drugs, prescription drugs, and other healthcare products from independent third-party suppliers;

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## CONNECTED TRANSACTIONS

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- (ii) the existing royalty fees and our increasing sales of the self-branded drugs and other healthcare products of Renhe in supporting our business expansion plan; and
- (iii) other factors including but not limited to the expected increase in unit price of the drugs and other healthcare products as a result of the increase in raw materials and other costs and expenses as well as market trends.

***Listing Rules implications:***

In respect of the Trademark License transactions contemplated under the Products Procurement Framework Agreement, as the highest applicable percentage ratio for each of the three years ending December 31, 2022, 2023 and 2024 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1% but less than 5%, such transaction will, upon Listing, constitute continuing connected transaction of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

#### **4. Contractual Arrangements**

***Background:***

As disclosed in the section headed “Contractual Arrangements” in this prospectus, due to regulatory restrictions on foreign ownership in Relevant Businesses in the PRC, we conduct a portion of our business through our Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities which are held by Mr. Yang Wenlong and Dingdang No.1, Dingdang No.2, Dingdang No.3, and Dingdang No.4. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by the WFOE to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Consolidated Affiliated Entities when and to the extent permitted by PRC laws.

See the section headed “Contractual Arrangements” in this prospectus for further detailed terms of the Contractual Arrangements.

***Listing Rules implications:***

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as Mr. Yang Wenlong, a party to the Contractual Arrangements, is our connected person.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms, fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of our Consolidated Affiliated Entities and any member of our Group (“**New Intergroup Agreements**” and each of them, a “**New Intergroup Agreement**”) technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is being placed in a special situation in relation to the

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## CONNECTED TRANSACTIONS

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connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

### INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favourable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms or better, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the Board and various other internal departments of the Company (including but not limited to the finance department and compliance and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- the Audit Committee under the Board, the Board and various other internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the continuing connected transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies, and are fair and reasonable in the interests of the Shareholders as a whole;
- when considering procurement amount or royalty fees to be provided by the Group to the above connected persons, the Group will constantly research into prevailing market conditions and practices to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and no less favourable than those offered to Independent Third Parties; and
- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve of such transactions at board meetings or shareholders' general meetings (as the case may be), and our independent non-executive Directors and independent Shareholders have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, on normal commercial terms and in the interests of our Company and our Shareholders as a whole. If the independent non-executive Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreements to the extent that they constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules.



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## CONNECTED TRANSACTIONS

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### WAIVERS FROM THE STOCK EXCHANGE

In respect of the continuing connected transaction as described above under the Products Procurement Framework Agreement, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules for the three years ending December 31, 2024 is expected to be more than 0.1% but less than 5% on an annual basis. Accordingly, the continuing connected transaction under the Products Procurement Framework Agreement is subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules.

As these non-exempt continuing connected transactions are expected to be carried out on a recurring basis and the material terms of the non-exempt continuing connected transactions are disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of the disclosures, our Directors consider that strict compliance with the aforesaid announcement requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Stock Exchange, and the Stock Exchange has granted us, pursuant to Rule 14A.105 of the Listing Rules, waivers from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules in case of the Products Procurement Framework Agreement, provided that the total amount of transactions for each of the three years ending December 31, 2024 will not exceed the relevant proposed annual caps as set out above. The independent non-executive Directors and auditors of the Company will review whether the transactions under the non-exempt continuing connected transactions have been entered into pursuant to the principal terms and pricing policies under the relevant agreements as disclosed in this section. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

In addition, we confirm that we will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules and immediately inform the Stock Exchange if any of the proposed annual caps set out above is exceeded, or when there is a material change in the terms of these transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

### The Contractual Arrangements

In respect of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Rules 14A.04 and 14A.105 of the Listing Rules, and (ii) the requirement of setting an annual cap for the transaction under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Share are listed on the Stock Exchange, subject, however, to the following conditions:

***(a) No change without independent non-executive Directors' approval***

No change to the Contractual Arrangements (including with respect to any fees payable to the WFOE thereunder) will be made without the approval of our independent non-executive Directors.

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## CONNECTED TRANSACTIONS

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***(b) No change without independent Shareholders' approval***

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

***(c) Economic benefit flexibility***

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the higher of (a) a nominal price or (b) the lowest price as permitted and applicable PRC laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by the Consolidated Affiliated Entities under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as the substance of, all of the voting rights of the Consolidated Affiliated Entities.

***(d) Renewal and reproduction***

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

***(e) Ongoing reporting and approval***

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual reports and accounts in accordance with the relevant provisions of the Listing Rules.

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## CONNECTED TRANSACTIONS

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- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual reports for the relevant years that (i) the transactions carried out during such years have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, and in the interests of our Company and our Shareholders as a whole so far as our Group is concerned.
- Our Company's auditor will carry out review procedures annually on the transactions, pursuant to the Contractual Arrangements, and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", our Consolidated Affiliated Entities will be treated as our Company's subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our Consolidated Affiliated Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our Company's auditor with full access to their relevant records for the purpose of our Company's auditor's review of the connected transactions.
- In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any New Intergroup Agreements, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from our Consolidated Affiliated Entities in any New Intergroup Agreements, and (iii) the requirement to limit the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange. The waiver is subject to the condition that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as our Company's subsidiaries, but their directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

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## **CONNECTED TRANSACTIONS**

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In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

### **CONFIRMATION FROM THE DIRECTORS**

The Directors (including the independent non-executive Directors) of our Company are of the view that (i) the Products Procurement Framework Agreement has been and will be entered into during our ordinary and usual course of business of the Group on normal commercial terms or better, and is fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) the proposed caps under the Products Procurement Framework Agreement are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) of our Company are of the view that the Contractual Arrangements and the transactions contemplated therein have been entered into and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. The Directors are of the view that, with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by the WFOE; (ii) the WFOE can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

### **CONFIRMATION FROM THE JOINT SPONSORS**

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Group, (ii) obtained necessary representations and confirmations from the Company and the Directors and (iii) participated in the due diligence and discussion with the management of the Company and the PRC Legal Advisors. Based on the above, the Joint Sponsors are of the view that (i) the Products Procurement Framework Agreement, the terms of the relevant agreements underlying the Contractual Arrangements and the transactions contemplated therein have been and will be entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, and is fair and reasonable and in the interests of the Company and its Shareholders as a whole and (ii) the proposed caps under the Products Procurement Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Joint Sponsors are also of the view that, with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which is of a duration longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by the WFOE; (ii) the WFOE can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of the Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

## DIRECTORS AND SENIOR MANAGEMENT

### OVERVIEW

The Board currently consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. All Directors are appointed for a term of three years, which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening the general meetings, presenting reports to the general meetings, implementing the resolutions passed at the general meetings, determining the operational plans and investment plans of the Group, determining the annual financial budgets and final accounts of the Group, determining the fundamental management systems of the Group, formulating profit distribution plans and loss recovery plans of the Group, and exercising other powers and functions as conferred by the Articles of Association.

Our senior management is responsible for the management of day-to-day operations of the Company.

### Directors

The following table shows the key information of our Directors as of the Latest Practicable Date.

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as Director	Relationship with other Directors and senior management
<b>Executive Directors</b>						
Mr. Yang Wenlong (楊文龍) . . . . .	60	Executive Director, Chairman of the Board, and President	Supervising daily operations and business development, supervising overall business planning and implementation	August 2014	August 20, 2014	None
Mr. Xu Ning (徐寧) . . . . .	44	Executive Director and Vice President	Assisting the President with the day-to-day operation and management of the Group	January 2016	May 26, 2021	None
Mr. Yu Lei (俞雷) . . . . .	45	Executive Director and Vice President	Assisting the President with the day-to-day operation and management of the Group	March 2015	May 26, 2021	None
Mr. Yu Qinglong (于慶龍) . . . . .	37	Executive Director and Chief Technology Officer	Overseeing and managing the overall technology development of the Group	January 2015	June 10, 2021	None
<b>Non-executive Directors</b>						
Ms. Cai Li (蔡俐) . . . . .	39	Non-executive Director	Participating in formulation of business plans, strategic and major decisions of Group through the Board	May 2021	May 26, 2021	None

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as Director	Relationship with other Directors and senior management
Ms. Lian Suping (連素萍) . . . . .	53	Non-executive Director	Participating in formulation of business plans, strategic and major decisions of Group through the Board	February 2019	June 10, 2021	None
<b>Independent Non-executive Directors</b>						
Mr. Zhang Shouchuan (張守川) . . . . .	56	Independent Non-executive Director	Supervising and offering independent judgment to the Board	June 19, 2021	June 19, 2021 <sup>(1)</sup>	None
Mr. Fan Zhenhong (樊臻宏) . . . . .	54	Independent Non-executive Director	Supervising and offering independent judgment to the Board	June 19, 2021	June 19, 2021 <sup>(1)</sup>	None
Mr. Jiang Shan (姜山) . . . . .	51	Independent Non-executive Director	Supervising and offering independent judgment to the Board	June 19, 2021	June 19, 2021 <sup>(1)</sup>	None

(1) The appointment of our Independent Non-executive Directors will take effect from the date of this prospectus.

### Senior Management

The following table shows the key information of our Senior Management, as of the Latest Practicable Date.

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as Senior Management	Relationship with other Directors and senior management
Mr. Yang Wenlong (楊文龍) . . . . .	60	Executive Director, Chairman of the Board, and President	Supervising daily operations and business development, supervising overall business planning and implementation	August 2014	August 20, 2014	None
Mr. Xu Ning (徐寧) . . . . .	44	Executive Director and Vice President	Assisting the President with the day-to-day operation and management of the Group	January 2016	May 26, 2021	None
Mr. Yu Lei (俞雷) . . . . .	45	Executive Director and Vice President	Assisting the President with the day-to-day operation and management of the Group	March 2015	May 26, 2021	None

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as Senior Management	Relationship with other Directors and senior management
Mr. Yu Qinglong (于慶龍) . . . . .	37	Executive Director and Chief Technology Officer	Overseeing and managing the overall technology development of the Group	January 2015	June 10, 2021	None
Mr. Wang Yongzhi (王永智) . . . . .	43	Board Secretary, Joint Company Secretary	Overseeing information disclosure and investor relations, organising shareholders' meetings and Board meetings, and secretarial affairs of the Board	June 2020	June 19, 2021	None
Mr. Lam Yiu Por (林曉波) . . . . .	45	Chief Financial Officer, Joint Company Secretary	Overseeing corporate finance, audit and capital management of the Group; Responsible for overseeing information disclosure and investor relations, organising shareholders' meetings and Board meetings, and secretarial affairs of the Board	January 2021	January 15, 2021	None

### DIRECTORS

#### Executive Directors

**Mr. Yang Wenlong** (楊文龍), aged 60, is our executive Director, Chairman of the Board and President. Mr. Yang previously served as chairman of the board of directors of Dingdang Medicine Express Technology from December 2017 to May 2021. Mr. Yang has been the chairman of the board of directors and the general manager of Renhe (Group) Development Co., Ltd. since July 2001. Mr. Yang also serves as a deputy officer of the Central Population, Medicine and Health Committee of China Democratic National Construction Association (CDNCA) since March 2013, and the chairman of Yichun Federation of Industry and Commerce since March 2013. Mr. Yang consecutively serves as a member of the eleventh, twelfth and thirteenth session of The National Committee of the Chinese People's Political Consultative Conference (CPPCC) since March 2008, consecutively serves as a member of the ninth, tenth and eleventh session of CDNCA since December 2007, consecutively serves as the vice chairman of the seventh, eighth and ninth session of Jiangxi Municipal Committee of CDNCA since June 2007, and vice chairman of Zhangshu Committee of the CPPCC since March 2007. Mr. Yang served as the chairman of the board and the general manager of Jiangxi Kangmei Medical Health Care Products Co., Ltd. (江西康美醫藥保健品有限公司), a company engages in medical and health business, from November 1998 to July 2001.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. Yang obtained an MBA from Renmin University in November 2004 in Beijing, the PRC and obtained a certificate upon completion of the fifth China CEO program of Cheung Kong Graduate School of Business in November 2010 in Beijing, the PRC. Mr. Yang holds a certificate of senior economist issued by Ministry of Personnel of Jiangxi Province, now known as Jiangxi Province Human Resources and Social Security Department, in January 2004 and a Chinese herbalist certificate issued by Zhangshu Title Reform Leading Group (樟樹市職稱改革領導小組) in October 1997.

**Mr. Xu Ning (徐寧)**, aged 44, is our executive Director and the Vice President. Mr. Xu has served as the vice president and chief financial officer of Dingdang Medicine Express Technology since January 2016 and director of Dingdang Medicine Express Technology since September 2020. Before joining the Group, Mr. Xu held positions in two media companies, including serving as the chief finance officer of Dongfang Fengxing (Beijing) Media Culture Co., Ltd. (東方風行(北京)傳媒文化有限公司) from July 2009 to December 2015 and the chief finance officer of Shanghai Framedia Advertising Development Co., Ltd. (上海框架廣告發展有限公司) from April 2007 to July 2009. Mr. Xu also served as the financial manager of China Economic Herald from July 2000 to June 2006, respectively.

Mr. Xu obtained a bachelor's degree of Tax from Shanghai University of Finance and Economics in Shanghai, the PRC in July 2000. He is an intermediate accountant since May 2007, an associate of The Chinese Institute of Certified Public Accountants (CICPA) since September 2010 (currently non-practising), and an associate of the Chartered Institute of Management Accountants (CIMA) since November 2020.

**Mr. Yu Lei (俞雷)**, aged 45, is our executive Director and the Vice President. Mr. Yu has served as the general manager of Jiangxi Dingdang E-Commerce since December 2016. Mr. Yu joined the Group in March 2015 and currently holds various positions at Dingdang Medicine Express Technology, including as a chief executive officer since November 2017, a chief operating officer since July 2015, and a senior vice president of operation since March 2015. Mr. Yu also served as the director of Dingdang Medicine Express Technology from November 2017 to May 2021. Before joining the Group, Mr. Yu served as the special business assistant to CEO and general manager of network operations centre at Lefeng (Shanghai) Information Technology Co., Ltd. (樂蜂網(上海)信息技術有限公司), a participant in the e-commerce industry, from April 2012 to March 2015. Prior to that, Mr. Yu held various positions with Orient Home Decoration & Building Materials Co. Ltd. (東方家園家居建材商業有限公司), which engages in the provision of home decoration and construction materials, including as the member of the executive committee, executive vice president of supermarket business department, operations director and marketing director from March 2008 to May 2012, and served as a senior marketing manager at the marketing center of Beijing Wumart Commercial Group Co., Ltd. (北京物美商業集團股份有限公司), a retail chain operator, from April 2003 to March 2008.

Mr. Yu obtained a bachelor's degree of economics (majoring in business management and minoring in economics) from Tianjin College of Commerce (天津商學院), now known as Tianjin University of Commerce (天津工商大學), in Tianjin, the PRC in July 2000. Mr. Yu currently holds a certificate of intermediate economist majoring in business administration and economics issued by the Ministry of Personnel of the PRC, now known as the Ministry of Human Resources and Social Security of the PRC, in November 2005. Mr. Yu also holds an HVAC engineer certificate granted by China Construction First Bureau (Group) Co., Ltd. (中國建築一局(集團)有限公司) in November 2004.

**Mr. Yu Qinglong (于慶龍)**, aged 37, is our executive Director and chief technology officer. Mr. Yu has been the chief technology officer of Dingdang Medicine Express Technology since January 2015. Prior to joining the Group, Mr Yu served as a senior manager at Vipshop (China) Co., Ltd. (a company listed on the New York Stock Exchange (stock symbol: VIPS)) from July 2014 to January 2015 and a senior director at Lefeng (Shanghai) Information Technology Co., Ltd. (樂蜂網(上海)信息技術有限公司) from April 2008 to July 2014. Both of Vipshop (China) Co., Ltd. and Lefeng (Shanghai) Information



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## DIRECTORS AND SENIOR MANAGEMENT

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Technology Co., Ltd. are participants in the e-commerce industry. Mr. Yu also serves as a consultant specially invited by China General Chamber of Commerce since January 2020, a master plan design expert specially invited by the New Smart City Committee of Enterprise Information Construction Committee of the China Communication Industry Association since December 2019, and served as the expert consultant of the Global Internet technology Conference in 2018.

Mr. Yu received a bachelor's degree in computer software application from Jilin University in Jilin, the PRC in December 2016 and a college degree (專科) in computer network technology from Harbin Vocational and Technical College (哈爾濱職業技術學院) in Heilongjiang, the PRC in January 2007. Mr. Yu was awarded as The Most Influential Technology Leader in the Chief Tech Director Conference held by Chief Technology Officer Alliance in 2018.

### Non-executive Directors

**Ms. Cai Li (蔡俐)**, aged 39, is our non-executive Director. Ms. Cai joined TPG Capital in August 2011 and is latest serving as a managing director of TPG Capital, a leading global alternative asset firm, responsible for TPG Capital's healthcare investments in Greater China. Mr. Cai currently serves as director of several member companies of Novotech Health Holdings Pte. Ltd. (a contract research organization invested by TPG Capital), including as director of Novotech Health Holdings Pte. Ltd. since December 2020, Novotech (Australia) Pty Ltd since July 2020, Novotech Holdings Pty Ltd since July 2020, Novotech Aus Holdco Pty Ltd since July 2020, Biosuntek Laboratory Co., Ltd. since December 2019, Acrostar Site Management Co., Ltd. (南京立順康達醫藥科技有限公司) since January 2019, PPC China Clinical Research Corporation Limited (上海立興佳生醫藥科技有限公司) since February 2018, PPC China Corporation Limited (上海百利佳生醫藥科技有限公司) since October 2017, PPC K.K. since September 2017, PPC Korea since August 2017, Acrostar Pharmservices Corporation (徐州立順康達醫藥科技有限公司) since August 2017, Bailixing (Xiamen) Equity Investment Co., Ltd. (百立興(廈門)股權投資有限公司) since August 2017, PPC Intermediate Holding Company since August 2017, and PPC Holding Company since August 2017, respectively.

Ms. Cai also currently holds positions in three other healthcare companies, including serving as a non-executive director of Zhaoke Ophthalmology Limited (a company listed on the Stock Exchange (stock code: 06622)) since October 2020, a non-executive director of Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司) since September 2020 and a non-executive director of Kangji Medical Holdings Limited (a company listed on the Stock Exchange (stock code: 09997)) since March 2020. Ms. Cai also serves as a supervisor of Shanghai Deyu Deqi Enterprise Management Consulting Co., Ltd. (上海德處得起企業管理諮詢有限公司), a company focuses on investment consulting, since November 2016. From March 2009 to July 2011, Ms. Cai worked as an investment associate at HAO Capital (Haotian Jinsheng Investment Management (Beijing) Limited), focusing on growth stage healthcare investments. From 2007 through 2008, Ms. Cai worked as a research analyst at Credit Suisse AG (New York).

Ms. Cai obtained a bachelor's degree in biomedical engineering and economics from Yale University in Connecticut, the United States in May 2007.

**Ms. Lian Suping (連素萍)**, aged 53, is our non-executive Director. Ms. Lian served as the director of Dingdang Medicine Express Technology since February 2019. Ms. Lian currently works for CMB International Capital Corporation Limited (招銀國際金融有限公司), a financial service provider, since December 2016. Ms. Lian served as the deputy general manager of asset management department from July 2016 to December 2016 and assistant of general manager of asset management department of China Merchants Bank Co., Ltd. (招商銀行股份有限公司) from April 2014 to July 2016.

Ms. Lian obtained a bachelor's degree of computer software from Xidian University (西安電子科技大學) in Shanxi, the PRC in July 1990. Mr. Lian is a senior economist.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Independent Non-executive Directors

**Mr. Zhang Shouchuan (張守川)**, aged 56, was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment will be effective from the date of this prospectus. Mr. Zhang currently serves as the executive director and general manager of Hebei Litian Longde Technology Co., Ltd. (河北力天隆德科技有限公司) since December 2019, the chairman of the board of Beijing Hengtao Technology Co., Ltd. (北京恒桃科技有限公司) since February 2019, the supervisor of Beijing Zhiyan Technology Co., Ltd. (北京智研科技有限公司) since June 2017, the general manager of Beijing Tiantao Technology Co., Ltd. (北京天桃科技有限公司) since May 2017, the executive director of Henan Taogu Information Technology Co., Ltd. (河南桃穀資訊科技有限公司) since November 2016, the independent non-executive director of Hebei Tangren Pharmaceutical Co., Ltd. (河北唐人醫藥股份有限公司) since April 2016, the executive director of Hebei Taogu Technology Co., Ltd. (河北桃穀科技有限公司) since March 2016, and the chairman of the board and chief executive officer of Beijing Taogu Technology Co., Ltd. (北京桃穀科技有限公司) since March 2015, respectively. The companies where Mr. Zhang are engaged mainly focus on medical services and promotion and application of technology. From August 2013 to February 2015, Mr. Zhang served as the chief operating officer of Alibaba Health Information Technology Limited (a company listed on the Stock Exchange (stock code: 00241) with a focus on medical and healthcare services). Prior to that, Mr. Zhang worked for two retail companies, including serving as the vice president of Beijing Jingdong Century Trading Co., Ltd. (北京京東世紀貿易有限公司) from December 2009 to August 2013, and the general manager of Metro AG Northern China from 1996 to September 2008, respectively.

Mr. Zhang obtained a bachelor's degree of Sanskrit Pali Language from Peking University in Beijing, the PRC in July 1989, and obtained his EMBA from Guanghua School of Management, Peking University in Beijing, the PRC in January 2015. In March 2017, Mr. Zhang was appointed by the Global Doctor Organization (China) as a senior strategic expert in the "Top-level Design and Senior Management Seminar for Chinese Internet Hospitals".

**Mr. Fan Zhenhong (樊臻宏)**, aged 54, was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment will be effective from the date of this prospectus. Mr. Fan has rich experience working in investment management companies. He currently serves as the responsible officer of First Seafont Financial Limited (第一前海金融有限公司) since September 2019, and a non-executive director of Beijing Jianguang Asset Management Co., Ltd. (北京建廣資產管理有限公司) since October 2014, respectively. From May 2010 to September 2019, Mr. Fan served as the general manager of Tianjin Huitong Taihe Investment Management Co., Ltd. (天津匯通太和投資管理有限公司).

Mr. Fan obtained a bachelor's degree of communication from Nanjing University of Posts and Telecommunications in Nanjing, the PRC in July 1987, a master's degree of electrical machinery from Rutgers University in New Jersey, the United States in October 1992, and a PhD in Finance and Statistics from Stern School of Business, New York University in New York, the United States in January 2000, respectively.

**Mr. Jiang Shan (姜山)**, aged 51, was appointed as an independent non-executive Director of the Company on June 19, 2021 and such appointment will be effective from the date of this prospectus. Mr. Jiang currently serves as the independent non-executive director of Beijing Meizhong Yihe Medical Management (Group) Co., Ltd. (北京美中宜和醫療管理(集團)股份有限公司), a company providing healthcare services, since September 2020. Mr. Jiang also worked in several financial institutions. From April 2018 to February 2019, Mr. Jiang served as the co-chief financial officer of China Renaissance Holdings Limited (a company listed on the Stock Exchange (stock code: 01911)). Prior to that, Mr. Jiang held various positions from July 2011 to July 2012 at Morgan Stanley Huaxin Securities, including serving as managing director of the investment banking department. Mr. Jiang worked in TPG Capital from February 2007 to January 2009, serving as director of the investment team and the chief representative of the Beijing representative office of TPG Capital China Limited from August 2007 to January 2009. Mr.

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## DIRECTORS AND SENIOR MANAGEMENT

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Jiang was the executive director in the corporate finance department of Goldman Sachs (Asia) L.L.C. from September 2004 to January 2007, and he also held various positions at UBS from April 2000 to September 2004, including as director of the investment banking department. Mr. Jiang served as an auditor at Arthur Andersen Huaqiang CPAs from July 1994 to May 1997.

Mr. Jiang received a bachelor's degree in English from Beijing Foreign Studies University in Beijing, the PRC in July 1994 and his master's degree in business administration from Kelley School of Business, Indiana University in Indiana, the United States in May 1999. Mr. Jiang has been a member of the Chinese Institute of Certified Public Accountants since March 2002 (currently non-practising).

### SENIOR MANAGEMENT

**Mr. Yang Wenlong (楊文龍).** See “— Directors — Executive Directors”.

**Mr. Xu Ning (徐寧).** See “— Directors — Executive Directors”.

**Mr. Yu Lei (俞雷).** See “— Directors — Executive Directors”.

**Mr. Yu Qinglong (于慶龍).** See “— Directors — Executive Directors”.

**Mr. Wang Yongzhi (王永智),** aged 43, was appointed as the board secretary and the joint company secretary of the Company on June 19, 2021. Mr. Wang has been the board secretary of Dingdang Medicine Express Technology since June 2020. Prior to joining the Group, Mr. Wang served as the board secretary of Autel Intelligent Technology Co., Ltd. (深圳市道通科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688208)) from March 2018 to June 2020, the deputy general manager and board secretary of Shenzhen Wushan New Materials Co., Ltd. (深圳市五山新材料股份有限公司) from February 2012 to March 2018, the board secretary of Shenzhen Riland Industry Co., Ltd. (深圳市瑞凌實業股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300154)) from September 2009 to January 2012, and the deputy director of investment operation management centre of Antaeus Investment Group Co., Ltd. (今典投資集團有限公司) from May 2008 to September 2009, respectively. Prior to that, Mr. Wang worked in China Securities Depository and Clearing Corporation Limited Shanghai Branch from August 2005 to March 2008 and Everbright Securities Co., Ltd. from July 2004 to August 2005, respectively.

Mr. Wang received a bachelor's degree of science in applied mathematics from Nankai University in Tianjin, the PRC in June 2001, and his master's degree of economics in finance from Peking University in Beijing, the PRC in June 2004, respectively.

**Mr. Lam Yiu Por (林曉波),** aged 45, was appointed as the chief financial officer and company secretary of the Company on January 15, 2021. Mr. Lam has more than 20 years of experience in the field of finance and accounting. Prior to joining our Group, Mr. Lam served as the vice president and chief financial officer of Greentech Technology International Limited (formerly known as L'sea Resources International Holdings Ltd., a company listed on the Stock Exchange (stock code: 00195)) from November 2013 to July 2020, the chief financial officer and company secretary of SSY Group Limited (formerly known as Lijun International Pharmaceutical (Holding) Co., Ltd., a company listed on the Stock Exchange (stock code: 02005)) from December 2005 to May 2008, and the financial controller and qualified accountant of China Clean Energy Technology Group Limited (formerly known as Zhongtian International Limited, a company listed on the Stock Exchange (stock code: 02379) ) from July 2004 to December 2005. Mr. Lam also worked at several private companies and firm serving positions in accounting and finance since 1997.

Mr. Lam is currently an independent non-executive director of JNBY Design Limited (a company listed on the Stock Exchange (stock code: 03306)). Mr. Lam served as an independent non-executive director and a member of the audit committee of Tian Ge Interactive Holdings Limited (a company listed

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## DIRECTORS AND SENIOR MANAGEMENT

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on the Stock Exchange (stock code: 01980)) from January 2021 to June 2022, an independent non-executive director and a member of the audit committee of China Tontine Wines Group Limited (a company listed on the Stock Exchange (stock code: 00389)) from November 2016 to November 2018, an independent non-executive director and a member of the audit committee of Denox Environmental & Technology Holdings Limited (a company listed on the Stock Exchange (stock code: 01452)) from October 2015 to June 2020, a non-executive director of Zhong Ao Home Group Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01538)) from April 2015 to May 2017, an independent non-executive director and a member of the audit committee of China Supply Chain Holdings Ltd (formerly known as Yat Sing Holdings Limited, a company listed on the Stock Exchange (stock code: 03708)) from December 2014 to March 2016, and an independent non-executive director of GR Properties Limited (a company listed on the Stock Exchange (stock code: 00108)) from June 2012 to February 2014.

Mr. Lam received a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in Hong Kong in November 1997. Mr. Lam has been a member of the Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Chartered Governance Institute, formerly known as the Hong Kong Institute of Chartered Secretaries, a chartered financial analyst of the CFA Institute and a fellow of the Association of Chartered Certified Accountants since October 2004, March 2006, September 2006 and November 2007, respectively.

The Directors are of the view that, despite their roles and commitments and/or directorship in numerous companies, Mr. Yang Wenlong, Ms. Cai Li and Mr. Zhang Shouchuan will be able to devote sufficient time to the Group's affairs. Mr. Yang Wenlong serves as the chairman of board of directors and general manager of Renhe and is primarily responsible for making decisions on matters regarding general corporate operation and development strategies, which will not take up a substantial amount of time. Other positions held by Mr. Yang are non-executive in nature. Notwithstanding the fact that Ms. Cai currently has directorship engagements with several listed companies, the Board is of the view that Ms. Cai will be able to devote sufficient time to the Group's affairs for the following reasons: (i) her role in our Group is non-executive in nature and she will not be involved in the daily management of our Group's business; (ii) the positions she held in the abovementioned listed companies are non-executive in nature and do not require her participation in their day-to-day operation and management; and (iii) none of the aforementioned listed companies she has directorship engagement with has questioned about her ability to devote sufficient time to such listed companies. As disclosed above, several companies where Ms. Cai serves directorship are member companies of Novotech Health Holdings and Ms. Cai is able to handle corporate affairs at a group level. With respect to companies where Mr. Zhang Shouchuan holds executive positions, several companies are group members of Beijing Taogu Technology Co., Ltd. and Mr. Zhang is mainly responsible for making decisions on matters regarding overall development and will not participate in the daily operation.

Save as disclosed above, none of the Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus. Save as disclosed herein, to the best knowledge, information and belief of the Directors and having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

### JOINT COMPANY SECRETARIES

**Mr. Wang Yongzhi (王永智).** See “— Senior Management”.

**Mr. Lam Yiu Por (林曉波).** See “— Senior Management”.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPETING INTERESTS

As of the Latest Practicable Date, none of our Directors had interests in business, which competes or is likely to compete, either directly or indirectly with our business which would otherwise require disclosure under Rule 8.10(1) of the Listing Rules.

### CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

### BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the Articles of Association and the corporate governance practice prescribed in the Hong Kong Listing Rules, we have formed three board committees, namely the Remuneration Committee, Nomination Committee, and the Audit Committee.

#### Audit Committee

The Audit Committee of the Company consists of three Directors, namely Mr. Jiang Shan, Mr. Zhang Shouchuan and Mr. Fan Zhenhong. Mr. Jiang Shan serves as the chairman of the committee. The main responsibilities of the Audit Committee of the Company include (but are not limited to):

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;
2. to review the financial information and relevant disclosures of the Company;
3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;
4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium- to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;
5. to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;
6. to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;
7. to monitor the non-compliance of the Company in respect of the financial reports and the risk management and internal control; and
8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Remuneration Committee

The Remuneration Committee of the Company consists of three Directors, namely Mr. Fan Zhenhong, Mr. Zhang Shouchuan and Ms. Cai Li. Mr. Fan Zhenhong serves as the chairman of the committee. The main responsibilities of the Remuneration Committee of the Company include (but are not limited to):

1. to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and
2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

### Nomination Committee

The Nomination Committee of the Company consists of three Directors, namely Mr. Yang Wenlong, Mr. Fan Zhenhong, Mr. Zhang Shouchuan. Mr. Yang Wenlong serves as the chairman of the committee. The main responsibilities of the Nomination Committee of the Company include (but are not limited to):

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;
2. to make recommendations to the Board on the nomination of candidates for Directors, presidents and secretary of the Board;
3. to preliminarily examine the eligibility of candidates for Directors and senior management;
4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and
5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where our Shares are listed and the requirements of the Memorandum and the Articles of Association, and as authorized by the Board.

### BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the “**Board Diversity Policy**”) in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board is of the view that our current Board composition satisfies the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board. After the Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPENSATION OF THE DIRECTORS, AND SENIOR MANAGEMENT

Our Directors, and senior management members who receive emolument from the Company are remunerated in forms of salaries, allowances, contribution to pension schemes, discretionary bonuses and others.

In 2018, 2019, 2020, 2021 and three months ended March 31, 2022, the total remuneration of our Directors amounted to approximately RMB1.0 million, RMB1.6 million, RMB6.5 million, RMB243.9 million and RMB69.35 million, respectively.

In 2018, 2019, 2020, 2021 and three months ended March 31, 2022, the aggregate amount of the remuneration of our senior management amounted to approximately RMB1.0 million, RMB1.6 million, RMB6.5 million, RMB246.9 million and RMB70.01 million, respectively.

In 2018, 2019, 2020, 2021 and three months ended March 31, 2022, the aggregate amount of the emoluments of the five highest paid individuals (excluding Directors) by the Group amounted to approximately RMB1.7 million, RMB1.7 million, RMB6.5 million, RMB5.0 million and RMB0.7 million, respectively.

Under the arrangement currently in force, the Company expects that the total remuneration (without taking into account the year-end bonuses and Employee Incentive Scheme) to be paid to our Directors and by the Company for the year ending 2022 will amount to approximately RMB5 million.

During the Track Record Period, no fees were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. None of the Directors or waived any remuneration during the relevant period.

The remuneration of our Directors, and senior management is determined with reference to the remuneration paid by comparable companies and the achievement of major operating indicators of the Company. Fixed remuneration is determined with reference to the remuneration data provided by the professional management consultation company and position of the Company among its major competitors.

### ESOP PLANS

The Company has adopted the ESOP Plans. For further details, please refer to “Appendix IV — Statutory and General Information — D. ESOP Plans”

### COMPLIANCE ADVISOR

We have agreed to appoint Maxa Capital Limited as our compliance advisor upon the Listing in compliance with Rules 3A.19 of the Listing Rules. The material terms of the compliance advisor’s agreement are as follows:

- (1) Maxa Capital Limited shall act as our compliance advisor for the purpose of Rules 3A.19 of the Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- (2) the compliance advisor will provide us with certain services including proper guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines;

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## DIRECTORS AND SENIOR MANAGEMENT

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- (3) the compliance advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines; and
- (4) the compliance advisor will act as one of the key channels of communication of the Company with the Stock Exchange.

### CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, our Company does not have a separate chairman and president and the responsibility of both chairman and President vest in Mr. Yang Wenlong. Our Board believes that vesting the responsibilities of both chairman and President in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Besides, with three independent non-executive Directors out of a total of nine Directors in our Board, there will be sufficient independent voice within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and President of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

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### OVERVIEW

As at the Latest Practicable Date, Mr. Yang Wenlong was indirectly interested in 50.48% of the issued Shares of our Company (as to approximately 21.16% being held through Delight Health Limited, approximately 22.59% being held through Future Health Limited, approximately 0.90% being held through Excel Returns Group Limited, approximately 5.83% being held or controlled through voting rights entrustment arrangements (including approximately 4.16% being controlled through Go Prosper Enterprises Corporation, and approximately 1.67% being controlled through Much Premium Investment Limited) (“**Voting Rights Entrustment Arrangements**”). Each of Delight Health Limited and Excel Returns Group Limited is a wholly owned subsidiary of Delight Faith Limited, a company owned by Mr. Yang Wenlong as to 60% of its equity interest and by Mr. Yang Yibin as to 40% of its equity interest. Excel Returns Group Limited is incorporated as a platform to hold Shares subject to the Pre-IPO Share Option Scheme and the RSU Scheme. It will transfer the Shares to the relevant grantees upon exercise of the options under the Pre-IPO Share Option Scheme and/or the vesting of restricted share units under the RSU Scheme, and the grantee will in turn irrevocably delegate the voting rights attached to the Shares owned by him/her upon vesting to Mr. Yang Wenlong or such other person as designated by Mr. Yang Wenlong. Each of Mr. Yang Wenlong and Excel Returns Group Limited undertakes that, upon Listing, he/it will not exercise voting rights attached to any Shares held by Excel Returns Group Limited in relation to options or restricted share units which have not been exercised or vested. Future Health Limited is a wholly owned subsidiary of Go Far Limited, a company owned by Mr. Yang Wenlong as to 60% of its equity interest and by Mr. Yang Xiao as to 40% of its equity interest.

Accordingly, Mr. Yang Wenlong, Mr. Yang Yibin and Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation and Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited and Go Far Limited are deemed to be a group of Controlling Shareholders (“**Controlling Shareholders Group**”) of our Company.

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), the Controlling Shareholders Group will be interested in 49.21% of the issued Shares of our Company and thus remain a group of Controlling Shareholders of our Company.

### DELINEATION OF BUSINESS AND COMPETITION

#### Our Business

We are a service provider in providing express digital healthcare service in China. We create a vibrant ecosystem through the products and services we offering connecting our users, doctors and pharmacists, pharmacies, pharmaceutical companies, insurance companies and other participants in the ecosystem.

Our business comprises of a series of product and service offerings, mainly (i) drug express, which allows users to purchase and gain express access to OTC drugs, prescription drugs and healthcare products in a timely and convenient fashion, (ii) online medical consultation, which provides cost-effective and convenient online medical consultation to users, and (iii) chronic disease and healthcare management, which provides users with high-quality services addressing various needs of users with chronic diseases. In addition to such three major offerings, we also provide our users with other service offerings such as clinical appointment, and psychological consultation.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

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### Controlling Shareholders Group's Business

Our Controlling Shareholders Group, apart from its interests in our Group, is also entitled to exercise or control the exercise of 10% or more of the voting power at any general meeting of certain companies including Renhe Group, Renhe Pharmacy Group and certain investment holding companies. Renhe Group and Renhe Pharmacy Group primarily engage in the research and development, manufacture and sales of self-branded drugs, active pharmaceutical ingredients and healthcare products. The aforementioned investment holding companies are not currently engaged in active investment operations and only invest in Beijing Chunbo Technology Co., Ltd. (北京春播科技有限公司), which is an e-commerce provider of fresh agricultural products.

### Delineation between the Business of the Group and the Controlling Shareholders Group

Our Directors are of the view that there is a clear delineation between the businesses operated by our Controlling Shareholders Group and our Group because our business nature and model is different from that of the Controlling Shareholders Group:

- **Different businesses and market players:** our Group mainly engages in (i) provision and express delivery of OTC drugs, prescription drugs and healthcare products through online and offline channels; (ii) provision of cost-effective and convenient online medical consultation, of a wide range of conditions and cases with a primary focus on common and chronic illness; and (iii) provision of chronic disease and healthcare management to users with chronic diseases such as liver diseases and skin disorders. Our Controlling Shareholders Group does not engage in aforementioned businesses. In contrast, Renhe Group and Renhe Pharmacy Group mainly engage in (i) research, development, and manufacture of self-branded drugs, active pharmaceutical ingredients and healthcare products; and (ii) supply of self-branded products to traditional offline distributors. From the perspective of the industry chain, our Group serve as one of the downstream distribution channels of Renhe Group and Renhe Pharmacy Group. Renhe Group also has presence in real estate business. As our Group does not engage in manufacture of any pharmaceutical products, active pharmaceutical ingredients, healthcare products, or real estate business, our Group did not and will not compete against Renhe Group or Renhe Pharmacy Group;
- **Different distribution models and customers:** our Group mainly pursues an online-to-offline strategy and mainly engages in online direct sales to customers. Our customers primarily include users who purchase our offerings through our online and offline channels, and our distributors. Our distributors include individuals or small enterprises that purchase our products and further on-sell to users through e-commerce platforms, as well as some major e-commerce retailers that on-sell our products to users. In contrast, Renhe Group and Renhe Pharmacy Group typically function as traditional developer and manufacturer of drugs and other healthcare products and supply their self-branded products to traditional offline distribution channels and usually do not involve in direct sales to individual customers; and
- **Collaborative relationships between our Group and Renhe Group and Renhe Pharmacy Group:** our Group act as an exclusive online distribution channel of Renhe Group and Renhe Pharmacy Group by procuring and selling the drugs and healthcare products manufactured by Renhe Group and Renhe Pharmacy Group. Such collaborative arrangement reflects that the relationship between our Group and Renhe Group and Renhe Pharmacy is more akin to cooperation, rather than competition, in substance.

Based on above, our Directors are of the view that the Controlling Shareholders Group has no interest in a business apart from our Group's business, which competes, or is likely to compete, whether directly or indirectly, with our Group, which would otherwise require disclosure under Rule 8.10(1) of the Listing Rules.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

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### NON-COMPETITION UNDERTAKING

Mr. Yang Wenlong has signed a non-competition undertaking on August 26, 2022 in favour of our Group (the “**Non-competition Undertaking**”), pursuant to which, Mr. Yang Wenlong has unconditionally and irrevocably undertaken that as long as the Shares of our Company are listed on the Stock Exchange and he remains as our Controlling Shareholder, he will not, and will reasonably procure the entities where he is substantial shareholders will not, directly and indirectly, operate or be involved in any business competing or is likely to compete with our Group.

The above undertaking does not apply where:

- (i) Mr. Yang Wenlong and/or entities where he is substantial shareholders hold any interests in the shares of any member of our Group or conduct business on behalf of any member of our Group;
- (ii) Mr. Yang Wenlong and/or entities where he is substantial shareholders hold, directly or indirectly, any equity interests in any companies listed on an accepted stock exchange other than our Group;
- (iii) Mr. Yang Wenlong and/or entities where he is substantial shareholders hold any equity interests in any company other than our Group, except that:
  - (a) according to the latest audited accounts of such company, the businesses of the company, which competes or is likely to compete with our Group, (and its related assets) accounts for less than 10% of the consolidated sales or consolidated assets of the company; and
  - (b) the total number of shares held by the Mr. Yang Wenlong and/or entities where he is substantial shareholders account for no more than 10% of the shares of the same class issued by such company.

### INDEPENDENCE FROM CONTROLLING SHAREHOLDERS GROUP

Having considered the following factors, the Directors believe that our Group can conduct our business independently from the Controlling Shareholders Group and its close associates after the completion of the Global Offering.

#### Management Independence

The Board of our Company consists of nine Directors, including four executive Directors, two Non-executive Directors and three Independent Non-executive Directors, of which one Director, (the “**Overlapping Director**”) also holds and will continue to hold positions in the Controlling Shareholders Group and/or its close associates after the completion of the Global Offering.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

The following table sets forth the positions held by our Directors and Senior Management in the Controlling Shareholders Group and/or its close associates as at the Latest Practicable Date:

Name	Positions within our Company	Positions within the Controlling Shareholders Group and/or its close associates
Mr. Yang Wenlong (楊文龍) . . . . .	Executive Director, Chairman, and President	Executive director and president of Renhe
Mr. Xu Ning (徐寧) . . . . .	Executive Director and Vice President	None
Mr. Yu Lei (俞雷) . . . . .	Executive Director and Vice President	None
Mr. Yu Qinglong (于慶龍) . . . . .	Executive Director and Chief Technology Officer	None
Ms. Cai Li (蔡俐) . . . . .	Non-executive Director	None
Ms. Lian Suping (連素萍) . . . . .	Non-executive Director	None
Mr. Zhang Shouchuan (張守川) . . . . .	Independent Non-executive Director	None
Mr. Fan Zhenhong (樊臻宏) . . . . .	Independent Non-executive Director	None
Mr. Jiang Shan (姜山) . . . . .	Independent Non-executive Director	None
Mr. Wang Yongzhi (王永智) . . . . .	Board Secretary and Joint Company Secretary	None
Mr. Lam Yiu Por (林曉波) . . . . .	Chief Financial Officer and Joint Company Secretary	None

Mr. Yang Wenlong, the Chairman of the Board President and an executive Director of our Company, is also a member of the Controlling Shareholders Group and serves as the executive director and president of Renhe. Mr. Yang Wenlong is responsible for making decisions on matters relating to the general development and corporate operation strategy of Renhe.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

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Save as disclosed above, none of our Directors or members of senior management holds any other position in the Controlling Shareholders Group or its close associates. As illustrated above, three out of four Executive Directors and all senior management other than Mr. Yang Wenlong do not hold any position in the Controlling Shareholders Group or its close associates. The Company and the Controlling Shareholders Group and its close associates are managed by separate management teams. Hence, we have sufficient management team members who do not hold any position in our Controlling Shareholders Group and/or its close associates and are independent and have the adequate relevant experience to ensure the normal operation of the day-to-day business and management of our Group.

The Directors believe that our management is capable of managing the Group's business and operation independently of the Controlling Shareholders Group after the Listing for the following reasons:

- (i) each of our Directors is aware of his/her fiduciary duties as a director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;
- (ii) according to the Articles of Association, the Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the particular Board meeting, therefore the overlapping roles of the Directors will not affect the independence of their roles or the independence of the Board;
- (iii) the Board of our Company has a balanced composition of nine Directors, and three of them are independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Specifically, (a) our independent non-executive Directors are not associated with the members of the Controlling Shareholders Group or its close associates; (b) our independent non-executive Directors account for one-third of the Board; and (c) our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to provide professional and experienced advice to our Company. Our Directors are of the view that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interests of our Company and our Shareholders as a whole; and
- (iv) having considered (i) the fact that none of the Controlling Shareholders Group or its close associates is engaged in businesses which are similar to the core businesses of our Group and (ii) the management system on connected transactions adopted and implemented by us as set out in "Connected Transactions — Internal Control Measures", the Company believes that the possibility of conflict of interest or potential conflict of interest issues in discharging the Overlapping Director's duties of business and operation management of our Group is relatively low.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management can operate our business independently from our Controlling Shareholders Group and its close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

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### **Operational Independence**

We have full rights to make and implement all operational decisions regarding our own business operations independently from our Controlling Shareholders Group and its close associates. We have our own organisational structure with independent departments, each with specific areas of responsibility, and also maintains a set of comprehensive internal control measures to facilitate the effective operation of our business. We, directly or indirectly through our subsidiaries, hold all relevant licenses, approvals and permits from relevant regulatory authorities which are material to our business operations. We are in possession of all operating facilities and technology relating to our business and have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders Group and its close associates.

Due to the features and characteristics of our businesses, we entered into certain continuing connected transactions with the Renhe. For more details, see “Connected Transactions”. Other than the royalty-free trademark licensing as disclosed in the “Connected Transaction” section, to knowledge, there is no sharing of resources between each of the companies/businesses held by the Controlling Shareholders Group and the Group without being recharged to the Group on an arm’s length basis. For the year ended December 31, 2018, 2019, 2020, 2021, and the three months ended March 31, 2022, 33.2%, 29.1%, 29.2%, 21.0%, and 18.6% of the drugs and healthcare products we purchased are self-branded products of Renhe Group and Renhe Pharmacy Group. Considering that our access to independent sources and the sufficiently competitive market, our Directors believe that, even if such agreements are terminated, the we will be able to identify other suitable partners or substitutes through fair negotiation at similar terms and conditions in line with the market terms to meet our business and the operational needs without causing any undue delay or suspension in operation.

Based on the above, our Directors believe that we are able to operate our business independently from our Controlling Shareholders Group and/or its close associates.

### **Financial Independence**

We have our own accounting and financial management system and accounting and finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from the Controlling Shareholders Group and its close associates and making independent financial decisions according to our own business needs. We maintain bank accounts independently and do not share any bank account with the Controlling Shareholders Group. We make tax registration and pay tax independently with our own funds. As such, our financial functions, such as cash and accounting management, invoices and bills, operate independently of the Controlling Shareholders Group and its close associates.

In addition, we have independent access to third party financing and do not rely on financial assistance provided by, or any guarantee or mortgage from the Controlling Shareholders Group and/or its close associates to obtain the relevant financing. As of the Latest Practicable Date, all borrowings and non-trade transactions between us and the Controlling Shareholders Group and/or its close associates have been settled, and all guarantees provided to us by the Controlling Shareholders Group and/or its close associates have been released.

Based on the above, our Directors believe that we are able to maintain financial independence from the Controlling Shareholders Group and/or its close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS GROUP

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### CORPORATE GOVERNANCE MEASURES

Upon the completion of the Global Offering, our Company will adopt the following corporate governance measures to identify and manage potential conflicts of interest:

- (i) where a Shareholders' meeting is held for considering proposed transactions in which the Controlling Shareholders Group has a material interest, the Controlling Shareholders Group shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for voting;
- (ii) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for voting;
- (iii) our independent non-executive Directors will review, on an annual basis, the compliance by our Controlling Shareholders Group with the Non-competition Undertaking, and the compliance and enforcement of which will be disclosed in the annual reports of the Company;
- (iv) in the event that our independent non-executive Directors are requested to review any conflict of interests circumstances between our Group and our Controlling Shareholders Group and/or Directors, the Controlling Shareholders Group and/or Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either in its annual report or by way of announcements;
- (v) our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisers at our Company's cost as and when appropriate in accordance with the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules;
- (vi) any transaction between our Company and the Controlling Shareholders Group and its associates shall comply with the relevant requirements of the Listing Rules, including, where appropriate, the announcement, reporting, and independent Shareholders' approval requirements; and
- (vii) our Company has appointed Maxa Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Based on the above, our Directors are satisfied that our Company has sufficient and effective corporate governance measures to manage conflicts of interest between our Group and the Controlling Shareholders Group and/or Directors to protect minority Shareholders' rights after the Listing.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), the following persons are expected to have an interest in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Shares held as at the Latest Practicable Date		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	Percentage	Number	Percentage
Delight Health Limited <sup>(1)(8)</sup> . . .	Beneficial owner, interest held jointly with other persons	660,205,360	50.48%	660,205,360	49.21%
Delight Faith Limited <sup>(1)(2)(8)</sup> . . .	Interest in controlled corporation, interest held jointly with other persons	660,205,360	50.48%	660,205,360	49.21%
Future Health Limited <sup>(3)(8)</sup> . . . .	Beneficial owner, interest held jointly with other persons	660,205,360	50.48%	660,205,360	49.21%
Go Far Limited <sup>(3)(4)(8)</sup> . . . . .	Interest in controlled corporation, interest held jointly with other persons	660,205,360	50.48%	660,205,360	49.21%
Excel Returns Group Limited <sup>(5)(8)</sup> . . . . .	Beneficial owner, interest held jointly with other persons	660,205,360	50.48%	660,205,360	49.21%
Go Prosper Enterprises Corporation <sup>(6)(8)</sup> . . . . .	Beneficial owner, interest held jointly with other persons	660,205,360	50.48%	660,205,360	49.21%
Much Premium Investment Limited <sup>(6)(8)</sup> . . . . .	Beneficial owner, interest held jointly with other persons	660,205,360	50.48%	660,205,360	49.21%
Mr. Yang Wenlong <sup>(1)(2)(3)(4)(5)(6)(7)(8)</sup> . . . . .	Beneficial owner, interest in controlled corporation, interest through Voting Rights Entrustment Arrangement, interest held jointly with other persons	660,205,360	50.48%	660,205,360	49.21%
Mr. Yang Yibin <sup>(1)(2)(8)</sup> . . . . .	Interest held jointly with other persons	660,205,360	50.48%	660,205,360	49.21%
Mr. Yang Xiao <sup>(3)(4)(8)</sup> . . . . .	Interest held jointly with other persons	660,205,360	50.48%	660,205,360	49.21%



## SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Shares held as at the Latest Practicable Date		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	
		Number	Percentage	Number	Percentage
Shanhaiyihao <sup>(9)</sup>	Beneficial owner	92,567,623	7.08%	92,567,623	6.90%
CMB Financial Holdings (Shenzhen) Co., Ltd. <sup>(9)</sup>	Interest in controlled corporation	95,267,130	7.28%	95,267,130	7.10%
CMB International Capital Corporation Limited <sup>(9)(10)</sup>	Interest in controlled corporation	95,267,130	7.28%	95,267,130	7.10%
CMB International Capital Holdings Corporation Limited <sup>(9)(10)(11)</sup>	Interest in controlled corporation	95,267,130	7.28%	95,267,130	7.10%
China Merchants Bank Co., Ltd. <sup>(9)(10)(11)(12)</sup>	Interest in controlled corporation	95,267,130	7.28%	95,267,130	7.10%
TPG Asia VII <sup>(13)</sup>	Beneficial owner	82,897,346	6.33%	82,897,346	6.18%
TPG Capital <sup>(13)</sup>	Interest in controlled corporation	82,897,346	6.33%	82,897,346	6.18%

*Notes:*

- (1) As at the Latest Practicable Date, Delight Health Limited directly holds 276,712,555 Shares in our Company and is wholly owned by Delight Faith Limited.
- (2) As at the Latest Practicable Date, Delight Faith Limited is owned by Mr. Yang Wenlong as to 60% of its equity interests and Mr. Yang Yibin as to 40% of its equity interests.
- (3) As at the Latest Practicable Date, Future Health Limited directly holds 295,499,475 Shares in our Company and is wholly owned by Go Far Limited.
- (4) As at the Latest Practicable Date, Go Far Limited is owned by Mr. Yang Wenlong as to 60% of its equity interests and Mr. Yang Yibin as to 40% of its equity interests.
- (5) As of Latest Practicable Date, Excel Returns Group Limited directly holds 11,760,000 Shares in our Company and is wholly-owned by Delight Faith Limited. Excel Returns Group Limited functions as the platform to hold Shares subject to the Pre-IPO Share Option Scheme and the RSU Scheme. It will transfer the Shares to the relevant grantees upon exercise of the options under the Pre-IPO Share Option Scheme and/or the vesting of restricted share units under the RSU Scheme, and the grantee will in turn irrevocably delegate the voting rights attached to such Shares owned by him/her upon vesting to Mr. Yang Wenlong or such other person as designated by Mr. Yang Wenlong. Each of Mr. Yang Wenlong and Excel Returns Group Limited undertakes that, upon Listing, he/it will not exercise voting rights attached to any Shares held by Excel Returns Group Limited in relation to options or restricted share units which have not been exercised or vested.
- (6) Go Prosper Enterprises Corporation and Much Premium Investment Limited directly hold 54,400,000 and 21,833,330 Shares in our Company, respectively, and function as the platforms of the Restricted Share Scheme. Go Prosper Enterprises Corporation and Much Premium Investment Limited are wholly-owned by Restricted Share Scheme Participants.
- (7) As at the Latest Practicable Date, Mr. Yang Wenlong was indirectly interested in a total of 660,205,360 Shares of our Company, representing approximately 50.48% of the Company's total issued Shares, including (i) 288,472,555 Shares being held through Delight Faith Limited and its subsidiaries, (ii) 295,499,475 Shares being held through Go Far Limited and its subsidiaries, and (iii) 76,233,330 Shares being held or controlled through Voting Rights Entrustment Arrangements with Go Prosper Enterprises Corporation and Much Premium Investment Limited.
- (8) Mr. Yang Wenlong, Mr. Yang Yibin and Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation and Much Premium Investment Limited, Delight Health Limited, Future Health Limited, Delight Faith Limited, and Go Far Limited formed the Controlling Shareholders Group of our Company. As such, each of Mr. Yang Wenlong, Mr. Yang Yibin, Mr. Yang Xiao, Excel Returns Group Limited, Go Prosper Enterprises Corporation, Much Premium Investment Limited, Delight Health Limited, Future Health Limited, and Delight Faith Limited are deemed to be interested in the Shares held by other members of the Controlling Shareholders Group for purpose of Part XV of the SFO.

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## SUBSTANTIAL SHAREHOLDERS

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- (9) As of Latest Practicable Date, CMB Financial Holdings (Shenzhen) Co., Ltd. indirectly controls 95,267,130 Shares of our Company, representing 7.28% of the Company's voting rights, including 92,567,623 Shares through Shanhaiyihao and 2,699,507 Shares through Nanjing Zhaoyin Gongying. The general partner of Shanhaiyihao is CMB International Financial Holdings (Shenzhen) Co., Ltd., a wholly-owned subsidiary of CMB Financial Holdings (Shenzhen) Co., Ltd. The general partner of Nanjing Zhaoyin Gongying is Jiangsu Zhaoyin Industrial Fund Management Co., Ltd., a wholly-owned subsidiary of CMB International Capital Management (Shenzhen) Ltd., which in turn is a wholly-owned subsidiary of CMB Financial Holdings (Shenzhen) Co., Ltd. As such, CMB Financial Holdings (Shenzhen) Co., Ltd. is deemed to be interested in the Shares held by Shanhaiyihao and Nanjing Zhaoyin Gongying for purpose of Part XV of the SFO.
- (10) As of Latest Practicable Date, CMB Financial Holdings (Shenzhen) Co., Ltd. is wholly-owned by CMB International Capital Corporation Limited. As such, CMB International Capital Corporation Limited is deemed to be interested in the Shares controlled by CMB Financial Holdings (Shenzhen) Co., Ltd. for purpose of Part XV of the SFO.
- (11) As of Latest Practicable Date, CMB International Capital Corporation Limited is held as to 83.2% by CMB International Capital Holdings Corporation Limited. As such, CMB International Capital Holdings Corporation Limited is deemed to be interested in the Shares controlled by CMB International Capital Corporation Limited for purpose of Part XV of the SFO.
- (12) As of Latest Practicable, CMB International Capital Holdings Corporation Limited is wholly-owned by China Merchants Bank Co., Ltd. As such, China Merchants Bank Co., Ltd is deemed to be interested in the Shares controlled by CMB International Capital Holdings Corporation Limited for purpose of Part XV of the SFO.
- (13) As of Latest Practicable Date, TPG Asia VII is an affiliate of TPG Capital.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company.

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## SHARE CAPITAL

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### AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

	<u>Aggregate nominal value of Shares (US\$)</u>
<b>As of the date of this prospectus</b>	
<i>Authorized share capital</i>	
4,322,857,693 Ordinary Shares of US\$0.0001 each . . . . .	432,285.77
125,000,000 Series A Preferred Shares of US\$0.0001 each . . . . .	12,500.00
147,058,820 Series B Preferred Shares of US\$0.0001 each . . . . .	14,705.88
222,709,327 Series B+ Preferred Shares of US\$0.0001 each . . . . .	22,270.93
182,374,160 Series C Preferred Shares of US\$0.0001 each . . . . .	18,237.42
 <i>Issued share capital</i>	
630,793,590 Ordinary Shares of US\$0.0001 each . . . . .	63,079.36
125,000,000 Series A Preferred Shares of US\$0.0001 each . . . . .	12,500.00
147,058,820 Series B Preferred Shares of US\$0.0001 each . . . . .	14,705.88
222,709,327 Series B+ Preferred Shares of US\$0.0001 each . . . . .	22,270.93
182,374,160 Series C Preferred Shares of US\$0.0001 each . . . . .	18,237.42
 <b>Immediately after completion of the Global Offering</b>	
<i>Authorized share capital</i>	
5,000,000,000 shares of US\$0.0001 each . . . . .	500,000
 <i>Shares to be issued under the Global Offering (assuming the Over-allotment Option is not exercised)</i>	
33,537,000 Shares of US\$0.0001 each . . . . .	3,353.70
 <i>Total issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)</i>	
1,341,472,897 Shares of US\$0.0001 each . . . . .	134,147.29

### ASSUMPTIONS

The above table assume that: (i) the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering; and (ii) the Over-allotment Option is not exercised. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

### RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

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## SHARE CAPITAL

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### **CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED**

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may be subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed “Summary of the Constitution of the Company and Cayman Islands Companies Law — Summary of the Constitution of the Company — Articles of Association — Alteration of capital” in Appendix III for further details.

### **GENERAL MANDATE TO ISSUE SHARES**

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering; and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed “— General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See the section headed “Statutory and General Information — A. Further Information about our Group — Resolutions of the Shareholders of our Company dated August 25, 2022” in Appendix IV for further details.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information about our Group — Resolutions of the Shareholders of Our Company dated August 25, 2022” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

### ESOP PLANS

In order to incentivize our Directors, senior management and other employees for their contribution to our Group and to attract and retain suitable personnel to our Group, we adopted the ESOP Plans. For further details, see "Appendix IV — Statutory and General Information — D. ESOP Plans."

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE INVESTMENT

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of US\$38 million (or approximately HK\$298.16 million, calculated based on an exchange rate of US\$1.00 to HK\$7.8464 and exclusive of the brokerage, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy) (the “**Cornerstone Investment**”).

The total number of Offer Shares to be subscribed by the Cornerstone Investors at the Offer Price of HK\$12.00 would be 24,846,500 Offer Shares, representing approximately 74.09% of the Offer Shares pursuant to the Global Offering and approximately 1.85% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors’ investment experience, the Cornerstone Investment will help raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors through introduction by the Joint Global Coordinators in the Global Offering.

The Cornerstone Investment will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder (as defined under the Listing Rules) of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, and none of the Cornerstone Investors or any of their affiliates, directors, officers, employees, agents or representatives, has accepted or entered into any agreement or arrangement to accept any direct or indirect benefits by side letter or otherwise, from the Company, any member of our Group, or any of their respective affiliates, directors, officers, employees, agents or representatives in the Global Offering or otherwise has engaged in any conduct or activity inconsistent with, or in contravention of, Guidance Letter HKEX-GL51-13.

As confirmed by each of the Cornerstone Investors, there are no side arrangements or agreements between our Company, any member of the Group, or any of their respective affiliates, directors, officers, employees, agents or representatives in the Global Offering and the Cornerstone Investors, any of their affiliates, directors, officers, employees, agents or representatives, or any benefit, direct or indirect, conferred on the Cornerstone Investors, any of their affiliates, directors, officers, employees, agents or representatives by virtue of or in relation to the Cornerstone Investment, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

To the best knowledge of our Company, (i) each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party, is not a connected person of our Company, and is not an existing Shareholder or its close associate (as defined in the Listing Rules); (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, our subsidiaries, the Directors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or their respective close associates in relation to the acquisition, disposal, voting, or other disposition of Shares registered in its name or otherwise held by it; and (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, our subsidiaries, the Directors, chief executives, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of our subsidiaries or their respective close associates. In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

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## CORNERSTONE INVESTORS

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As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Investment would be financed by its own internal financial resources or the funds under its management. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Investment, none of the Cornerstone Investors or their shareholders are listed on any stock exchange and no specific approval from any stock exchange is required for the relevant Cornerstone Investment.

Pursuant to Rule 8.08(3) of the Listing Rules, no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public shareholders of the Shares. At the Offer Price of HK\$12.00, the total investment amount invested by and the total number of Shares to be allocated to Sunshine Insurance, Harvest and Jumpcan (as defined below), being the three Cornerstone Investors, will be US\$38 million and 24,846,500 Shares, respectively, representing approximately 74.09% of the Offer Shares (assuming the Over-allotment Option is not exercised) and approximately 1.85% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), and therefore satisfying the requirement under Rule 8.08(3) of the Listing Rules.

If there is over-allocation in the International Offering, there may be delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors under the Cornerstone Investment. All Cornerstone Investors have agreed that the Joint Global Coordinators may, in their sole discretion, defer the delivery of all or part of the Offer Shares that such Cornerstone Investors have subscribed for to a date later than the Listing Date. All of the Cornerstone Investors, including the aforesaid Cornerstone Investors who have agreed to a potential delayed delivery arrangement, have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's Offer Shares commence on the Stock Exchange. The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation". Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around September 13, 2022.

To the extent that any Cornerstone Investor has engaged a PRC QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure the PRC QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement.

### THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investors in connection with the Cornerstone Investment.

#### **Sunshine Life Insurance Co., Ltd.**

Sunshine Life Insurance Co., Ltd. ("**Sunshine Insurance**") is principally engaged in various insurance business and securities investment funds trading business and is a company limited by shares incorporated under the laws of PRC. Sunshine Insurance is owned as to 99.9999% by Sunshine Insurance Group Co., Ltd., of which none of its shareholders holds more than one-third of its equity interest, and as to 0.0001% by Lahsa Huiju Enterprise Consultation Co., Ltd., a company ultimately controlled by Mr. Song Ning, being an Independent Third Party, respectively. For the purpose of this cornerstone investment, Sunshine Insurance has engaged Sunshine Asset Management Corporation Limited, an asset manager which is a QDII, to subscribe for and hold such Offer Shares on its behalf on a discretionary basis.

## CORNERSTONE INVESTORS

### Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP (“**Harvest**”) is a fund established in February 2022. Harvest International Premium Value (Secondary Market) Fund SPC is a segregated portfolio company established in the Cayman Islands and is an Independent Third Party. 91% of the management shares of Harvest International Premium Value (Secondary Market) Fund SPC are held by Harvest Global Investments Limited (“**HGI**”) and 9% of the management shares are held by Harvest Global Capital Investments Limited (“**HGCI**”). Incorporated in Hong Kong in 2008, HGI is a wholly owned subsidiary of Harvest Fund Management Co., Ltd (“**HFM**”). HFM is one of the first ten public fund management companies approved to be established within China. HGCI is a company incorporated in Hong Kong in 2011 and licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. The participating shareholder of Harvest Great Bay Investment SP is Navigator Technology Limited (“**NTL**”), and the ultimate beneficial owner of NTL is Zheng Fuhua, an Independent Third Party.

### Jumpcan International Co., Ltd.

Jumpcan International Co., Ltd. (“**Jumpcan**”) is an investment holding company incorporated in the BVI on May 19, 2014 and is wholly and beneficially owned by Mr. Cao Fei (“**Mr. Cao**”), an Independent Third Party. Mr. Cao is a director and a shareholder of Hubei Jumpcan Pharmaceutical Co., Ltd. (湖北濟川藥業股份有限公司), a pharmaceutical company listed on the Shanghai Stock Exchange (stock code: 600566) primarily focused on pediatrics, breathing, and digestion field. Jiangsu Jumpcan Holding Group Co., Ltd (江蘇濟川控股集團有限公司) holds approximately 46.92% of interests in Hubei Jumpcan Pharmaceutical Co., Ltd. and is in turn owned by Mr. Cao as to 30% of its interests.

The table below sets forth details of the Cornerstone Investment:

Based on the Offer Price of HK\$12.00								
Cornerstone Investor	Total investment Amount (US\$ in million)	Number of Offer Shares to be acquired <sup>(1)(2)</sup>	Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
			Approximate % of the Offer Shares	Approximate % of the International Offer Share	Approximate % of shareholding percentage in our Company immediately upon the completion of the Global Offering	Approximate % of the Offer Shares	Approximate % of the International Offer Share	Approximate % of shareholding percentage in our Company immediately upon the completion of the Global Offering
Sunshine Insurance . . .	25	16,346,500	48.74	54.16	1.22	42.38	46.42	1.21
Harvest . . . . .	10	6,538,500	19.50	21.66	0.49	16.95	18.57	0.49
Jumpcan . . . . .	3	1,961,500	5.85	6.50	0.15	5.0	5.57	0.15

*Notes:*

- (1) Calculated based on an exchange rate of US\$1.00 to HK\$7.8464.
- (2) Subject to rounding down to the nearest whole board lot of 500 Shares.



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## CORNERSTONE INVESTORS

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### CLOSING CONDITIONS

The obligation of each of the Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (ii) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Investment) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iii) no laws shall have been enacted or promulgated by any government authority which prohibits the consummation of the transactions contemplated in Hong Kong Public Offering, the International Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (iv) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

### RESTRICTIONS ON THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.*

*For the purpose of this section, unless the context otherwise requires, references to 2018, 2019, 2020 and 2021 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

### OVERVIEW

We are a service provider in providing express digital healthcare service in China. We are transforming and reshaping China's healthcare industry by on-demand pharmaceutical retail and medical consultation, primarily with online-to-offline solutions.

Driven by the aging of the population, the advancement of Internet-based technologies, the market-oriented reforms of healthcare systems in China, and market uncertainties such as the COVID-19 outbreak, the digital health and wellness market has been growing rapidly since 2015, revealing significant unmet demands in healthcare services, such as pharmaceutical retail and medical consultation, and creating immense market opportunities for on-demand healthcare services. Meanwhile, we have connected industry participants including medical professionals, pharmacies, pharmaceutical companies, and other stakeholders along the entire value chain to construct a technology-driven, user-centric, and closed-loop ecosystem featuring the provision of healthcare product and service offerings.

Leveraging our integrated online and offline operations, we provide our users with a full suite of on-demand healthcare product and service offerings, such as drug express, online medical consultation and chronic disease and healthcare management.

In 2018, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our revenue was approximately RMB584.6 million, RMB1,275.6 million, RMB2,228.6 million, RMB3,678.7 million, RMB779.7 million and RMB987.4 million, respectively, with a CAGR of approximately 84.6% from 2018 to 2021 and a year-on-year increase of 26.6% from the three months ended March 31, 2021 to the three months ended March 31, 2022.

## FINANCIAL INFORMATION

### RECENT DEVELOPMENTS

Since the end of the Track Record Period and up to the Latest Practicable Date, our business continued to expand.

As of the Latest Practicable Date, we had 351 smart pharmacies and a team of 20 full-time and 72 part-time doctors, more than 800 external doctors that we were connected to through our collaboration with a third-party medical institution and 427 pharmacists, which effectively meets the needs of our users for real-time consultation with the support from our platform and technologies. As of the Latest Practicable Date, the number of our distributors was 210. As of June 30, 2022, we had a total of 35.7 million registered users. For the three months ended March 31, 2022, for the three months ended June 30, 2022 and for the six months ended June 30, 2022, our average MAU is 1.7 million, 1.8 million and 1.8 million, respectively, and our average monthly paying users is 0.7 million, 0.7 million and 0.7 million, respectively, during the same period. The following table sets forth the breakdown of the number of sales orders (excluding the orders of our partner pharmacies) and ARPO by different channel for the periods indicated:

	For the six months ended June 30,		For the three months ended March 31,	For the three months ended June 30,
	2021	2022	2022	2022
Sales order from online direct sales channel (in millions) . . . . .	23.9	27.8	14.7	13.1
Sales order from self-operated platforms (in millions) . . . . .	6.9	5.5	2.8	2.7
Sales order from third-party platforms (in millions) . . . . .	17.0	22.4	11.9	10.5
Sales order from offline retail channel (in millions) . . . . .	1.7	1.6	0.8	0.8
<b>Total sales order (in millions) . . . . .</b>	<b>25.6</b>	<b>29.4</b>	<b>15.5</b>	<b>13.9<sup>(1)</sup></b>
ARPO from online direct sales channel (RMB) . . . . .	47.2	50.3	48.5	52.3
ARPO from self-operated platforms (RMB) . . . . .	57.1	70.4	69.0	71.9
ARPO from third-party platforms (RMB) . . . . .	43.1	45.3	43.6	47.2
ARPO from offline retail channel (RMB) . . . . .	161.8	215.3	197.2	233.7
<b>ARPO from online direct sales and offline retail (RMB) . . . . .</b>	<b>54.6</b>	<b>59.2</b>	<b>56.2</b>	<b>62.6</b>

*Note:*

- (1) The decrease in the number of sales orders (excluding the orders of our partner pharmacies) for the three months ended June 30, 2022 compared to that for the three months ended March 31, 2022 was mainly due to more of our smart pharmacies temporarily ceased operations for the three months ended June 30, 2022, as required by the lock-down measures adopted in certain operating cities, including but not limited to Shanghai and Beijing, in respond to the COVID-19 outbreak.

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## FINANCIAL INFORMATION

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According to our unaudited condensed financial information for the six months ended June 30, 2021 and 2022 and audited consolidated financial statements for the three months ended March 31, 2022 and unaudited financial information for the three months ended June 30, 2022, we recorded RMB1,643.6 million, RMB1,989.8 million, RMB987.4 million and RMB1,002.4 million of revenue with a gross profit of RMB503.7 million, RMB664.7 million, RMB334.4 million and RMB330.3 million, representing a gross profit margin of 30.6%, 33.4%, 33.9% and 32.9%, respectively. The decrease in the gross profit margin for the three months ended June 30, 2022 compared to that for the three months ended March 31, 2022 was primarily due to we offered discounts to our distributors to maintain our relationship and to promote our sales under the business distribution channel, as they confronted operational difficulties to some extent, especially in the delivery efficiency due to the lockdown measures, adopted in certain operating cities, in respond to the COVID-19 outbreak.

Despite our continued increase in revenue, we are expected to continue recording a net loss position in 2022, primarily because we will be in the phase of seeking a balance between a more effective scale growth and further improvements in operating efficiency, our operation and development strategy while approaching profitability. See “Risk Factors — We had net loss and total comprehensive expense and accumulated losses, and we recorded net liabilities during the Track Record Period. We cannot ensure future profitability.”

Going forward, we plan to achieve profitability primarily by further (i) growing our user base and their average spending; (ii) achieving revenue growth in our principal business; (iii) improving our result of operations and increasing operating leverage; and (iv) improving our asset position and cash flow position. These will allow us to increase our revenue and manage our cost and expenses to reach profitability and realize positive operating cash flows. See “Business – Business Sustainability.”

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2022, being the end date of the periods reported on in the Accountants’ Report in Appendix I to this prospectus, and there is no event since March 31, 2022 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this prospectus. We are responsible for the preparation of the unaudited condensed financial information for the six months ended June 30, 2022 in accordance with the basis of preparation as well as the accounting policies, which conform with the International Financial Reporting Standards, and are consistent with those adopted for the preparation of the historical financial information for the four years ended December 31, 2021 and the three months ended March 31, 2022 as set out in the Accountants’ Report in Appendix I to this document. Our unaudited condensed financial information for the six months ended June 30, 2022 has been reviewed by our Reporting Accountants in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board.

### **BASIS OF PRESENTATION**

We were incorporated in the Cayman Islands as an exempted company with limited liability on August 20, 2014. We are principally engaged in the provision of a series of healthcare product and service offerings, such as drug express, online medical consultation, and chronic disease and healthcare management.

Our consolidated result of operations has been prepared in accordance with accounting policies which conform with IFRSs issued by International Accounting Standard Board. Our consolidated result of operations 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. Please refer to Note 3 of the Accountants’ Report in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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In the application of our accounting policies, our directors 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 recognized 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. The estimates and assumptions that have a significant risk of causing a material adjustment to our financial position and results of operation are addressed in Note 4 of the Accountants' Report in Appendix I.

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our results of operations have been, and are expected to continue to be, affected by a number of general factors affecting the digital health and wellness industry in general, many of which may be beyond our control.

We operate in the digital health and wellness industry, and our financial condition and results of operations are influenced by the general development of this industry. However, comparing to the general industry, our operating results are more directly affected by our Company's specific factors, including:

- Our ability to increase the scale of our business by expanding our smart pharmacy network across China;
- Our ability to promote our brand effectively and efficiently;
- Our ability to enrich our product and service offerings;
- Our ability to enhance the supply chain advantages and empower pharmacies, pharmaceutical enterprises and other partners; and
- Our ability to effectively invest in technology to enhance efficiency.

#### **Our Ability to Increase the Scale of Our Business**

Our results of operations are highly affected by our ability to leverage our scale of business, which we strive to achieve through expanding our smart pharmacy network across China and growing our user base, and therefore increasing our total sales order and business scale.

We have been actively expanding our smart pharmacy network, which is essential for providing our on-demand healthcare products and services to users, by establishing our presence in more cities across China. We have expanded our business from first-tier cities to second- and-lower-tier cities. The number of cities where we operate increased from 2 as of December 31, 2018 to 17 as of March 31, 2022, and the number of our smart pharmacies across China increased from 91 as of December 31, 2018 to 346 as of March 31, 2022.

In addition to the expansion of our smart pharmacy network, we have also been actively expanding our business, and thereby growing our user base, by increasing our sales order through other channels, such as third-party platforms and online distribution. Furthermore, on top of our drug express business, we have been providing a broad portfolio of value-added service offerings, such as online medical consultation and chronic disease and healthcare management, to complement and synergize with our provision of healthcare products, in order to create value for our users, which helps us expand our users base and drive the total sales order. During the Track Record Period, our total sales order increased from 14.1 million in 2018 to 60.5 million in 2021 as our business expanded.

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In addition, we have been leveraging our achievements in economy of scale to improve our operating performance and thus further expand our business. Based on our procurement, we receive rebates for products sold and subsidies for the sale of vendors' products, which are recorded as reduction of cost and which optimize our cost of revenue, as our cost of revenue consists largely of purchase price of products. According to the Frost & Sullivan Report, receiving rebates and subsidies from vendors is in line with general practice in the industry. For the years ended December 31, 2018, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, we received rebates for products sold and subsidies for the sales of the vendors' products of RMB9.2 million, RMB19.3 million, RMB34.9 million, RMB59.0 million, RMB10.0 million and RMB14.6 million, respectively, counting for 2.7%, 2.4%, 2.4%, 2.3%, 1.9% and 2.2% of our cost of revenue, respectively. Besides, through centralized direct procurement scheme, we further reduce procurement costs by reducing intermediaries and conducting centralized procurement negotiations for high-frequency SKUs and products with large procurement volumes. As our business further grows in scale, we expect to obtain more favorable policies from our partners, including but not limit to pricing terms, credit period and volume-based rebates. Also, our increase in scale of business enabled us to have strong bargaining power over our suppliers, which in turn partially reduced our fulfillment expenses as a percentage of total revenue, which decreased continuously from 16.7% in 2018 to 11.2% in 2021, and from 12.4% for the three months ended March 31, 2021 to 11.4% for the three months ended March 31, 2022.

### **Our Ability to Promote Our Brand Effectively and Efficiently**

Our business depends on our reputation and brand awareness among users. Our brand awareness is crucial for our user base and user engagement, which in turn impact users' consumptions of the product and service offerings we provide. In order to promote our brand effectively, we have been improving our services to build closed-loop product and service offerings to achieve more efficiency in growing our business, in addition to conducting a series of marketing and promotion activities. During the Track Record Period, our selling and marketing expenses increased constantly. In addition, we promote our brand through the high-quality delivery service provided by our delivery team, as well as the portfolio of product and service offerings we provide through various online and offline channels.

Furthermore, our pricing and subsidies strategy is also part of our selling and marketing efforts to promote our brand. During the Track Record Period, we adopted a dynamic subsidy and pricing policy in order to keep our pricing competitive and rapidly expand our business.

### **Our Ability to Enrich and Manage Our Product and Service Offerings**

Our enriched portfolio of product and service offerings include a wide range of OTC and prescription drugs, healthcare products and online medical services such as medical consultation, chronic disease and healthcare management, psychological consultation and clinical appointment, which highly increased our ability to attracting users. For more information about the products and services we provided, see "Business — Our Product and Service Offerings."

Our results of operations are also affected by our ability to provide a broad and well-diversified portfolio of product and service offerings to meet the diversified demands of users to give them more choices and increase their loyalty to our brand, our online platforms and our network of smart pharmacies. Our growing capability to cross-sell products and services to better fulfill users' needs in a single order also led to higher ARPO during the Track Record Period. In addition, the ability to manage our product and service offering mix will also affect our overall gross profit margins.

We intend to further enrich our product and service offerings by expanding the portfolio of our product and service offerings and enhancing the synergy among our product and service offerings, and providing more fulfillment and other value-added offerings to our users.

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### **Our Ability to Enhance the Supply Chain Advantages and Empower Pharmacies, Pharmaceutical Enterprises and Other Partners**

We capitalize on our extensive supply chain network to empower our user engagement and enhance our portfolio of product and service offerings. In the mean time, we also leverage our business model to create value for third-party merchants in our supply chain, in particular, pharmaceutical enterprises and pharmaceutical distribution enterprises. In order to create values for our partner, we strived to enhance our supply chain capabilities, including but not limit to, improving our inventory management system, building the delivery team for our drug express business to enhance delivery efficiency, and connecting to upstream pharmaceutical enterprises and healthcare suppliers through joining the FSC alliance of pharmaceutical enterprises.

In order to further enhance our supply chain advantages, we aim to have a closer cooperative relationship with our partners, including but not limited to suppliers, distributors and third-party platforms. We believe that the value propositions provided by such partners will also help us deepen our relationships with, and obtain favorable terms from, our partners, which may reduce our costs of goods and increase our profit margin. In addition, in order to enhance our supply chain advantage, we strive to attract more third-party pharmacies to join our own online platforms, enhance our cooperation with pharmaceutical enterprises, and establish collaboration with insurance companies, Internet hospitals, community hospitals, third-party platforms and pharmaceutical products distribution companies, among others.

### **Our Ability to Effectively Invest in Technologies to Enhance Operational Efficiency**

Our results of operations partly depend on our ability to use technologies to empower our business model and improve operational efficiency. Investment in technologies enables us to better serve our users, thus driving the growth of our business and increasing our operating leverage. Such investments also indirectly increase and leverage our scale of business. Our investments in technology has brought about key technological advantages such as smart site selection, smart operation, smart delivery and smart user management, all of which lead to our superior performance, especially on the level of individual pharmacies, enabling us to better enjoy our economies of scale. See “Business — Competitive Strengths — Proprietary technology platform and strong research and development technical competencies.”

The digital health and wellness industry is characterized by rapidly changing technologies, introductions of new services and products as well as changing customer demands. Our ability to engage users depends on the breadth and depth of our user insights, our technology capabilities and our infrastructure to develop our online platforms which lay the foundation for the provision of our product and service offerings, and our ability to timely adapt to the rapidly evolving industry trends and user preferences. We have invested, and will continue to invest, in resources to enhance the technology capabilities of our platforms. As our business grows, we will continue to further improve our operating efficiency by developing technologies and infrastructures across different business functions, in order to improve our operational efficiency precisely.

From 2018 to 2021, our research and development expenses increased at a CAGR of 45.2%, and had a year-on-year growth of 16.1% from the three months ended March 31, 2021 to the three months ended March 31, 2022. We may not successfully develop our information infrastructure and technologies or recoup the investments we have made for such development, and failure to continue to innovate or adapt to technological changes may materially and adversely affect our financial condition, results of operations and prospects. See “Risks Factor — Risks Relating to Our Business and Industry — If we fail to adopt new technologies or adapt to changing user requirements or emerging industry standards, our business may be materially and adversely affected.”

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### SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 3 and 4 to the Accountants' Report in Appendix I to this prospectus.

#### Significant Accounting Policies

##### *Revenue from contracts with customers*

We recognize revenue when (or as) a performance obligation is satisfied, that is, when control of the goods or services underlying the particular performance obligation is transferred to the customer.

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 recognized 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 our performance as we perform;
- our performance creates or enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to pay for performance completed to date.

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

When another party is involved in providing goods or services to a customer, we determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. we are a principal) or to arrange for those goods or services to be provided by the other party (i.e. we are an agent).

We are a principal if it controls the specified good or service before that good or service is transferred to a customer.

We are an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, we do not control the specified goods or services provided by another party before the goods or services are transferred to the customer. When we act as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.



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For contracts that contain variable considerations, we estimate the amount of considerations to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which we will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each Track Record Period, we update the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

We recognize a refund liability if we expect to refund some or all of the consideration received from customers.

### *Product revenue*

We primarily sell pharmaceutical and healthcare products through online channels, such as mobile APP or third-party online platforms, and offline pharmacies across PRC. We also distribute some of the products to merchant customers. We recognize the product revenue on a gross basis as we are acting as a principal in these transactions and are responsible for fulfilling the promise to provide the specified goods. Product revenue is recognized at the point in time when the customer obtains control of the products, net of discounts.

### *Others*

We provide marketing services to third-parties on the online and offline channels. We recognize revenue overtime from advertising placements based on our advertising schedules confirmed by customers during the advertising period with output method, as the customers simultaneously receive and consume the benefits throughout the period.

Marketplace services revenue primarily consists of commission fees charged to our partner pharmacies via our online marketplace such as mobile APP or WeChat mini program. We are generally acting as an agent and our performance obligation is to present specified goods or services provided by those partner pharmacies throughout a certain period. Commission fee revenue is recognized on a net basis over the presenting period with output method.

### *Contract liability*

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration from the customer.

Unearned revenue consists of payments received or awards to customers related to unsatisfied performance obligations at the end of the period, included in contract liabilities in our consolidated statements of financial position.

### *Share-based payments*

Shared-based awards to our employees are granted under a share incentive plan (the “**Share Incentive Plan**”). We grant our restricted share units (the “**RSUs**”) and share options to our eligible employees, which are recorded in share-based payments reserves in our consolidated statements of financial position.

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### *Equity-settled share-based payment transactions*

Equity-settled share-based payments to employees 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 our estimate of equity instruments that will eventually be vested, with a corresponding increase in equity (share-based payments reserves). At the end of each reporting period, we revise our 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 recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserves. For RSUs/share options that vest immediately at the date of grant, the fair value of the RSUs/share options granted is expensed immediately to profit or loss.

When share options are exercised, or RSUs granted are vested the amount previously recognized in share-based payments reserves will continue to be held in share-based payments reserves. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserves will continue to be held in share-based payments reserves.

The effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employees are required to recognize. If the modification increases the fair value of the equity instruments granted, then we are required to measure immediately before and after the modification and include the incremental fair value granted (i.e. the difference between the fair value of the modified equity instrument and that of the date of the modification) in the measurement of the amount recognized for services received as consideration for the equity instruments granted. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the 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 recognized over the remainder of the original vesting period.

### ***Taxation***

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

The current tax payable is based on taxable profit for the Track Record Period. Taxable profit differs from loss before tax because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. Our current tax is calculated by using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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 recognized if the temporary difference arises from the initial recognition of goodwill.

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Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where we are 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. See Note 3.16 to the Accountants' Report in Appendix I to this prospectus.

### *Inventories*

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which we must incur to make the sale. Cost of inventory is determined using the weighted average method. Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. We take ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write downs are recorded in cost of revenue in the consolidated statements of profit or loss and other comprehensive income.

### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 Business Combination applies, (ii) held for trading or (iii) it is designated as at FVTPL.

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 our 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.

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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 recognized in 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, 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 recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits/accumulated losses upon derecognition of the financial liability.

### *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 or arising from business combinations, we assess 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 contracts will not be reassessed unless the terms and conditions of the contracts are subsequently changed.

#### *We as a lessee*

#### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, we allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### Short-term leases

We apply 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 recognized as expense on a straight-line basis over the lease term.

#### 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 us; and
- an estimate of costs to be incurred by us 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.

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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.

We present 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.

For a lease modification that is not accounted for as a separate lease, we remeasure 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.

We account for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

### COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, we have elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in profit or loss in the period in which the event occurs.

### *We as a lessor*

#### Classification and measurement of leases

Leases for which we are a lessor are classified as financing or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

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### Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

### Sublease

When we are an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

### *Fulfillment expenses*

Fulfillment expenses consist primarily of logistics and warehousing services expenses.

### **Critical Accounting Judgement and Key Sources of Estimation Uncertainty**

In the application of our accounting policies, our directors 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 recognized 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to our financial position and results of operation are addressed below:

### *Critical judgements 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 recognized in the consolidated financial statements.

### *Combination of affiliated entities*

We obtained control of the Restricted Subsidiaries by entering into the Contractual Arrangements. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing us with direct control over the Restricted Subsidiaries and uncertainties presented by the PRC legal system could impede the our beneficiary rights of the results, assets and liabilities of the Restricted Subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements 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 the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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### *Fair value of shares with preferred rights*

We have issued a series of shares with preferred rights prior to and during the Track Record Period as set out in Note 25 to the Accountants' Report in Appendix I to this prospectus. We recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and back-solve method 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. However, it should be noted that some inputs, such as fair value of the ordinary shares of Dingdang Medicine Express Technology, possibilities under different scenarios, such as qualified listing, redemption, liquidation, and other inputs, such as time to liquidation, 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 changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair value of the shares with preferred rights of us during the Track Record Period are set out in Note 25 to the Accountants' Report in Appendix I to this prospectus.

### *Leases — Estimating the incremental borrowing rate*

We cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what we “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. We estimate the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

### *Impairment of right-of-use assets*

We assess whether there are any indicators of impairment for right-of-use assets at the end of each of the Track Record Period. Right-of-use assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit using key assumptions such as the growth rate, the gross profit margin and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of right-of-use assets are set out in Note 20 to the Accountants' Report in Appendix I to this prospectus.

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### *Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of cash-generating units to which goodwill has been allocated, which is the higher of the value-in-use or fair value less costs of disposal. The value-in-use calculation requires us to estimate the future cash flows expected to arise from the 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.

### *Useful lives and amortization of other intangible assets*

We determine the estimated useful lives and related amortization for our other intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. Specifically, the useful life of customer relationship is estimated based on the retention rate of the current customers of the acquisition target as of the acquisition date, the historical retention rate and projected future revenues associated with such customers. Management will revise the amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

### *Provision of ECL for trade receivables and amounts due from related parties of trade nature*

Provision of ECL for trade receivables and amounts due from related parties of trade nature was estimated based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables and amounts due from related parties of trade nature. Estimated loss rates are 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. In addition, trade receivables and amounts due from related parties of trade nature that are credit-impaired are assessed for ECL individually. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and our trade receivables and amounts due from related parties of trade nature and disclosed in Note 34 to the Accountants' Report Appendix I to this prospectus.

### **Level 3 of Fair Value Measurement**

In respect of the valuation of level 3 financial assets at FVTPL and financial liabilities at FVTPL, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors adopted the following procedures: (i) selected qualified persons with adequate knowledge and conducted valuation on the financial assets and liabilities without readily determinable fair value; (ii) carefully considered available information in assessing the financial data and assumptions including but not limited to discount rate, political and industry conditions; (iii) engaged independent valuer to appraise the fair value of certain financial assets and liabilities that are significant, provided necessary financial to the valuer for the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; and (iv) reviewed the valuation reports prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable and our financial statements are properly prepared.



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The details on the fair value measurement of the financial assets at FVTPL and financial liabilities at FVTPL, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs and the relationship of the unobservable inputs to the fair values, are disclosed in Note 34 in Appendix I. The reporting accountants, Deloitte Touche Tohmatsu, have carried out their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole. The Reporting Accountant’s opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I.

In relation to the valuation of the Group’s level 3 financial assets and financial liabilities at FVTPL, the Joint Sponsors have conducted, among others, the following due diligence work:

- (i) discussed with the management of the Company to understand the Group’s internal policies and procedures regarding valuation assessment of level 3 financial assets and financial liabilities and the key basis, methodologies and assumptions adopted by the Group for such valuation assessment;
- (ii) reviewed relevant notes in the Accountants’ Report and the unqualified opinion of the Reporting Accountants on the historical financial information of the Group as contained in Appendix I to the prospectus;
- (iii) discussed with the Reporting Accountants to understand the work they have performed in relation to the valuation of level 3 financial assets and financial liabilities for the purpose of reporting on the Historical Financial Information of the Group as a whole;
- (iv) reviewed the relevant underlying agreements concerning the corresponding level 3 financial assets and financial liabilities during the Track Record Period;
- (v) obtained and reviewed the relevant valuation report prepared by external independent valuation expert, sampled valuation analysis prepared by external independent valuation expert and the management of the Company respectively, and public information on valuation of level 3 financial assets and financial liabilities disclosed by comparable companies;
- (vi) obtained and reviewed the engagement letter entered into between the external independent valuation expert and the Company, the work scope and credentials of such external independent valuation expert; and
- (vii) interviewed the relevant external independent valuation expert about the key basis, methodologies and assumptions adopted for their valuation of level 3 financial liabilities.

Based on the due diligence work conducted as described above, and having taken into account (i) the work performed by the Company’s management regarding valuation of level 3 financial assets and financial liabilities and the above Directors’ view, (ii) the work performed by the Reporting Accountants regarding valuation of level 3 financial assets and financial liabilities, and (iii) the unqualified opinion provided by the Reporting Accountants on the Historical Financial Information of the Group as a whole as set out in Appendix I to the prospectus, nothing has come to the attention of the Joint Sponsors that would cause them to disagree in any material respects with the valuation of level 3 financial assets and financial liabilities as reflected in the Historical Financial Information of the Group as a whole as set out in Appendix I to the prospectus.

## FINANCIAL INFORMATION

### DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants' Report included in Appendix I to this prospectus:

	For the year ended December 31,				For the three months ended March 31,					
	2018		2019		2020		2021		2022	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
<b>Revenue</b>	584,612	100.0	1,275,589	100.0	2,228,563	100.0	3,678,690	100.0	779,712	100.0
Cost of revenue	(344,373)	(58.9)	(805,635)	(63.2)	(1,462,370)	(65.6)	(2,516,379)	(68.4)	(542,788)	(69.6)
<b>Gross profit</b>	240,239	41.1	469,954	36.8	766,193	34.4	1,162,311	31.6	236,924	30.4
Fulfillment expenses	(97,510)	(16.7)	(199,676)	(15.7)	(283,178)	(12.7)	(412,279)	(11.2)	(96,311)	(12.4)
Selling and marketing expenses	(140,934)	(24.1)	(278,464)	(21.8)	(441,310)	(19.8)	(834,783)	(22.7)	(159,079)	(20.4)
Research and development expenses	(31,393)	(5.4)	(52,363)	(4.1)	(82,071)	(3.7)	(96,161)	(2.6)	(19,496)	(2.5)
General and administrative expenses	(36,689)	(6.3)	(57,900)	(4.5)	(120,968)	(5.4)	(481,256)	(13.1)	(39,013)	(5.0)
Fair value changes on financial liabilities at fair value through profit or loss ("FVTPL")	(33,620)	(5.8)	(150,685)	(11.8)	(754,591)	(33.9)	(912,201)	(24.8)	(669,357)	(85.8)
Other gains and losses, net	3,095	0.5	4,176	0.3	11,049	0.5	27,983	0.8	6,967	0.9
Other income	4,074	0.7	5,145	0.4	16,230	0.7	15,905	0.4	3,464	0.4
Finance costs	(3,797)	(0.6)	(5,571)	(0.4)	(6,061)	(0.3)	(17,776)	(0.5)	(2,040)	(0.3)
Share of result of an associate	—	0.0	(91)	0.0	(256)	0.0	—	—	—	0.0
Impairment losses under expected credit loss model, net of reversal	(214)	0.0	(221)	0.0	(3,153)	(0.1)	(265)	(0.0)	(595)	(0.1)
Listing expenses	—	0.0	—	0.0	(2,771)	(0.1)	(33,337)	(0.9)	(6,663)	(0.9)
<b>Loss before income tax</b>	(96,749)	(16.5)	(265,696)	(20.8)	(900,887)	(40.4)	(1,581,859)	(43.0)	(745,199)	(95.6)
Income tax expense	(6,423)	(1.1)	(8,236)	(0.6)	(18,793)	(0.8)	(17,115)	(0.5)	(3,717)	(0.5)
<b>Loss and total comprehensive expense for the year</b>	(103,172)	(17.6)	(273,932)	(21.5)	(919,680)	(41.3)	(1,598,974)	(43.5)	(748,916)	(96.1)
<b>Loss and total comprehensive expense for the year attributable to:</b>										
Owners of the Company	(107,583)	(18.4)	(276,635)	(21.7)	(924,250)	(41.5)	(1,578,026)	(42.9)	(744,408)	(95.5)
Non-controlling interests	4,411	0.8	2,703	0.2	4,570	0.2	(20,948)	(0.6)	(4,508)	(0.6)
	(103,172)	(17.6)	(273,932)	(21.5)	(919,680)	(41.3)	(1,598,974)	(43.5)	(748,916)	(96.1)

## FINANCIAL INFORMATION

### Non-IFRS Measures: Adjusted Net Loss and Adjusted Net Margin

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net loss (non-IFRS measure) and adjusted net margin (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that adjusted net loss (non-IFRS measure) and adjusted net margin (non-IFRS measure) facilitate comparisons of operating performance from period to period and company to company.

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

We define adjusted net loss (non-IFRS measure) as net loss for the periods adjusted by adding back fair value losses/(gain) on financial liabilities at FVTPL, share-based payments and listing expenses. We account for the shares with preferred rights as financial liabilities at fair value through profit or loss. The shares with preferred rights will automatically convert into ordinary shares upon the completion of the Global Offering, and no further loss or gain on fair value changes is expected to be recognized afterwards. We expect our net liabilities position to turn into net assets position. The reconciling item is non-cash and does not result in cash outflow. In addition, we account for the compensation cost from share-based payment transactions with employees. The reconciling item is non-cash and does not result in cash outflow. Further, we exclude listing expense, which arises from activities relating to the Listing. We define adjusted net margin (non-IFRS measure) as adjusted net loss (non-IFRS measure) divided by revenue for the period and multiplied by 100%. The following table reconciles our adjusted net loss (non-IFRS measure) for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(RMB in thousands, except for percentages)					
	(unaudited)					
<b>Reconciliation of net loss to adjusted net loss:</b>						
Net loss for the year/period	(103,172)	(273,932)	(919,680)	(1,598,974)	(748,916)	(404,416)
Add						
Fair value losses on financial liabilities at FVTPL	33,620	150,685	754,591	912,201	669,357	280,615
Share-based payments	—	—	13,064	323,911	3,153	69,419
Listing expenses	—	—	2,771	33,337	6,663	10,280
<b>Adjusted net loss (non-IFRS measure)</b>	<b><u>(69,552)</u></b>	<b><u>(123,247)</u></b>	<b><u>(149,254)</u></b>	<b><u>(329,525)</u></b>	<b><u>(69,743)</u></b>	<b><u>(44,102)</u></b>
<b>Adjusted net loss margin (non-IFRS measure)</b>	<b>(11.9)%</b>	<b>(9.7)%</b>	<b>(6.7)%</b>	<b>(9.0)%</b>	<b>(8.9)%</b>	<b>(4.5)%</b>

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In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2021 and 2022, our adjusted net loss (non-IFRS measure) amounted to RMB69.6 million, RMB123.2 million, RMB149.3 million, RMB329.5 million, RMB69.7 million and RMB44.1 million respectively, representing an adjusted net loss margin (non-IFRS measure) of 11.9%, 9.7%, 6.7%, 9.0%, 8.9% and 4.5%, respectively. The decrease of our adjusted net loss margin (non-IFRS measure) in 2020 reflects the general trend of the improvement we enjoy from our economies of scale and the enhancement in our operational efficiency, while the increase in our net loss margin in 2021 was due to (i) the expansion of the network of our smart pharmacies and the acquisition of Yaofangwang to achieve growth in our user base, (ii) the increase in our sales of prescription drugs, which are of lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report, to capture opportunities related to the industry trends of prescription, and (iii) the expansion of the scale of our business through the expansion of our operating cities, products and services and the consequent increase in selling and marketing expenses, along with our favorable subsidy policy to consumers.

### Revenue

During the Track Record Period, we generate revenue primarily from (i) pharmaceutical and healthcare business, and (ii) others, including marketing services, marketplace services and other services. The following table sets forth a breakdown of our revenue by segments for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Pharmaceutical and healthcare business . . .	562,123	96.2	1,250,895	98.1	2,204,689	98.9	3,561,336	96.8	761,224	97.6	956,613	96.9
Others . . . . .	22,489	3.8	24,694	1.9	23,874	1.1	117,354	3.2	18,488	2.4	30,794	3.1
<b>Total</b> . . . . .	<b>584,612</b>	<b>100.0</b>	<b>1,275,589</b>	<b>100.0</b>	<b>2,228,563</b>	<b>100.0</b>	<b>3,678,690</b>	<b>100.0</b>	<b>779,712</b>	<b>100.0</b>	<b>987,407</b>	<b>100.0</b>

### Revenue from pharmaceutical and healthcare business

Revenue from pharmaceutical and healthcare business consists of revenue from online direct sales, business distribution and offline retail, which, in aggregate, accounted for more than 95% of our revenue during the Track Record Period. See “Business — Our Product and Service Offerings.”

The table below sets forth the breakdown of our revenue by distribution channels in our pharmaceutical and healthcare business:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Online direct sales <sup>(1)</sup> . . .	389,579	69.3	906,517	72.5	1,695,490	76.9	2,583,613	72.5	535,825	70.4	712,453	74.5
Business distribution . . .	118,378	21.1	229,572	18.3	339,163	15.4	408,918	11.5	98,314	12.9	84,991	8.9
Offline retail . . . . .	54,166	9.6	114,806	9.2	170,036	7.7	568,805	16.0	127,085	16.7	159,169	16.6
<b>Total</b> . . . . .	<b>562,123</b>	<b>100.0</b>	<b>1,250,895</b>	<b>100.0</b>	<b>2,204,689</b>	<b>100.0</b>	<b>3,561,336</b>	<b>100.0</b>	<b>761,224</b>	<b>100.0</b>	<b>956,613</b>	<b>100.0</b>

*Note:*

(1) Our online medical consultation service is not always provided in conjunction with online direct sales as a package. By enjoying online medical consultation service, our users are not committed to perform any obligations against us as they could still determine whether to purchase our products or not after they enjoyed our online medical consultation service. Therefore, no enforceable rights and obligations is created between us and our customers respectively and thus no contract is existed with reference to IFRS 15.9 (a) (b) and 15.10. Accordingly, allocation of the transaction price to the performance obligations in the contract is not applicable to our online medical consultation service and no portion of revenue from online direct sales was recognized as revenue from online medical consultation service.

## FINANCIAL INFORMATION

### *Revenue from other business*

Our revenue from other business consists of revenue from marketing services, marketplace services, and other services.

The table below sets forth the breakdown of our revenue from other business for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Marketing services . . . . .	11,910	53.0	21,303	86.3	18,155	76.0	107,484	91.6	16,560	89.6	25,095	81.5
Marketplace services . . . . .	10,442	46.4	2,742	11.1	4,914	20.6	2,795	2.4	502	2.7	951	3.1
Other services . . . . .	137	0.6	649	2.6	805	3.4	7,075	6.0	1,426	7.7	4,748	15.4
<b>Total . . . . .</b>	<b>22,489</b>	<b>100.0</b>	<b>24,694</b>	<b>100.0</b>	<b>23,874</b>	<b>100.0</b>	<b>117,354</b>	<b>100.0</b>	<b>18,488</b>	<b>100.0</b>	<b>30,794</b>	<b>100.0</b>

In 2018, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, revenue from other business amounted to RMB22.5 million, RMB24.7 million, RMB23.9 million, RMB117.4 million, RMB18.5 million and RMB30.8 million, respectively, accounting for 3.8%, 1.9%, 1.1%, 3.2%, 2.4% and 3.1% of our revenue of the corresponding periods, respectively.

### **Cost of Revenue**

The table below sets forth a comparison between revenue, cost of revenue and gross profit for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
<b>Revenue . . . . .</b>	<b>584,612</b>	<b>100.0</b>	<b>1,275,589</b>	<b>100.0</b>	<b>2,228,563</b>	<b>100.0</b>	<b>3,678,690</b>	<b>100.0</b>	<b>779,712</b>	<b>100.0</b>	<b>987,407</b>	<b>100.0</b>
<b>Cost of revenue . . . . .</b>	<b>(344,373)</b>	<b>(58.9)</b>	<b>(805,635)</b>	<b>(63.2)</b>	<b>(1,462,370)</b>	<b>(65.6)</b>	<b>(2,516,379)</b>	<b>(68.4)</b>	<b>(542,788)</b>	<b>(69.6)</b>	<b>(652,986)</b>	<b>(66.1)</b>
<b>Gross profit . . . . .</b>	<b>240,239</b>	<b>41.1</b>	<b>469,954</b>	<b>36.8</b>	<b>766,193</b>	<b>34.4</b>	<b>1,162,311</b>	<b>31.6</b>	<b>236,924</b>	<b>30.4</b>	<b>334,421</b>	<b>33.9</b>

Our cost of revenue consists primarily of purchase price of products and shipping charges. Shipping charges to receive products from the suppliers are included in inventories, and recognized as cost of revenue upon sale of the products to the customers.

During the Track Record Period, the increase of our cost of revenue was generally in line with the growth of our revenue.

### **Gross Profit and Gross Profit Margin**

Our gross profit represents our revenue less our cost of revenue. Our gross profit margin represents our gross profit as a percentage of our revenue. In 2018, 2019, 2020 and 2021 and the three months ended March 31, 2021 and 2022, our gross profit amounted to RMB240.2 million, RMB470.0 million, RMB766.2 million, RMB1,162.3 million, RMB236.9 million and RMB334.4 million, corresponding to gross profit margin of 41.1%, 36.8%, 34.4%, 31.6%, 30.4% and 33.9%, respectively.

## FINANCIAL INFORMATION

### Fulfillment Expenses

Our fulfillment expenses consist of logistics and warehousing services expenses. Due to the nature of our business, our fulfillment expenses accounted for one of the largest components of our operating expenses, and our fulfillment expenses generally increase when our number of sales order increase.

### Selling and Marketing Expenses

Our selling and marketing expenses consist of staff costs, promotion and advertising expenses, depreciation and amortization, technical service fee, among others. The table below sets forth a breakdown of our selling and marketing expenses in absolute amounts and as percentages of our total selling and marketing expenses for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Staff costs . . . . .	52,811	37.5	103,804	37.3	147,394	33.4	264,703	31.7	54,147	34.0	75,147	36.0
Promotion and advertising expenses . . . . .	37,178	26.4	68,959	24.8	121,908	27.6	266,637	31.9	41,030	25.8	53,602	25.7
Depreciation and amortization . . . . .	28,772	20.4	49,115	17.6	62,460	14.2	119,731	14.3	25,134	15.8	27,682	13.3
Technical service fee . . . . .	7,534	5.3	26,388	9.5	60,770	13.8	99,938	12.0	26,570	16.7	27,249	13.1
Office expenses . . . . .	2,909	2.1	7,705	2.8	10,109	2.2	13,340	1.6	2,824	1.8	2,852	1.4
Tax charges . . . . .	3,021	2.1	5,103	1.8	8,719	2.0	10,624	1.3	2,443	1.5	2,569	1.2
Travelling expenses . . . . .	1,820	1.3	2,920	1.0	4,477	1.0	5,666	0.7	1,001	0.6	1,098	0.5
Online medical consultation expenses <sup>(1)</sup> . . . . .	133	0.1	658	0.2	4,503	1.0	11,252	1.3	2,260	1.4	3,144	1.5
Others . . . . .	6,756	4.8	13,812	5.0	20,970	4.8	42,892	5.1	3,670	2.3	15,425	7.4
<b>Total . . . . .</b>	<b>140,934</b>	<b>100.0</b>	<b>278,464</b>	<b>100.0</b>	<b>441,310</b>	<b>100.0</b>	<b>834,783</b>	<b>100.0</b>	<b>159,079</b>	<b>100.0</b>	<b>208,768</b>	<b>100.0</b>

*Note:*

(1) Online medical consultation expenses includes the remunerations paid to our full-time doctors and part-time doctors and the service fees for external doctors paid to third-party medical institutions.

Our staff costs primarily consist of salaries, welfare and pensions for employees involved in business development, sales and marketing. Our promotion and advertising expenses include expenses relating to the marketing activities, exhibitions and advertisement, which consists of branding activities as well as pay-per-click or traffic-based advertising activities on search engines and other online platforms. Our depreciation and amortization mainly represent the depreciation and amortization of our tangible and intangible assets relating to our selling and marketing activities. Our technical service fee consists of the commission we paid to third-party platforms for promotional activities. The others primarily consists of commission fees that we paid for live-streaming marketing for the growing business under direct-sales e-commerce model of online direct sales channel and packaging fees for the products sold. During the Track Record Period, others increased by 104.4% from RMB6.8 million in the year ended December 31, 2018 to RMB13.8 million in the year ended December 31, 2019, primarily due to the increase in commission fees, as we engaged live-streaming marketing to increase sales under the direct-sales e-commerce model. Others increased by 51.8% from RMB13.8 million in the year ended December 31, 2019 to RMB21.0 million in the year ended December 31, 2020, primarily due to the increase in packaging fees, which increased along with the increase in the sales of products. Others further increased by 104.5% to RMB42.9 million in the year ended December 31, 2021, primarily due to (i) the increase in commission fees, as we started to actively engage live-streaming marketing to increase sales, and, accordingly, incurred substantial commission fees to live rooms and hosts, and (ii) the increase in packing fees, which increased along with the increase in the sales of products. Others increased by 320.3% from RMB3.7 million for the three months ended March 31, 2021 to RMB15.4 million for the three months ended March 31, 2022, primarily due to (i) the increase in commission fees, as we continue to actively engage live-streaming marketing to increase sales, and, accordingly, incurred substantial commission fees to live rooms and hosts, and (ii) the increase in packing fees, which increased along with the increase in the sales of products.

## FINANCIAL INFORMATION

### Research and Development Expenses

Our research and development expenses primarily consist of staff costs, technical service fee, depreciation and amortization and others. The table below sets forth a breakdown of our research and development expenses in absolute amounts and as percentages of our total research and development expenses for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Staff costs . . . . .	27,363	87.2	45,270	86.5	72,671	88.5	81,393	84.7	16,986	87.1	18,904	83.5
Technical service fee . . .	2,295	7.3	4,341	8.3	6,375	7.8	9,078	9.4	1,164	6.0	2,362	10.4
Depreciation and amortization . . . . .	948	3.0	327	0.6	1,999	2.4	3,114	3.2	775	4.0	1,007	4.4
Others . . . . .	787	2.5	2,425	4.6	1,026	1.3	2,576	2.7	571	2.9	368	1.6
<b>Total . . . . .</b>	<b>31,393</b>	<b>100.0</b>	<b>52,363</b>	<b>100.0</b>	<b>82,071</b>	<b>100.0</b>	<b>96,161</b>	<b>100.0</b>	<b>19,496</b>	<b>100.0</b>	<b>22,641</b>	<b>100.0</b>

Our staff costs include salaries, welfare and pensions for employees involved in research and development, product operation and technical support. Our technical service fee primarily includes costs for servers, bandwidth and other equipments, and payments for outsourced research and development projects. Our depreciation and amortization mainly represent the depreciation and amortization of our tangible and intangible assets relating to the research and development purpose.

### General and Administrative Expenses

Our general and administrative expenses primarily consist of staff costs, travelling expenses, office expenses, technical service fee, depreciation and amortization, professional services fee, and other expenses. The table below sets forth a breakdown of our general and administrative expenses in absolute amounts and as percentages of our total general and administrative expenses for the periods indicated:

	For the year ended December 31,								For the three months ended March 31,			
	2018		2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)											
Staff costs . . . . .	19,767	53.9	38,453	66.4	78,374	64.8	437,672	91.0	30,127	77.2	90,507	89.9
Professional services fee . . . . .	6,863	18.7	1,498	2.6	17,242	14.3	12,148	2.5	432	1.1	1,825	1.8
Depreciation and amortization . . . . .	3,393	9.2	8,041	13.9	10,419	8.6	12,441	2.6	4,338	11.1	4,365	4.3
Office expenses . . . . .	1,949	5.3	3,227	5.6	5,305	4.4	7,204	1.5	1,912	4.9	2,260	2.2
Travelling expenses . . . . .	1,072	2.9	2,560	4.4	2,192	1.8	3,270	0.7	609	1.6	497	0.5
Technical service fee . . . . .	211	0.6	436	0.8	1,008	0.8	2,117	0.4	525	1.3	326	0.3
Bank Charges . . . . .	1,185	3.2	537	0.9	744	0.6	1,941	0.4	394	1.0	466	0.5
Others . . . . .	2,249	6.2	3,148	5.4	5,684	4.7	4,463	0.9	676	1.7	447	0.4
<b>Total . . . . .</b>	<b>36,689</b>	<b>100.0</b>	<b>57,900</b>	<b>100.0</b>	<b>120,968</b>	<b>100.0</b>	<b>481,256</b>	<b>100.0</b>	<b>39,013</b>	<b>100.0</b>	<b>100,693</b>	<b>100.0</b>

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Our staff costs include salaries, welfare and pensions for employees involved in administration and general corporate functions, such as accounting, finance and human resources. Our professional services fee primarily includes the payment for the engagement of professional service parties for our financing activities during the Track Record Period. Our depreciation and amortization mainly represent the depreciation and amortization of our tangible and intangible assets relating to the general and administrative purpose.

### **Other Gains and Losses, net**

Our other gains and losses primarily consist of fair value gains (and losses) on financial assets at FVTPL, gains and losses on disposal of investments in subsidiaries and others.

### **Other Income**

Our other income primarily consists of interest income from bank deposits and lease deposits, government grants, and rental income. Interest income from bank deposits primarily consists of interest income from current deposits and fixed deposits. Government grants primarily consist of subsidies received from the local governments for rewarding our contribution to local economy.

### **Finance Costs**

Our financial costs mainly consist of interest expenses on lease liabilities.

### **Taxation**

#### ***Cayman Islands***

Under the current laws of the Cayman Islands, the Company and its subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

#### ***British Virgin Islands***

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains. Additionally, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholder.

#### ***Hong Kong***

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.



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### *PRC*

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the standard enterprise income tax rate for PRC Operating Entities is 25% during the Track Record Period.

Dingdang Medicine Express Technology was subject to a preferential income tax rate of 15%, as Dingdang Medicine Express Technology was qualified as a High-New Technology Enterprises (the “**HNTE**”) and the HNTE qualification was approved and valid for 3 years from January 1, 2018 to December 31, 2020. The HNTE qualification was further renewed and extended to December 31, 2023 on December 17, 2021.

Jiangxi Renhetang was subject to a preferential income tax rate of 15%, as Jiangxi Renhetang was qualified as a HNTE and the HNTE qualification was approved and valid for 3 years from January 1, 2018 to December 31, 2020.

Certain subsidiaries have been approved as small low-profit enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 2.5%, 5% or 10% during the Track Record Period.

### *Withholding tax on undistributed dividends*

The EIT law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise (“**FIE**”) to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE), if the Hong Kong holding company qualifies for the beneficial owner criteria. The Company has not declared or paid, or planned to declare, any dividend to its shareholders from the profits generated during the Track Record Period. Therefore the Company has not recorded any withholding tax on any profits generated by the PRC Operation Entities before completion of the Reorganization.

## PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATION

### **Three Months Ended March 31, 2022 Compared to the Three Months Ended March 31, 2021**

#### *Revenue*

Our revenue increased by 26.6% from RMB779.7 million for the three months ended March 31, 2021 to RMB987.4 million for the three months ended March 31, 2022.

- **Pharmaceutical and healthcare business.** Revenue from our pharmaceutical and healthcare business increased by 25.7% from RMB761.2 million for the three months ended March 31, 2021 to RMB956.6 million for the three months ended March 31, 2022, as a result of (i) online direct sales, as a result of the increase of our sales order volume, as our popularity and brand awareness among consumers continued to increase and we continued to invest in branding and the expansion of our smart pharmacy network. See “Business — Our Smart Pharmacy Network,” and (ii) offline retail, as a result of the expansion of our offline operations, which also benefited from the brand awareness achieved through our online business operations.

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- **Others.** Revenue from our other business increased by 66.6% from RMB18.5 million for the three months ended March 31, 2021 to RMB30.8 million for the three months ended March 31, 2022. Such increase is primarily attributable to the expansion of the scale of our business, the increased influence of our platforms, and our enhanced cooperation with our suppliers and multiple major platforms. In 2018, 2019, 2020, 2021 and for the three months ended March 31, 2022, the number of pharmaceutical companies offered marketing services by us were 108, 322, 305, 492 and 257, respectively.

### *Cost of Revenue*

Our cost of revenue increased by 20.3% from RMB542.8 million for the three months ended March 31, 2021 to RMB653.0 million for the three months ended March 31, 2022, which reflects the growth of the scale of our business.

### *Gross Profit and Gross Profit Margin*

As a result of the foregoing, we recorded a gross profit of RMB236.9 million in the three months ended March 31, 2021, representing a gross profit margin of 30.4%, and a gross profit of RMB334.4 million in the three months ended March 31, 2022, representing a gross profit margin of 33.9%. The increase of our gross profit margin was due to reduced product cost that resulted from centralized procurement, optimization of product mix, pilot charging of delivery fees in some cities and product price adjustment strategies that we adopted. In terms of the product price adjustment strategies, we have adjusted the pricing for selected products in consideration of market competition and evolving trends in certain pilot operating cities. Specifically, while maintaining competitive pricing for our products and services, we have dynamically changed our pricing strategy by measuring the competition environment, procurement costs and our inventories in these pilot operating cities. For example, when the procurement cost of a particular SKU decreases, a competitive gross profit margin is able to be achieved with its price remain unchanged, since more flexibility is given to our pricing options.

### *Fulfillment Expenses*

Our fulfillment expenses increased by 16.7%, from RMB96.3 million for the three months ended March 31, 2021 to RMB112.4 million for the three months ended March 31, 2022. The increase was primarily due to increased demand from our users for our product and service offerings and the expansion of our business.

The fulfillment expenses as a percentage of our revenue, slightly decreased from 12.4% for the three months ended March 31, 2021 to 11.4% for the three months ended March 31, 2022, which was primarily attributable to the increase in the scale of business and the continuous increase in our fulfillment efficiency attained through the improvement in our smart order dispatchment system and path optimization system.

### *Selling and Marketing Expenses*

Our selling and marketing expenses increased by 31.2%, from RMB159.1 million for the three months ended March 31, 2021 to RMB208.8 million in the three months ended March 31, 2022. The increase was primarily attributable to (i) the increase in staff costs, which is related to the expansion of the network of our smart pharmacies and the increased number of staff to support smart pharmacy and platform operation; and (ii) promotion and advertising expenses related to increased selling and marketing activities, primarily in relation to driving traffic from popular steaming platforms to our platforms and offerings. See “Business — Access to Our Product and Service Offerings.”

The selling and marketing expenses as a percentage of revenue remained relatively stable at 20.4% in the three months ended March 31, 2021 and 21.1% in the three months ended March 31, 2022.

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### ***Research and Development Expenses***

Our research and development expenses increased by 16.1%, from RMB19.5 million in the three months ended March 31, 2021 to RMB22.6 million in the three months ended March 31, 2022, primarily as a result of the increase in staff cost as a result of the increased system development and maintenance needs in line with the expansion of our business.

Research and development expenses as a percentage of revenue remained relatively stable at 2.5% in the three months ended March 31, 2021 compared to 2.3% in the three months ended March 31, 2022.

### ***General and Administrative Expenses***

Our general and administrative expenses increased by 158.1% from RMB39.0 million in the three months ended March 31, 2021 to RMB100.7 million in the three months ended March 31, 2022, primarily as a result of (i) the increase in staff costs, which was primarily as a result of the increase in the share-based payment.

The general and administrative expenses as a percentage of revenue increased from 5.0% in the three months ended March 31, 2021 to 10.2% in the three months ended December 31, 2022, which was primarily attributable to the increase in the share-based payment.

### ***Fair value change on financial liabilities at FVTPL***

Our fair value change on financial liabilities at FVTPL decreased by 58.1%, from RMB669.4 million for the three months ended March 31, 2021 to RMB280.6 million for the three months ended March 31, 2022. Such decrease was primarily attributable to the reduced fair value change of preferred shares.

### ***Other Gains and Losses, net***

Our other gains and losses decreased by 136.7%, from gains of RMB7.0 million for the three months ended March 31, 2021 to losses of RMB2.6 million for the three months ended March 31, 2022. Such decrease was primarily attributable to the increase in net foreign exchange losses.

### ***Other Income***

Our other income remained relatively stable at RMB3.5 million for the year ended March 31, 2021 and RMB4.5 million for the year ended March 31, 2022.

### ***Finance Costs***

Our finance costs remained relatively stable at RMB2.0 million for the three months ended March 31, 2021 and RMB2.0 million for the three months ended March 31, 2022.

### ***Listing Expenses***

Our listing expenses increased from RMB6.7 million for the three months ended March 31, 2021 to RMB10.3 million for the three months ended March 31, 2022, as we continue to incur listing expense related to the Global Offering in 2022.

### ***Income Tax Expense***

Our income tax expense decreased by 37.3%, from RMB3.7 million for the three months ended March 31, 2021 to RMB2.3 million for the three months ended March 31, 2022, primarily due to the decrease in taxable income.

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### *Net Loss for the Period*

As a result of the above, our net loss decreased by 46.0%, from RMB748.9 million for the three months ended March 31, 2021 to RMB404.4 million for the three months ended March 31, 2022.

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

#### *Revenue*

Our revenue increased by 65.1% from RMB2,228.6 million for the year ended December 31, 2020 to RMB3,678.7 million for the year ended December 31, 2021.

- **Pharmaceutical and healthcare business.** Revenue from our pharmaceutical and healthcare business increased by 61.5% from RMB2,204.7 million for the year ended December 31, 2020 to RMB3,561.3 million for the year ended December 31, 2021, primarily attributable to revenue from (i) online direct sales, as a result of the increase of our sales order volume, as our popularity and brand awareness among consumers continued to increase and we continued to invest in branding and the expansion of our smart pharmacy network. See “Business — Our Smart Pharmacy Network,” and (ii) offline retail, as a result of the increase in the number of our DTP pharmacies due to our acquisition of Yaofangwang and our offline operations that benefited from the brand awareness achieved through our online business operations.
- **Others.** Revenue from our other business increased by 391.6% from RMB23.9 million for the year ended December 31, 2020 to RMB117.4 million for the year ended December 31, 2021. Such increase was primarily attributable to expansion of our business scale by acquisition of additional customers of our marketing services, enhanced cooperation with customers of our marketing services, increase in the influence of our platforms during the same period.

#### *Cost of revenue*

Our cost of revenue increased by 72.1% from RMB1,462.4 million for the year ended December 31, 2020 to RMB2,516.4 million for the year ended December 31, 2021, which is primarily attributable to the increase of cost of revenue of (i) online direct sales, as our sales of prescription drugs increased, and (ii) offline retail, as the DTP sales volume increased along with the acquisition of Yaofangwang. The increase in our cost of revenue was generally in line with the growth of our business scale.

#### *Gross profit and gross profit margin*

As a result of the foregoing, we recorded a gross profit of RMB766.2 million in the year ended December 31, 2020, representing a gross profit margin of 34.4%, and a gross profit of RMB1,162.3 million in the year ended December 31, 2021, representing a gross profit margin of 31.6%. The decrease of our gross profit margin was due to the higher growth rate of cost than that of our revenue, primarily as a result of (i) the change in product mix, as the sales of drugs, and, especially, the sales of prescription drugs, which are of lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report, increased, as we made efforts to capture opportunities related to the industry trends of prescriptions outflow, (ii) the acquisition of Yaofangwang, which contributed substantially to the increase in our sales of prescription drugs, but had a substantially lower gross profit margin because it carried sizable DTP business, the gross profit of which was lower than prescription drugs business in general, according to the Frost & Sullivan Report, and (iii) our pricing and subsidy strategy, which aimed to enhance market recognition, retain existing users and acquire new users, and maintain competitiveness in the industry. Our gross profit from others increased from RMB20.9 million in 2020 to RMB111.2 million in 2021, which accounted for 9.6% of our total gross profit. The gross profit margin of others increased from 87.6% in 2020 to 94.7% in 2021, primarily as a result of the increase of our advertising business as part of the marketing service that we provided.

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### *Fulfillment expenses*

Our fulfillment expenses increased by 45.6% from RMB283.2 million for the year ended December 31, 2020 to RMB412.3 million for the year ended December 31, 2021. The increase was in line with the increase in our revenue, and was primarily due to increased demand from our users for our product and service offerings and the expansion of our business.

The fulfillment expenses as a percentage of our revenue, slightly decreased from 12.7% for the year ended December 31, 2020 to 11.2% for the year ended December 31, 2021, which was primarily attributable to (i) our stronger bargaining power over suppliers, which we have gradually built up by virtue of our economies of scale; and (ii) the continuous increase in our fulfillment efficiency attained through the improvement in our smart order dispatchment system and path optimization system.

### *Selling and marketing expenses*

Our selling and marketing expenses increased by 89.2%, from RMB441.3 million in the year ended December 31, 2020 to RMB834.8 million in the year ended December 31, 2021. The increase was primarily attributable to (i) the increase in staff costs, which is related to the expansion of the network of our smart pharmacies and the acquisition of Yaofangwang, and to the increase in social benefit costs, which was deducted in 2020 as per governmental policies, but was back to the normal terms in 2021; and (ii) promotion and advertising expenses related to increased selling and marketing activities, as our direct-sales e-commerce model built up sales channels for multiple online traffic platforms in 2021 to leverage the overall online traffic decentralization trend. See “Business – Access to Our Product and Service Offerings.”

The selling and marketing expenses as a percentage of revenue increased from 19.8% in the year ended December 31, 2020 to 22.7% in the year ended December 31, 2021, which was primarily attributable to our increased staff costs and branding promoting activities.

### *Research and development expenses*

Our research and development expenses increased by 17.2% from RMB82.1 million in the year ended December 31, 2020 to RMB96.2 million in the year ended December 31, 2021, primarily as a result of an increase in staff costs, which was in line with the expansion of our research and development team, as the workload of development and maintenance increased along with our business expansion.

The research and development expenses as a percentage of revenue declined from 3.7% in the year ended December 31, 2020 to 2.6% in the year ended December 31, 2021, as a result of economies of scale.

### *General and administrative expenses*

Our general and administrative expenses increased by 297.8% from RMB121.0 million in the year ended December 31, 2020 to RMB481.3 million in the year ended December 31, 2021, primarily as a result of (i) the increase in staff costs, which was generally in line with the expansion of our management team, resulting from the acquisition of Yaofangwang and the development of our business, the increase in social benefits costs compared to 2020, when social benefits costs were deducted as per governmental policies, and the increase in the volume of product and service offerings we provided to our users, and (ii) the increase of share-based payments.

The general and administrative expenses as a percentage of revenue increased from 5.4% in the year ended December 31, 2020 to 13.1% in the year ended December 31, 2021, which was primarily attributable to the business expansion for the year ended December 31, 2021.

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### *Fair value changes on financial liabilities at FVTPL*

Our fair value change on financial liabilities at FVTPL increased by 20.9% from RMB754.6 million in the year ended December 31, 2020 to RMB912.2 million in the year ended December 31, 2021. Such increase was primarily attributable to the increase in the fair value of preferred shares we issued in preceding rounds of financing due to the increase in the valuation of our Company.

### *Other gains and losses, net*

Our other gains and losses increased by 153.3%, from RMB11.0 million for the year ended December 31, 2020 to RMB28.0 million for the year ended December 31, 2021. Such increase was primarily attributable to (i) net foreign exchange gains and (ii) the gain on fair value changes of financial assets at fair value through profit or loss.

### *Other income*

Our other income remained relatively stable at RMB16.2 million for the year ended December 31, 2020 and RMB15.9 million for the year ended December 31, 2021.

### *Finance costs*

Our finance costs increased by 193.3% from RMB6.1 million for the year ended December 31, 2020 to RMB17.8 million for the year ended December 31, 2021, primarily attributable to a one-time interest on other borrowing and an increase in interest on lease liabilities. See Note 9 to the Accountants' Report in Appendix I to this prospectus.

### *Listing expenses*

Our listing expenses increased from RMB2.8 million for the year ended December 31, 2020 to RMB33.3 million for the year ended December 31, 2021, as we continue to incur listing expense related to the Global Offering in 2021.

### *Income tax expense*

Our income tax expense slightly decreased by 8.9% from RMB18.8 million for the year ended December 31, 2020 to RMB17.1 million for the year ended December 31, 2021, which was in line with our taxable income and deferred income tax.

### *Net loss for the period*

As a result of the above, we had net loss of RMB919.7 million for the year ended December 31, 2020 and net loss of RMB1,599.0 million for the year ended December 31, 2021.

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

#### *Revenue*

Our revenue increased by 74.7% from RMB1,275.6 million in 2019 to RMB2,228.6 million in 2020.

- **Pharmaceutical and healthcare business.** Revenue from pharmaceutical and healthcare business increased by 76.2% from RMB1,250.9 million in 2019 to RMB2,204.7 million in 2020. Our revenue from pharmaceutical and healthcare business increased in 2020 as a result of the increase of our sales order volume, which increased from 26.4 million in 2019 to 40.5 million in 2020, resulted from the enhancement of our popularity among consumers online, the increase in our investment in branding, and in particular, the expansion of our smart pharmacy network. See “Business — Our Smart Pharmacy Network.”
- **Others.** Revenue from other business was RMB23.9 million in 2020, which remain relatively stable comparing to RMB24.7 million in 2019 our revenue in the corresponding periods, the percentage of fulfillment expenses remained relatively stable.

#### *Cost of revenue*

Our cost of revenue increased by 81.5% from RMB805.6 million in 2019 to RMB1,462.4 million in 2020, which reflects the growth of the scale of our business.

#### *Gross profit and gross profit margin*

As a result of the foregoing, we recorded a gross profit of RMB470.0 million in 2019, representing a gross profit margin of 36.8%, and a gross profit of RMB766.2 million in 2020, representing a gross profit margin of 34.4%. The decrease in the gross profit margin was primarily due to the higher growth rate of cost than that of our revenue, as a result of (i) the change in product mix, as the sales of drugs, especially, the sales of prescription drugs, which are of lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report, increased, as we made efforts to capture opportunities related to the industry trend of prescriptions outflow, and (ii) our pricing and subsidy strategy, which aimed to enhance market recognition, retain existing users and acquire new users, and maintain competitiveness in the industry.

#### *Fulfillment expenses*

Our fulfillment expenses increased by 41.8%, from RMB199.7 million in 2019 to RMB283.2 million in 2020. The increase was primarily due to the increased demand from our users for our product and service offerings and the expansion of our business.

Fulfillment expenses as a percentage of revenue decreased from 15.7% in 2019 to 12.7% in 2020, primarily attributable to (1) the development of our technology, including the E-zoning technology, which increased our efficiency in fulfillment; (2) the decrease in our per-order logistics and warehousing services expenses, due to the expansion of our business; and (3) the increase in the number of sales orders, and the resulted economies of scale. For more information, see “Business — Technology.”

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### *Selling and marketing expenses*

Our selling and marketing expenses increased by 58.5%, from RMB278.5 million in 2019 to RMB441.3 million in 2020. The increase was primarily attributable to the increase in promotion and advertising expenses, and in staff costs in relation to selling and marketing department as well as the staff costs of offline smart pharmacies personnel, as a result of the expansion of our business.

Selling and marketing expenses as a percentage of revenue decreased from 21.8% in 2019 to 19.8% in 2020, primarily attributable to the enhancement of the performance and efficiency in our selling and marketing team.

### *Research and development expenses*

Our research and development expenses increased by 56.7%, from RMB52.4 million in 2019 to RMB82.1 million in 2020. The increase was primarily attributable to (1) the increase in staff cost as a result of the expansion of our research and development team, as we further enhanced our dedication to research and development activities; and (2) our increase in investment in our systems for data processing and data security maintenance.

Research and development expenses as a percentage of revenue decreased from 4.1% in 2019 to 3.7% in 2020.

### *General and administrative expenses*

Our general and administrative expenses increased by 108.9%, from RMB57.9 million in 2019 to RMB121.0 million in 2020. The increase was primarily attributable to (i) the increase in staff cost which is generally in line with the growth of our business and the increase in the volume of product and service offerings we provide to our users; and (ii) the increase in professional services fee resulted from the engagement of professional service parties in 2020 as a result of our series C financing and the Reorganization. For more information, see “History, Reorganization and Corporate Structure.”

General and administrative expenses as a percentage of revenue increased from 4.5% in 2019 to 5.4% in 2020, primarily attributable to the increase in professional services fee resulted from the engagement of professional service parties in 2020 as a result of our series B+ financing and the Reorganization, which outpaced the increase in our revenue.

### *Fair value changes on financial liabilities at FVTPL*

Our fair value change on financial liabilities at FVTPL increased by 400.8%, from RMB150.7 million in 2019 to RMB754.6 million in 2020. Such increase was primarily attributable to the increase in the fair value of preferred shares we issued in preceding rounds of financing due to the increase in the valuation of our Company.

### *Other gains and losses, net*

We recorded other gains of RMB11.0 million in 2020, in comparison with other gains of RMB4.2 million in 2019. Such change was primarily attributable to the increase in our income from financial products.

### *Other income*

Our other income increased by 215.5%, from RMB5.1 million in 2019 to RMB16.2 million in 2020. Such increase was primarily attributable to an increase in government grants due to favorable government policies during the COVID-19 outbreak.



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### *Finance costs*

Our finance costs increased by 8.8%, from RMB5.6 million in 2019 to RMB6.1 million in 2020. Such increase was primarily attributable to an increase of interest on lease liabilities.

### *Listing expense*

Our listing expense increased from nil in 2019 to RMB2.8 million in 2020, as we started to incur listing expense related to the Global Offering in 2020.

### *Income tax expense*

Our income tax expense increased by 128.2%, from RMB8.2 million in 2019 to RMB18.8 million in 2020, primarily due to the increase in taxable income.

### *Net loss for the year*

As a result of the above, our net loss increased by 235.7%, from RMB273.9 million in 2019 to RMB919.7 million in 2020.

## **Year Ended December 31, 2019 Compared to Year Ended December 31, 2018**

### *Revenue*

Our revenue increased by 118.2% from RMB584.6 million in 2018 to RMB1,275.6 million in 2019.

- **Pharmaceutical and healthcare business.** Revenue from pharmaceutical and healthcare business increased by 122.5% from RMB562.1 million in 2018 to RMB1,250.9 million in 2019, as a result of the increase of our sales order volume, which increased from 14.1 million in 2018 to 26.4 million in 2019, resulted from the enhancement of our popularity among consumers online, the increase in our investment in branding, and in particular, the expansion of our smart pharmacy network. See “Business — Our Smart Pharmacy Network.”
- **Others.** Revenue from others increased by 9.8% from RMB22.5 million in 2018 to RMB24.7 million in 2019. Such increase is primarily attributable to the expansion of the scale of our business and the increase in the influence of our platforms.

### *Cost of revenue*

Our cost of revenue increased by 133.9% from RMB344.4 million for the year ended December 31, 2018 to RMB805.6 million for the year ended December 31, 2019, which reflects the growth of the scale of our business.

### *Gross profit and gross profit margin*

As a result of the foregoing, we recorded a gross profit of RMB240.2 million in 2018, representing a gross profit margin of 41.1%, and a gross profit of RMB470.0 million in 2019, representing a gross profit margin of 36.8%. The decrease of our gross profit margin was due to the higher growth rate of cost than that of our revenue, as a result of (i) change in product mix, as the sales of drugs, especially, the sales of prescription drugs, which are of lower gross profit margin than that of OTC drugs and healthcare products, according to the Frost & Sullivan Report, increased, as we made efforts to capture opportunities related to the industry trends of prescriptions outflow, and (ii) our pricing and subsidy strategy, which aimed to enhance market recognition, retain existing users and acquire new users, and maintain competitiveness in the industry.

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### ***Fulfillment expenses***

Our fulfillment expenses increased by 104.8%, from RMB97.5 million in 2018 to RMB199.7 million in 2019. The increase was primarily due to the increase in staff cost as a result of the expansion of our fulfillment and delivery team, as a result of the increased demand from our users for our product and service offerings and the expansion of our business.

Fulfillment expenses as a percentage of revenue decreased from 16.7% in 2018 to 15.7% in 2019, primarily attributable to (1) the development of our technology, including the E-zoning technology, which increased our efficiency in fulfillment; and (2) the decrease in our per-order logistics and warehousing services expenses, due to the expansion of our business, the increase in the number of sales orders, and the resulted economies of scale. For more information, see “Business — Technology.”

### ***Selling and marketing expenses***

Our selling and marketing expenses increased by 97.6%, from RMB140.9 million in 2018 to RMB278.5 million in 2019. The increase was primarily attributable to the increase in promotion and advertising expenses, and in staff costs in relation to selling and marketing department as well as the staff costs of offline smart pharmacies personnel, as a result of the increase in the sales volume of our product and service offerings which is in line with the expansion of our business.

Selling and marketing expenses as a percentage of revenue decreased from 24.1% in 2018 to 21.8% in 2019, primarily attributable to the enhancement of the performance and efficiency in our selling and marketing team.

### ***Research and development expenses***

Our research and development expenses increased by 66.8%, from RMB31.4 million in 2018 to RMB52.4 million in 2019. The increase is primarily attributable to the increase in staff cost as a result of the expansion of our research and development team and the increasing of the average wage of our research and development team, as we increased our projects under development and further enhanced our dedication to research and development activities.

Research and development expenses as a percentage of revenue decreased from 5.4% in 2018 to 4.1% in 2019.

### ***General and administrative expenses***

Our general and administrative expenses increased by 57.8%, from RMB36.7 million in 2018 to RMB57.9 million in 2019. The increase is primarily attributable to the increase in staff cost which is generally in line with the growth of our business and the increase in the volume of product and service offerings we provide to our users.

General and administrative expenses as a percentage of revenue decreased from 6.3% in 2018 to 4.5% in 2019, primarily attributable to the increase in the efficiency of our operation.

### ***Fair value changes on financial liabilities at FVPTL***

Our fair value change on financial liabilities at FVPTL increased by 384.2%, from RMB33.6 million in 2018 to RMB150.7 million in 2019. Such increase was primarily attributable to the increase in the fair value of preferred shares we issued in preceding rounds of financing due to the increase in the valuation of our Company.

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### *Other gains and losses*

Our other gains increased by 34.9%, from RMB3.1 million in 2018 to RMB4.2 million in 2019. Such increase was primarily due to the increase of our gains from financial products.

### *Other income*

Our other income increased by 26.3%, from RMB4.1 million in 2018 to RMB5.1 million in 2019. Such increase was primarily attributable to increased interest income from bank deposits.

### *Finance costs*

Our finance costs increased by 46.7%, from RMB3.8 million in 2018 to RMB5.6 million in 2019. Such increase was primarily attributable to an increase of interest on lease liabilities.

### *Income tax expense*

Our income tax expense increased by 28.2%, from RMB6.4 million in 2018 to RMB8.2 million in 2019, primarily due to the increase in taxable income.

### *Net loss for the year*

As a result of the above, our net loss increased by 165.5%, from RMB103.2 million in 2018 to RMB273.9 million in 2019.

## DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report set out in Appendix I:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets . . . . .	122,089	308,924	692,729	678,466	667,990
Total current assets . . . . .	226,400	445,253	1,093,417	2,267,693	2,365,569
<b>Total assets . . . . .</b>	<b>348,489</b>	<b>754,177</b>	<b>1,786,146</b>	<b>2,946,159</b>	<b>3,033,559</b>
Total non-current liabilities . . .	150,473	859,363	2,489,683	4,797,059	5,067,702
Total current liabilities . . . . .	359,198	332,224	601,505	738,929	890,683
<b>Total liabilities . . . . .</b>	<b>509,671</b>	<b>1,191,587</b>	<b>3,091,188</b>	<b>5,535,988</b>	<b>5,958,385</b>
Paid-in capital/share capital . . .	50,156	50,156	50,156	403	403
Reserves . . . . .	28,060	34,158	48,336	422,496	491,915
Accumulated losses . . . . .	(248,643)	(531,376)	(1,456,907)	(3,035,146)	(3,434,008)
<b>Equity attributable to owners of the Company . . . . .</b>	<b>(170,427)</b>	<b>(447,062)</b>	<b>(1,358,415)</b>	<b>(2,612,247)</b>	<b>(2,941,690)</b>
<b>Non-controlling interests . . .</b>	<b>9,245</b>	<b>9,652</b>	<b>53,373</b>	<b>22,418</b>	<b>16,864</b>
<b>Total equity . . . . .</b>	<b>(161,182)</b>	<b>(437,410)</b>	<b>(1,305,042)</b>	<b>(2,589,829)</b>	<b>(2,924,826)</b>
<b>Total equity and liabilities . .</b>	<b>348,489</b>	<b>754,177</b>	<b>1,786,146</b>	<b>2,946,159</b>	<b>3,033,559</b>

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

	As of December 31,				As of March 31,	As of June 30,
	2018	2019	2020	2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
<b>Current Assets</b>						
Inventories . . . . .	62,724	168,549	323,470	434,022	518,971	488,344
Trade and other receivables and prepayments . . .	34,404	87,932	187,584	279,591	308,376	314,925
Amounts due from related parties . .	1,148	814	309	1,086	1,200	789
Financial assets at FVTPL . . . . .	81,882	43,267	321,480	—	38,790	—
Cash and cash equivalents . . . .	46,242	144,691	260,574	1,552,994	1,498,232	1,526,132
<b>Total current assets . . . . .</b>	<b>226,400</b>	<b>445,253</b>	<b>1,093,417</b>	<b>2,267,693</b>	<b>2,365,569</b>	<b>2,330,190</b>
<b>Current Liabilities</b>						
Trade and other payables . . . . .	193,459	247,387	440,697	586,651	692,910	699,267
Financial liabilities at FVTPL . . . . .	111,882	—	—	—	—	—
Amounts due to related parties . .	5,696	14,233	45,568	22,512	72,934	64,951
Contract liabilities	26,779	25,996	50,653	59,780	57,805	52,253
Lease liabilities . .	18,448	38,994	53,865	61,383	62,834	64,161
Income tax payable	2,934	5,614	10,124	8,603	4,200	3,583
Deferred income . .	—	—	598	—	—	—
<b>Total current liabilities . . . . .</b>	<b>359,198</b>	<b>332,224</b>	<b>601,505</b>	<b>738,929</b>	<b>890,683</b>	<b>884,215</b>
<b>Net current (liabilities)/assets</b>	<b>(132,798)</b>	<b>113,029</b>	<b>491,912</b>	<b>1,528,764</b>	<b>1,474,886</b>	<b>1,445,975</b>

We had net current liabilities positions of RMB132.8 million as of December 31, 2018, and we had net current asset positions of RMB113.0 million, RMB491.9 million, RMB1,528.8 million, RMB1,474.9 million and RMB1,446.0 million as of December 31, 2019, 2020, 2021 and March 31, 2022 and June 30, 2022. Our net current assets or liabilities as of each of these dates was primarily attributable to our growing balance of inventories, financial assets at FVTPL, and cash and cash equivalents. Cash and cash equivalents account for a substantial portion of our current assets. See “— Liquidity and Capital Resources” for further details on change of the balance of our cash and cash equivalents.

Our net current assets decreased from RMB1,474.9 million as of March 31, 2022 to RMB1,446.0 million as of June 30, 2022, primarily due to a decrease in cash and cash equivalents and an increase in trade and other payables, partially offset by an increase in financial assets at FVTPL.

Our net current assets decreased from RMB1,528.8 million as of December 31, 2021 to RMB1,474.9 million as of March 31, 2022, primarily due to a decrease in cash and cash equivalents and an increase in trade and other payables and amounts due to related parties, partially offset by an increase in inventories.

Our net current assets increased from RMB491.9 million as of December 31, 2020 to RMB1,528.8 million as of December 31, 2021, primarily due to an increase in cash and cash equivalents, inventories, trade and other receivables and prepayments, and a decrease in amounts due to related parties, partially offset by a decrease in financial assets at FVTPL and an increase in trade and other payables.

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Our net current assets increased from RMB113.0 million as of December 31, 2019 to RMB491.9 million as of December 31, 2020, primarily due to an increase in financial assets at FVTPL, inventories, cash and cash equivalents and trade and other receivables and prepayments, partially offset by an increase in trade and other payables, amounts due to related parties, contract liabilities and lease liabilities.

We incurred net current liabilities of RMB132.8 million as of December 31, 2018, compared to net current assets of RMB113.0 million, as of December 31, 2019, primarily due to a decrease of the financial liabilities at FVTPL, increase in inventories, cash and cash equivalents, partially offset by a decrease in financial assets at FVTPL and an increase in trade and other payables and lease liabilities.

As of December 31, 2021, we had net current assets of RMB1,528.8 million, net liabilities of RMB2,589.8 million and accumulated losses of RMB3,035.1 million, primarily due to the significant fair value changes of shares with preferred rights. The details of these shares with preferred rights are set out in Note 25 to the Accountants' Report in Appendix I to this prospectus.

### Inventories

Our inventories primarily consist of products available for sale. The following table sets forth inventories as of the dates indicated:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Products . . . . .	62,634	168,205	323,454	434,013	518,962
Others . . . . .	90	344	16	9	9
<b>Total</b> . . . . .	<u>62,724</u>	<u>168,549</u>	<u>323,470</u>	<u>434,022</u>	<u>518,971</u>

Our inventory of products balance increased from RMB62.6 million as of December 31, 2018 to RMB168.2 million as of December 31, 2019, to RMB323.5 million as of December 31, 2020, further to RMB434.0 million as of December 31, 2021, and to RMB519.0 million as of March 31, 2022, primarily due to the increase in the inventory of pharmaceutical products as a result of our expansion of business and the growth of our product sales volume.

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

	For the year ended December 31,				For the three months ended March 31,
	2018	2019	2020	2021	2022
<b>Inventory turnover days<sup>(1)</sup></b> . . . . .	<u>65.6</u>	<u>51.7</u>	<u>60.6</u>	<u>54.2</u>	<u>65.7</u>

*Note:*

- (1) Inventory turnover days in 2018 is ending balance of inventory balance divided by cost of revenue by 360 days. Inventory turnover days for a year/period equals the average of opening and closing inventory balance divided by cost of revenue for the relevant years/period and multiplied by 360 days or 90 days, as applicable.

Our inventory turnover days decreased from 65.6 days for the year ended December 31, 2018 to 51.7 days for the year ended December 31, 2019, as we improved our inventory management level, and then increased to 60.6 days for the year ended December 31, 2020. The increase was primarily attributable to the increase in our inventory level as a result of the expansion of our business, our strategic mergers and acquisition activities, and our anticipation of increase in demands of our products. In addition, due to the

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impact of COVID-19 by the end of December 31, 2019, we had relatively large stocks in many regions to ensure supply, resulting in the larger turnover days. Our inventory turnover days decreased to 54.2 days for the year ended December 31, 2021, primarily as a result of our improved inventory management ability. Our inventory turnover days increased to 65.7 days for the three months ended March 31, 2022, primarily as a result of our taking precautions to ensure product supply to users in light of the COVID lock-down measures adopted in certain regions, which could potentially cut off our supply of inventory.

As of June 30, 2022, RMB377.7 million, or 72.8% of our inventory balance as of March 31, 2022 had been sold or utilized.

### Trade and Other Receivables and Prepayments

Trade and other receivables and prepayments primarily consist of outstanding amounts due from our customers for the purchase of the product and service offerings we provided in the ordinary course of business.

Our trading terms with some of our customers are on credit. We take into consideration a number of factors in determining the credit terms of a customer, including its cash flow conditions and credit worthiness. See “Business — Access to Our Product and Service Offerings — Business Distribution” for further details of our distributor management. Trade receivables are generally settled in accordance with the terms of the respective contracts. We seek to maintain strict control over our outstanding receivables, and overdue balances are reviewed regularly.

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

	As of December 31,				As of
	2018	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	RMB'000	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Trade receivables</b>					
Trade receivables from third parties . . .	11,849	23,573	51,480	91,351	90,056
Less: allowance for credit losses . . . .	(101)	(221)	(1,864)	(343)	(1,223)
Subtotal . . . . .	<u>11,748</u>	<u>23,352</u>	<u>49,616</u>	<u>91,008</u>	<u>88,833</u>
<b>Other receivables and prepayments (Current)</b>					
Staff advances . . . . .	554	977	49	60	1,785
Welfare receivable . . . . .	312	1,166	1,085	1,534	1,526
Advance to suppliers . . . . .	5,807	20,903	42,223	41,378	58,412
Prepaid expenses . . . . .	9,271	15,636	22,493	34,280	40,128
Recoverable value-added tax . . . . .	154	1,660	21,563	32,238	32,310
Receivable from non-controlling shareholders . . . . .	—	3,000	4,650	3,900	3,900
Receivable from third-party online platforms . . . . .	2,664	15,190	34,387	53,769	57,891
Deposits receivables . . . . .	3,104	4,492	7,511	11,455	11,521
Deferred issue costs . . . . .	—	—	738	5,338	7,011
Others . . . . .	903	1,770	3,286	6,434	7,098
Less: allowances for credit losses . . . .	(113)	(214)	(17)	(1,803)	(2,039)
Subtotal . . . . .	<u>22,656</u>	<u>64,580</u>	<u>137,968</u>	<u>188,583</u>	<u>219,543</u>
<b>Total</b> . . . . .	<u><u>34,404</u></u>	<u><u>87,932</u></u>	<u><u>187,584</u></u>	<u><u>279,591</u></u>	<u><u>308,376</u></u>

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Our trade and other receivables and prepayment balances increased by 10.3% from RMB279.6 million as of December 31, 2021 to RMB308.4 million as of March 31, 2022, by 49.0% from RMB187.6 million as of December 31, 2020 to RMB279.6 million as of December 31, 2021, by 113.3% from RMB87.9 million as of December 31, 2019 to RMB187.6 million as of December 31, 2020 and by 155.6% from RMB34.4 million as of December 31, 2018, to RMB87.9 million as of December 31, 2019. Such increases were primarily attributable to the increase in trade receivables and other receivables from company clients as a result of our expansion of business.

Our current other receivables and prepayments increased by 16.4% from RMB188.6 million as of December 31, 2021 to RMB219.5 million as of March 31, 2022, primarily attributable to (i) an increase in advance to suppliers as a result of our increased procurement driven by our increased sales, (ii) an increase in prepaid expenses, which was primarily attributable to prepaid service fees to third-party platforms, and (iii) an increase in receivable from third-party online platforms, as a result of the increase in our sales on the third-party online platforms.

Our current other receivables and prepayments increased by 36.7% from RMB138.0 million as of December 31, 2020 to RMB188.6 million as of December 31, 2021, primarily attributable to (i) an increase in receivable from third-party online platforms as a result of the increase in sales, and (ii) an increase in prepaid expenses, as we increased self-developed products to better utilize the consumer market information we grasped and thus improve our gross profit margin, and, accordingly, the prepayments we made to the manufacturers who produced such products increased.

Our current other receivables and prepayments increased by 113.6% from RMB64.6 million as of December 31, 2019 to RMB138.0 million as of December 31, 2020, primarily attributable to (i) an increase in advance to suppliers as a result of our increased procurement driven by our increased sales, (ii) an increase in prepaid expenses, which mainly consist of prepaid promotion expenses, as a result of our business expansion, (iii) an increase in recoverable value-added tax as a result of input value-added tax not being recognized to offset output tax before the end of the financial year, and (iv) an increase in receivable from third-party online platforms as a result of the increase in our sales volume.

Our current other receivables and prepayments increased by 185.0% from RMB22.7 million as of December 31, 2018 to RMB64.6 million as of December 31, 2019, primarily attributable to (i) an increase in our advances to suppliers as a result of our increased procurement driven by our increased sales, (ii) an increase in prepaid expenses mainly as a result of an increase in our prepaid promotion expenses, and (iii) an increase in receivable from third-party online platforms as a result of our business expansion.

Aging analysis of trade receivables by age, net of allowance for doubtful debts presented based on the invoice date is as follows:

	As of December 31,				As of
					March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months . . . . .	11,321	22,289	45,801	87,298	81,192
3 to 6 months . . . . .	313	1,103	3,533	2,231	6,610
6 to 12 months . . . . .	125	125	744	1,570	854
Over 12 months . . . . .	90	56	1,402	252	1,400
Less: allowance for ECL . . . . .	(101)	(221)	(1,864)	(343)	(1,223)
<b>Total</b> . . . . .	<u>11,748</u>	<u>23,352</u>	<u>49,616</u>	<u>91,008</u>	<u>88,833</u>

As of December 31, 2018, 2019, 2020 and 2021, the majority of our trade receivables were due within three months.

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The following table sets forth the turnover days of our trade receivables, net of allowance for credit loss:

	For the year ended December 31,				For the three months ended March 31,
	2018	2019	2020	2021	2022
	2018	2019	2020	2021	2022
Trade receivable turnover days . . .	7.0	5.0	6.1	7.0	8.3

(1) Trade receivables turnover days for a year/period equals the average of the opening and closing trade receivables balance divided by total revenue during the relevant year/period and multiplied by 360 days or 90 days, as applicable.

Our trade receivable turnover days were 7.0, 5.0, 6.1, 7.0 and 8.3 in 2018, 2019, 2020 and 2021 and for the three months ended March 31, 2022. The increase of trade receivable turnover days in during the Track Record Period was primarily attributable to the credit terms we grant to customers.

As of June 30, 2022, approximately RMB81.5 million, or 91.7% of our trade receivables as of March 31, 2022 had been settled.

### Financial Assets at FVTPL

Our financial assets at FVTPL primarily consist of financial products issued by banks, which are short-term investments with expected rates of return depending on the market rate of underlying financial instruments including treasury bonds, central bank bills, structured deposit and other financial assets.

The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current:</b>					
Financial products issued by banks . .	81,882	43,267	321,480	—	38,790

We managed and evaluated the performance of investments on a fair value basis in accordance with our risk management and investment strategy. In assessing a proposal to invest in financial products issued by banks, a number of criteria must be met, including, but not limited to: (i) investment in high risk products are prohibited; (ii) the primary objectives of investment activities are safety, liquidity and reasonable yield; (iii) the proposed investment must not interfere with our business operations or capital expenditures; and (iv) the wealth management products should be issued by a reputable bank. Mr. Xu Ning, our executive director, is responsible for our investment management and supervised our investment activities during the Track Record Period. See “Directors and Senior Management” for a detailed description of Mr. Xu’s qualifications and credentials. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by Mr. Xu, who sets the investment objectives and makes the final investment decisions.



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We have formed a stringent system of internal control on seeking to obtain a reasonable level of investment return while ensuring that we maintain the overall level of risks related to investment under control. In order to enhance our liquidity position without significantly increasing our exposure to the financial risks, we principally engaged in the purchase and redemption of wealth management products using surplus cash on hand, which constituted the majority of our purchases and sales of financial assets at fair value through profit or loss during the Track Record Period. During the Track Record Period, substantially all of the wealth management products we purchased were principal-protected. As of December 31, 2021, all of our financial products issued by banks had been redeemed.

The financial assets at FVTPL categorized within level 2 and level 3 of fair value measurement were primarily our short-term investments in wealth management products. For level 2 financial assets at fair value through profit or loss, the fair value had been determined by discounted cash flow and observable inputs. For level 3 financial assets at FVTPL, the fair value had been determined by applicable valuation technique which was the discounted cash flow model and unobservable inputs. There was no change to valuation techniques during the Track Record Period.

Based on the above, we believe the investments delivered overall long-term growth while increasing our operating efficiency, and were in our best interest. Specifically, we believe the investments in financial assets at FVTPL increased the utilization of our cash balance while ensuring the short-term liquidity, and we made such investment under the premise of implementing risk control measures and investment strategy to ensure that the wealth management products that we purchased were issued by reputable large financial institutions with low risk and reasonable yield, thus elevating the efficiency of our funds while balancing controllable risks.

### Trade and Other Payables

Our trade and other payables primarily consist of payables to our suppliers. The following table sets forth our trade payables and other as of the dates indicated:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables . . . . .	42,500	103,379	226,252	285,940	403,995
Bills payable . . . . .	—	4,140	—	—	—
Other payables . . . . .	150,959	139,868	214,445	300,711	288,915
<b>Total</b> . . . . .	<u>193,459</u>	<u>247,387</u>	<u>440,697</u>	<u>586,651</u>	<u>692,910</u>

Our trade and other payables balances increased by 18.1% from RMB586.7 million as of December 31, 2021 to RMB692.9 million as of March 31, 2022, by 33.1% from RMB440.7 million as of December 31, 2020 to RMB586.7 million as of December 31, 2021, by 78.1% from RMB247.4 million as of December 31, 2019 to RMB440.7 million as of December 31, 2020 and by 27.9% from RMB193.5 million as of December 31, 2018, to RMB247.4 million as of December 31, 2019. Such increases are primarily attributable to the increase in our purchase from suppliers as a result of our expansion of business.

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Aging analysis of trade payables based on invoice date is as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months . . . . .	42,113	100,292	195,336	259,166	371,191
3 to 6 months . . . . .	347	78	19,920	8,235	14,784
6 to 12 months . . . . .	39	—	5,342	6,330	5,075
Over 12 months . . . . .	1	3,009	5,654	12,209	12,945
<b>Total</b> . . . . .	<u>42,500</u>	<u>103,379</u>	<u>226,252</u>	<u>285,940</u>	<u>403,995</u>

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

	For the year ended December 31,				For the three months ended March 31,
	2018	2019	2020	2021	2022
<b>Trade payable turnover days<sup>(1)</sup></b> . . . . .	<u>44.4</u>	<u>32.6</u>	<u>40.6</u>	<u>36.6</u>	<u>47.5</u>

*Note:*

(1) Trade payables turnover days in 2018 is ending balance of trade payable balance divided by cost of revenue by 360 days. Trade payables turnover days for a year/period equals the average of the opening and closing trade payable balance divided by cost of revenue during the relevant year/period and multiplied by 360 days or 90 days, as applicable.

Our average trade payable turnover days were 44.4, 32.6, 40.6, 36.6 and 47.5 in 2018, 2019, 2020 and 2021 and March 31, 2022. The increase of trade payable turnover days in 2020 was primarily attributable to a general increase in credit terms granted to us by our suppliers due to our successful negotiation with business partners. Our trade payable turnover days remained relatively stable in 2021 compared to 2020. The trade payable turnover days increased to 47.5 for the three months ended March 31, 2022, primarily as a result of our improved trade payable turnover management.

As of June 30, 2022, approximately RMB359.5 million, or 89.0% of our trade payables as of March 31, 2022 had been settled.

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

### Contract Liabilities

We collected payments in advance from customers primarily for sales of pharmaceutical and healthcare products, marketplace service fees and unearned revenue awards to customers. We have recognized the following liabilities related to contracts with customers under “contract liabilities”:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advance from sales of products . . . . .	22,127	16,476	37,762	43,973	48,956
Advance service income . . . . .	371	357	1,490	7,024	2,795
Unearned awards to customers . . . . .	7,664	14,541	21,157	17,682	11,443
<b>Total</b> . . . . .	<u>30,162</u>	<u>31,374</u>	<u>60,409</u>	<u>68,679</u>	<u>63,194</u>

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	As of December 31,				As of
	2018	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	RMB'000	2022
Current .....	26,779	25,996	50,653	59,780	57,805
Non-current .....	3,383	5,378	9,756	8,899	5,389
<b>Total</b> .....	<b>30,162</b>	<b>31,374</b>	<b>60,409</b>	<b>68,679</b>	<b>63,194</b>

Our contract liabilities primarily consisted of (i) advance from sales of products and (ii) unearned revenue awards to customers related to unsatisfied performance obligations at the end of the period that primarily arose from the award credits that we granted through our customer loyalty scheme, coupons in response to user complaints and coupon packages issued at cash consideration. Our contract liabilities decreased by 8.0% from RMB68.7 million as of December 31, 2021 to RMB63.2 million as of March 31, 2022, primarily as a result of the decrease in advance service income and unearned award to customers. Our contract liabilities increased by 13.7% from RMB60.4 million as of December 31, 2020 to RMB68.7 million as of December 31, 2021, increased by 92.5% from RMB31.4 million as of December 31, 2019 to RMB60.4 million as of December 31, 2020, and increased by 4.0% from RMB30.2 million as of December 31, 2018, to RMB31.4 million as of December 31, 2019. Such increases are generally in line with the increase in our sales order from users as a result of our expansion of business.

### Lease Liabilities

See “— Indebtedness — Lease liabilities.”

### Goodwill

Our goodwill as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022 were RMB20.9 million, RMB85.5 million, RMB256.4 million, RMB255.8 million and RMB255.8 million, respectively.

For the purpose of impairment testing, goodwill is allocated to a group of cash generating units. The carrying amounts of goodwill allocated to significant cash generating units are as follows:

	As of December 31,				As of
	2018	2019	2020	2021	March 31,
	RMB'000	RMB'000	RMB'000	RMB'000	2022
Shanghai Smart Pharmacy and its subsidiaries .....	10,978	10,978	10,978	10,978	10,978
Beijing Smart Pharmacy and its subsidiaries .....	4,041	4,041	4,041	4,041	4,041
Guangdong Smart Pharmacy .....	—	48,503	48,503	48,503	48,503
Renhe Yaofangwang and its subsidiaries .....	—	—	167,351	167,351	167,351

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Our impairment review on the goodwill according to IAS 36 were conducted by the management with reference to valuation carried out by independent qualified professional valuer. For the purpose of impairment review as of December 31, 2018, 2019, 2020 and 2021, the recoverable amount of the significant cash generating units containing goodwill is determined based on value-in-use calculations by using the discounted cash flow method, based on the following inputs:

### Shanghai Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Financial projection period	5-year	5-year	4-year	5-year	5-year
Forecasted average annual revenue growth rate . . . . .	54%	35%	29%	18%	16%
Estimated terminal growth rate beyond the projection period extrapolated . . . . .	3%	3%	3%	3%	3%
Pre-tax discount rate . . . . .	<u>23.76%</u>	<u>23.63%</u>	<u>24.07%</u>	<u>24.02%</u>	<u>23.55%</u>

### Beijing Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Financial projection period	5-year	5-year	4-year	5-year	5-year
Forecasted average annual revenue growth rate . . . . .	27%	19%	14%	10%	10%
Estimated terminal growth rate beyond the projection period extrapolated . . . . .	3%	3%	3%	3%	3%
Pre-tax discount rate . . . . .	<u>22.41%</u>	<u>22.87%</u>	<u>23.31%</u>	<u>23.84%</u>	<u>23.57%</u>

### Guangdong Smart Pharmacy:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
Financial projection period	5-year	4-year	5-year	5-year
Forecasted average annual revenue growth rate . . . . .	40%	26%	16%	16%
Estimated terminal growth rate beyond the projection period extrapolated . . . . .	3%	3%	3%	3%
Pre-tax discount rate . . . . .	<u>23.45%</u>	<u>23.95%</u>	<u>23.47%</u>	<u>24.52%</u>

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### Renhe Yaofangwang and its subsidiaries:

	As of December 31,		As of March 31,
	2020	2021	2022
	7-year	5-year	5-year
<b>Financial projection period</b>			
Forecasted average annual revenue growth rate . . . . .	30%	28%	27%
Estimated terminal growth rate beyond the projection period extrapolated . . . . .	3%	3%	3%
Pre-tax discount rate . . . . .	22.06%	23.78%	23.68%

Our management leveraged their extensive experience in the industry and provided forecast based on past performance and expectation of future business plans and market developments. Our management, together with the valuer, performed impairment test for the goodwill and determined such goodwill was not impaired, since the headroom for the Significant CGUs containing goodwill amounted to:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shanghai Smart Pharmacy and its subsidiaries . . . . .	32,776	36,447	57,669	82,928	70,506
Beijing Smart Pharmacy and its subsidiaries . . . . .	58,895	48,366	73,943	100,421	92,298
Guangdong Smart Pharmacy . . . . .	N/A	30,871	64,041	32,643	38,416
Renhe Yaofangwang and its subsidiaries . . . . .	N/A	N/A	N/A	74,474	46,742

Sensitivity analysis has been performed based on the assumptions that revenue or terminal value or the pre-tax discount rate has been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased by as below:

### Shanghai Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue decrease by 5% . . . . .	2,800	3,200	5,300	6,800	5,000
Terminal value decrease by 5% . . . . .	2,900	2,700	3,200	4,900	3,700
Pre-tax discount rate increase by 5% . . . . .	6,300	6,100	6,400	11,100	8,300

### Beijing Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue decrease by 5% . . . . .	4,500	4,900	7,100	9,411	6,004
Terminal value decrease by 5% . . . . .	4,200	3,500	4,200	5,849	3,580
Pre-tax discount rate increase by 5% . . . . .	9,100	8,500	8,900	12,914	8,222

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### Guangdong Smart Pharmacy:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue decrease by 5% . . . . .	5,900	8,100	6,000	6,968
Terminal value decrease by 5% . . . . .	3,600	4,300	3,000	3,483
Pre-tax discount rate increase by 5% . . . . .	8,500	8,900	7,300	8,060

### Renhe Yaofangwang and its subsidiaries:

	As of December 31,	As of March 31,
	2021	2022
	RMB'000	RMB'000
Revenue decrease by 5% . . . . .	16,848	15,985
Terminal value decrease by 5% . . . . .	10,088	9,630
Pre-tax discount rate increase by 5% . . . . .	22,399	20,885

Headroom and sensitivity analysis have not been performed for Renhe Yaofangwang and its subsidiaries as of December 31, 2020, as such information is not meaningful having regards Renhe Yaofangwang was acquired by the Company in December 2020. As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the estimated revenue, estimated terminal value, and pre-tax discount rate must change by the percentage set out below to remove the remaining headroom for the Significant CGUs containing goodwill, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount.

### Shanghai Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	Revenue decrease by . . . . .	61.50%	41.91%	49.00%	60.32%
Terminal value decrease by . . . . .	56.99%	50.88%	81.95%	83.49%	93.93%
Pre-tax discount rate increase by . . . . .	36.65%	26.91%	68.61%	63.71%	82.20%

### Beijing Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	Revenue decrease by . . . . .	68.60%	50.00%	51.57%	53.36%
Terminal value decrease by . . . . .	71.27%	68.45%	87.30%	85.85%	129.18%
Pre-tax discount rate increase by . . . . .	49.49%	39.92%	71.60%	67.15%	137.89%

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### Guangdong Smart Pharmacy:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
Revenue decrease by . . . . .	26.45%	39.36%	27.07%	27.57%
Terminal value decrease by . . . . .	46.05%	76.70%	53.64%	53.67%
Pre-tax discount rate increase by . . .	20.77%	56.78%	28.41%	30.32%

### Renhe Yaofangwang and its subsidiaries:

	As of December 31,	As of March 31,
	2021	2022
Revenue decrease by . . . . .	21.68%	14.62%
Terminal value decrease by . . . . .	36.85%	24.27%
Pre-tax discount rate increase by . . . . .	19.30%	12.09%

Reasonable possible changes in key assumptions will not lead to the goodwill impairment loss as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022. For more details on the analysis, see Note 18 to the Accountants' Report in Appendix I to this prospectus.

### Other intangible assets

Our other intangible assets primarily consist of software, trademark and franchise right and customer relationship. Our other intangible assets increased significantly from RMB4.1 million as of December 31, 2018 to RMB45.4 million as of December 31, 2019, and then to RMB230.1 million as of December 31, 2020, and decreased to RMB199.2 million as of December 31, 2021 and RMB190.4 million as of March 31, 2022. We determine the estimated useful lives and related amortization for our other intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets.

The estimated useful lives of other intangible assets are as follows:

Category	Estimated useful lives
Software . . . . .	3-10 years
Trademark and franchise right . . . . .	5-9 years
Customer relationship . . . . .	5 years

The above other intangible assets were acquired from third parties or purchased as part of business combination during the Track Record Period. The trademark acquired from third party is related to three trademark registration certificates granted by Trademark Office of the State Administration for Industry and Commerce of China. Our management considered the trademark would be able to apply on our online medicine trading service or technologies for 9 years with reference to the remaining valid period of such trademark registration certificates. The franchise rights acquired in the business combinations were related to franchise right contracts. Our management considered the franchise rights would be able to apply on our online medicine trading service or technologies for 5-9 years with reference to the franchise right contracts. We will revise the amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

## FINANCIAL INFORMATION

### Financial Liabilities at FVTPL

We entered into share subscription agreement with independent investors and issued five series (the “Series A”, “Series A+”, “Series B”, “Series B+” and “Series C”, respectively) of shares with preferred rights (together, the “Preferred Shares”). We designated the Preferred Shares as financial liabilities at FVTPL as they are contingently redeemable by the holders of these preferred shares under certain events out of our control and will be settled other than by the exchange of a fixed amount of cash for a fixed number of our shares. As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, our financial liabilities at FVTPL were RMB213.2 million, RMB763.9 million, RMB2,343.5 million, RMB4,651.0 million and RMB4,931.6 million, respectively. The reconciliation of Level 3 fair value measurements is as follows:

	Shares with preferred rights/ Preferred Shares
	RMB'000
<b>As of January 1, 2018</b> .....	179,578
Purchase .....	–
Acquired from acquisitions .....	–
Redemption .....	–
Changes in fair value .....	33,620
<b>As of December 31, 2018</b> .....	213,198
Issue of shares with preferred rights .....	400,000
Purchase .....	–
Acquired from acquisitions .....	–
Redemption .....	–
Changes in fair value .....	150,685
<b>As of December 31, 2019</b> .....	763,883
Issue of shares with preferred rights .....	825,000
Changes in fair value .....	754,591
<b>As of December 31, 2020</b> .....	2,343,474
Issue of Preferred Shares .....	4,476,585
Redemption of shares with preferred rights <sup>(1)</sup> .....	(3,081,310)
Changes in fair value <sup>(2)</sup> .....	912,201
<b>As of December 31, 2021</b> .....	4,650,950
Purchase .....	–
Redemption .....	–
Changes in fair value <sup>(2)</sup> .....	280,615
<b>As of March 31, 2022</b> .....	4,931,565

*Notes:*

(1) As part of Reorganization, pursuant to the written resolution of the shareholders of Dingdang Medicine Express Technology dated March 1, 2021, investors of shares with preferred rights reduced and withdrew their paid-in capital in Dingdang Medicine Express Technology. On May 25, 2021, Dingdang Medicine Express Technology redeemed these shares with preferred rights at carrying amounts of RMB3,081.3 million by way of paid-in capital reduction. See Note 1.2 and “Preferred Shares issued by the Company” and “Presentation and Classification” in Note 25 of the Accountants’ Report in Appendix I to this prospectus.

(2) Change in fair value presented in RMB includes effect of exchange on translation from USD balances.

For a detailed analysis of financial liabilities at FVTPL, see Note 25 to the Accountants’ Report in Appendix I to this prospectus.



## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	For the year ended December 31/ As of December 31,				For the three months ended March 31/ As of March 31,	
	2018	2019	2020	2021	2021	2022
					(unaudited)	
Revenue growth . . . . .	N/A	118.2%	74.7%	65.1%	55.9%	26.6%
Gross profit margin <sup>(1)</sup> . . . . .	41.1%	36.8%	34.4%	31.6%	30.4%	33.9%
Net margin <sup>(2)</sup> . . . . .	(17.6)%	(21.5)%	(41.3)%	(43.5)%	(96.1)%	(41.0)%
Adjusted net margin (non-IFRS measure) <sup>(3)</sup> . . . . .	(11.9)%	(9.7)%	(6.7)%	(9.0)%	(8.9)%	(4.5)%
Current ratio <sup>(4)</sup> . . . . .	0.6	1.3	1.8	3.1	1.6	2.7
Quick ratio <sup>(5)</sup> . . . . .	0.5	0.8	1.3	2.5	1.0	2.1

(1) Gross profit margin equals gross profit divided by revenue for the year and multiplied by 100%.

(2) Net margin equals net loss/gain divided by revenue for the year and multiplied by 100%.

(3) Adjusted net margin (non-IFRS measure) equals adjusted net loss (non-IFRS measure) divided by revenue for the year and multiplied by 100%.

(4) Current ratio equals current assets divided by current liabilities as of the same date.

(5) Quick ratio equals current assets less inventories and divided by current liabilities as of the same date.

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we financed our operations primarily through proceeds on issue of shares with preferred rights. We expect to use a portion of the proceeds from the Global Offering to fund our working capital requirements.

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, we had cash and cash equivalents of RMB46.2 million, RMB144.7 million, RMB260.6 million, RMB1,553.0 million and RMB1,498.2 million, respectively. The increase of cash and cash equivalents for the year ended December 31, 2021 was mainly due to the investments from the Pre-IPO Investors and the redemption of our financial products issued by banks. Our cash and cash equivalents remained relatively stable at RMB1,498.2 million as of March 31, 2022. See “History, Reorganization and Corporate Structure — Major Shareholding Changes and Pre-IPO Investments.”

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

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Operating cash flows before movements in working capital	(30,101)	(57,476)	(61,546)	(219,125)	(42,908)	(15,145)
Changes in working capital . . . .	43,862	(201,689)	(115,910)	(50,245)	31,389	36,625
Income taxes paid . . . . .	(3,594)	(6,732)	(15,590)	(26,120)	(5,032)	(8,603)
Net cash from/(used in) operating activities . . . . .	10,167	(265,897)	(193,046)	(295,490)	(16,551)	12,877
Net cash from/(used in) investing activities . . . . .	44,032	10,577	(486,471)	306,635	233,999	(40,264)
Net cash (used in)/from financing activities . . . . .	(21,077)	353,769	795,400	1,271,553	(51,061)	(20,879)
Net increase in cash and cash equivalents . . . . .	33,122	98,449	115,883	1,282,698	166,387	(48,266)
Cash and cash equivalents at the beginning of year . . . . .	13,120	46,242	144,691	260,574	260,574	1,552,994
Effect of foreign exchange rate changes on cash and cash equivalents . . . . .	—	—	—	9,722	—	(6,496)
Cash and cash equivalents at the end of year, represented by . . .	<u>46,242</u>	<u>144,691</u>	<u>260,574</u>	<u>1,552,994</u>	<u>426,961</u>	<u>1,498,232</u>

### Net Cash from/(Used in) Operating Activities

Net cash used in operating activities primarily comprises our loss before income tax and non-cash and non-operating items, and adjusted by changes in working capital. Our net cash used in operating activities was primarily attributable to our net loss, which resulted from the increase in costs and expenses being faster than the increase of our gross profit. Our cash was primarily used in operating activities related to the build-up of online-to-offline solutions which include operations related to our online platforms, offline smart pharmacies and express delivery service. Although we achieved continuous increase in revenue and gross profit, our operating expenses increased substantially along with the growth of our business. Specifically, our fulfillment expenses increased as a result of the increase in the order volume of online direct sales; our selling and marketing expenses increased as a result of the increased number of smart pharmacies and the concomitant expenses related to the personnel and operations of smart pharmacies and promotion and advertising related expenses; our research and development expenses increased as a result of our endeavor to further improve our platforms and the delivery efficiency; and our general and administrative expenses increased as a result of the increase in the number of headquarter staff to support our business growth and the increase in professional consultancy fees for our Series C financing.

In the three months ended March 31, 2022, net cash generated from operating activities was RMB12.9 million, which was primarily attributable to our loss before income tax of RMB402.1 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value changes of financial liabilities at FVTPL of RMB280.6 million, share-based payments expenses of RMB69.4 million and depreciation of right-of-use assets of RMB19.1 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB105.7 million and

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an increase in amounts due to related parties of RMB50.4 million, partially offset by an increase in inventories of RMB85.1 million. The improvement in the operating cash flow was primarily a result of (i) the improvement in profitability, which we achieved by increasing revenue and gross profit margin, as we dynamically adjusted product mix and made use of economies of scale; and (ii) the improvement in working capital, primarily as a result of our improved trade payable turnover management.

In 2021, net cash used in operating activities was RMB295.5 million, which was primarily attributable to our loss before income tax of RMB1,581.9 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value change of financial liabilities at fair value through profit or loss of RMB912.2 million, share-based payments expenses of RMB323.9 million and depreciation of right-of-use assets of RMB78.4 million; and (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB109.8 million and an increase in trade and other receivables and prepayments of RMB89.6 million, partially offset by an increase in trade and other payables of RMB136.6 million.

In 2020, net cash used in operating activities was RMB193.0 million, which was primarily attributable to our loss before income tax of RMB900.9 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value change of financial liabilities at fair value through profit or loss of RMB754.6 million, depreciation of right-of-use assets of RMB47.7 million, depreciation of property and equipment of RMB20.9 million and share-based payment expense of RMB13.1 million; and (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB116.0 million and an increase in trade and other receivables and prepayments of RMB83.1 million, partially offset by an increase in trade and other payables of RMB61.0 million.

In 2019, net cash used in operating activities was RMB265.9 million, which was primarily attributable to our loss before income tax of RMB265.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value changes of financial liabilities at fair value through profit or loss of RMB150.7 million, depreciation of right-of-use assets of RMB35.6 million, and depreciation of property and equipment of RMB16.8 million; and (ii) changes in working capital, which primarily resulted from an increase in inventories of RMB84.7 million, an increase in trade and other receivables and prepayments of RMB44.7 million and a decrease in trade and other payables of RMB84.5 million.

In 2018, net cash from operating activities was RMB10.2 million, which was primarily attributable to our loss before income tax of RMB96.7 million, as adjusted by (i) non-cash and non-operating items, which primarily consisted of loss on fair value change of financial liabilities at fair value through profit or loss of RMB33.6 million, depreciation of right-of-use assets of RMB19.6 million and depreciation of property and equipment of RMB13.0 million; and (ii) changes in working capital, which primarily resulted from an increase in trade and other payables of RMB45.4 million and an increase in contract liabilities of RMB17.5 million, partially offset by an increase in inventories of RMB28.7 million.

We expect our operating cash flow position to improve as we improve profitability, which we plan to achieve by (i) increasing sales revenue and improving gross profit margin. For example, we have been dynamically adjusting product mix to include products of higher gross profit margin. In addition, our procurement size increases with the growth of our business scale, and we expect to have better bargaining power to obtain more favorable price and credit terms. Our implementation of centralized procurement also helps us control costs of products; (ii) reducing fulfillment expenses by elevating delivery efficiency through research and development, which cuts down per order delivery costs; (iii) enhancing cost control capacity by making full use of economies of scale to achieve faster growth in revenue than in cost of revenue; and (iv) continuously improving working capital management by proactive management of trade receivables, trade payables and inventory turnover and deepened cooperation with our suppliers. See “Business – Business Sustainability.”

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See “— Discussion of Certain Selected Items from the Consolidated Statements of Financial Position” for primary reasons relating to the underlying causes for our operating cash flow changes.

### **Net Cash from/(Used in) Investing Activities**

In the three months ended March 31, 2022, net cash used in investing activities was RMB40.3 million, which was primarily attributable to purchase of financial assets at FVTPL of RMB1,689.9 million and partially offset by redemption of financial assets at FVTPL of RMB1,654.3 million.

In 2021, net cash from investing activities was RMB306.6 million, which was primarily attributable to redemption of financial assets at FVTPL of RMB4,137.1 million and partially offset by purchases of financial assets at FVTPL of RMB3,805.4 million.

In 2020, net cash used in investing activities was RMB486.5 million, which was primarily attributable to purchases of financial assets at fair value through profit or loss of RMB3,607.8 million and net cash outflow on acquisition of subsidiaries of RMB204.3 million and purchase of property and equipment of RMB19.6 million, and was partially offset by redemption of financial assets at FVTPL of RMB3,340.8 million.

In 2019, net cash generated from investing activities was RMB10.6 million, which was primarily attributable to redemption of financial assets at FVTPL of RMB2,005.4 million and interest received of RMB2.4 million, and was partially offset by purchases of financial assets at FVTPL of RMB1,956.7 million, purchase of property and equipment of RMB20.3 million, and net cash outflow on acquisition of subsidiaries of RMB13.2 million.

In 2018, net cash generated from investing activities was RMB44.0 million, which was primarily attributable to redemption of financial assets at FVTPL of RMB766.5 million, and was partially offset by purchases of financial assets at FVTPL of RMB692.2 million, net cash outflow on acquisition of subsidiaries of RMB20.8 million and purchase of property and equipment of RMB10.5 million.

### **Net Cash (Used in)/from Financing Activities**

In the three months ended March 31, 2022, net cash used in financing activities was RMB20.9 million, which was primarily attributable to repayments of lease liabilities of RMB17.9 million and interest paid of RMB2.0 million.

In 2021, net cash from financing activities was RMB1,271.6 million, which was primarily attributable to proceeds on issue of Preferred Shares of the Company of RMB2,740.3 million and other borrowing raised of RMB1,270.0 million, and was partially offset by redemption of shares with preferred rights of RMB1,345.0 million and repayment of other borrowing of RMB1,267.8 million.

In 2020, net cash from financing activities was RMB795.4 million, which was primarily attributable to proceeds on issue of shares with preferred rights of RMB825.0 million and advance from related parties of RMB28.8 million, and was partially offset by repayments of lease liabilities of RMB46.9 million.

In 2019, net cash from financing activities was RMB353.8 million, which was primarily attributable to proceeds on issue of shares with preferred rights of RMB400.0 million.

In 2018, net cash used in financing activities was RMB21.1 million, which was primarily attributable to repayment of lease liabilities of RMB18.1 million.

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### INDEBTEDNESS

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

	As of December 31,				As of	As of
	2018	2019	2020	2021	March 31,	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2022	2022
					RMB'000	RMB'000 (unaudited)
Lease Liabilities . . . . .	63,146	118,977	141,253	157,012	153,872	149,976
Financial Liabilities at FVTPL . . . . .	213,198	763,883	2,343,474	4,650,950	4,931,565	5,013,406
Amounts Due to Related Parties . . . . .	217	269	28,994	2,375	2,645	3,575
<b>Total . . . . .</b>	<b><u>276,561</u></b>	<b><u>883,129</u></b>	<b><u>2,513,721</u></b>	<b><u>4,810,337</u></b>	<b><u>5,088,082</u></b>	<b><u>5,166,957</u></b>

### Borrowings

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022 and June 30, 2022, we did not have any bank borrowings. We did not have any unutilized banking facilities as of the Latest Practicable Date.

Our Directors confirm that, except for disclosed elsewhere in this prospectus, as of the Latest Practicable Date, there was no material covenant which would impact our ability to undertake additional debt financing. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

### Lease Liabilities

Since IFRS 16 was adopted by us throughout the Track Record Period, we recognized right-of-use assets and the corresponding lease liabilities in respect of all leases, except for short-term leases and low value assets. The table below sets forth our lease liabilities as of the dates indicated:

	As of December 31,				As of	As of
	2018	2019	2020	2021	March 31,	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2022	2022
					RMB'000	RMB'000 (unaudited)
Current . . . . .	18,448	38,994	53,865	61,383	62,834	64,161
Non-current . . . . .	44,698	79,983	87,388	95,629	91,038	85,815
<b>Total . . . . .</b>	<b><u>63,146</u></b>	<b><u>118,977</u></b>	<b><u>141,253</u></b>	<b><u>157,012</u></b>	<b><u>153,872</u></b>	<b><u>149,976</u></b>

## FINANCIAL INFORMATION

The table below categorizes our lease liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date.

	As of December 31,				As of	As of
	2018	2019	2020	2021	March 31,	June 30,
	RMB'000	RMB'000	RMB'000	RMB'000	2022	2022
					RMB'000	RMB'000
						(unaudited)
Within one year . . . . .	18,448	38,994	53,865	61,383	62,834	64,161
One to two years . . . . .	16,219	34,635	40,694	48,018	49,073	47,068
Two to five years . . . . .	26,552	43,000	45,217	44,908	39,520	36,318
Over five years . . . . .	1,927	2,348	1,477	2,703	2,445	2,429
<b>Total</b> . . . . .	<b>63,146</b>	<b>118,977</b>	<b>141,253</b>	<b>157,012</b>	<b>153,872</b>	<b>149,976</b>

As of June 30, 2022, our lease liabilities amounted to RMB150.0 million, certain of which were secured by the rental deposits and all of which were unguaranteed.

### Financial Liabilities at FVTPL

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, our shares with preferred rights had a fair value of RMB213.2 million, RMB763.9 million, RMB2,343.5 million, RMB4,651.0 million, and RMB4,931.6 million, respectively. For further information regarding the shares with preferred rights, see Note 25 to the Accountants' Report in Appendix I to this prospectus. Between December 31, 2021 and June 30, 2022, we did not issue or repurchase any preferred shares. All the shares with preferred rights are unsecured and unguaranteed.

### Amounts Due to Related Parties

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, we had unsecured and unguaranteed amounts due to related parties of RMB5.7 million, RMB14.2 million, RMB45.6 million, RMB22.5 million and RMB72.9 million, respectively, among which RMB5.5 million, RMB13.9 million, RMB16.6 million, RMB20.1 million and RMB70.3 million, respectively, were trade nature, primarily being payable for purchase of goods, and RMB0.2 million, RMB0.3 million, RMB29.0 million, RMB2.4 million and RMB2.6 million, respectively, were non-trade nature, primarily including loans and brand usage fee payables, which will be settled prior to the completion of IPO, except for those payables arising from the normal course of business which will be typically settled periodically.

As of June 30, 2022, we had unsecured and unguaranteed amounts due to related parties of RMB65.0 million, among which RMB61.4 million were trade nature and RMB3.6 million were non-trade nature.

Except as disclosed in this prospectus, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees on a consolidated basis, or other contingent liabilities as of June 30, 2022.

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## FINANCIAL INFORMATION

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### CONTINGENT LIABILITIES OR GUARANTEES

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022 and June 30, 2022, we did not have any material contingent liabilities or guarantees.

### CAPITAL EXPENDITURES

The following table sets out a breakdown of our capital expenditures for the periods indicated:

	For the year ended December 31,				For the three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Purchase of property of equipment . . . . .	(10,540)	(20,276)	(19,595)	(20,466)	(3,840)	(5,756)
Payments for right-for-use assets . . . . .	(228)	(1,848)	(493)	(4,367)	(160)	(1,517)
Purchases of intangible assets . . . . .	(206)	(5,447)	(2,751)	(4,479)	(3,321)	—
<b>Total</b> . . . . .	<b>(10,974)</b>	<b>(27,571)</b>	<b>(22,839)</b>	<b>(29,312)</b>	<b>(7,321)</b>	<b>(7,273)</b>

Our historical capital expenditures primarily consist of purchases of property and equipment, payments for right-for-use assets and purchases of intangible assets. Our capital expenditures were RMB11.0 million, RMB27.6 million, RMB22.8 million, RMB29.3 million, RMB7.3 million and RMB7.3 million in 2018, 2019, 2020 and 2021 and three months ended March 31, 2021 and 2022, respectively.

We plan to fund our planned capital expenditures using cash generated from operations and the net proceeds received from the Global Offering. See “Future Plans and Use of Proceeds.” We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

### CONTRACTUAL OBLIGATIONS

#### Capital Commitments

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022 we had no other material commitments.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

### MATERIAL RELATED PARTY TRANSACTIONS

See Note 36 of Appendix I to this prospectus for more details about our related party transactions during the Track Record Period. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm’s length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

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## FINANCIAL INFORMATION

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### FINANCIAL RISK DISCLOSURE

Our activities expose us to a variety of financial risks, such as market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our Directors.

Our major financial instruments include financial assets at FVTPL, trade and other receivables, cash and cash equivalents, amounts due from related parties, lease liabilities, trade and other payables, amounts due to related parties and financial liabilities at FVTPL. Details of the financial instruments are disclosed in respective notes to the Accountants' Report set out in Appendix I to this prospectus. The policies on how to mitigate these risks are set out below. Our Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### *Foreign exchange risk*

The functional currency of our entities is RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of the our entities. In addition, we has intra-group balances with a subsidiary denominated in foreign currency which also expose us to foreign currency risk.

During the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2022, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant. We considered that any reasonable changes in foreign exchange rates of other currencies against the functional currency would not result in a significant change in our results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective subsidiaries' functional currency were considered to be not significant. Accordingly, no sensitivity analysis is presented for foreign exchange risk.

As of December 31, 2021 and March 31, 2022, we had the following financial assets and financial liabilities, which were cash and cash equivalents, rental deposits, financial liabilities at FVTPL, lease liabilities, amounts due to related parties and other payables, denominated in currencies other than RMB.

	<u>As of</u> <u>December 31, 2021</u>	<u>As of</u> <u>March 31, 2022</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Assets:		
– HKD .....	2,814	1,756
– USD .....	698,053	184,965
Liabilities:		
– HKD .....	3,770	4,049
– USD .....	4,655,552	4,938,308

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusted their transaction at year end for a 5% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, rental deposits, financial liabilities at FVTPL, lease liabilities, amounts due to related parties and other payables. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates.



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## FINANCIAL INFORMATION

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If 5% weakening/strengthening of USD and HKD against RMB, our post-tax loss for the year ended December 31, 2021 and three months ended March 31, 2022 would decrease/increase by RMB197.9 million and RMB237.8 million, respectively. This is mainly attributable to our exposure to foreign currencies rates of USD on its financial liabilities at FVTPL as of December 31, 2021 and March 31, 2022.

### ***Interest rate risk***

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose us to cash flow interest rate risk, whereas fixed rate instruments expose us to fair value interest risk. Our cash flow interest rate risk primarily arose from cash and cash equivalents, details of which have been disclosed in Note 23 to the Accountants' Report in Appendix I to this prospectus. Our fair value interest risk primarily arises from lease liabilities, details of which have been disclosed in Note 20 to the Accountants' Report in Appendix I to this prospectus. No sensitivity analysis on interest rate risk on bank balance is presented as management consider the sensitivity on interest rate risk on bank balance is insignificant.

### ***Other price risk***

We exposed to price risk in respect of its financial products issued by banks measured as financial assets at FVTPL and shares with preferred rights/Preferred Shares measured as financial liabilities at FVTPL. The above financial instruments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

Shares with preferred rights/Preferred Shares are affected by changes in our equity value, the sensitivity analysis of which has been disclosed in Note 34.4 to the Accountants' Report in Appendix I to this prospectus. The fair value change of financial products issued by banks is not considered to be significant.

### **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Our credit risk is mainly associated with cash and cash equivalents, trade and other receivables, financial assets at FVTPL and amount due from related parties. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

Our cash and cash equivalents are mainly deposited in state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of default in relation to these financial institutions. We consider the instruments have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the Track Record Period. We consider that there is no significant credit risk and no material losses due to the default of the other parties. See Note 34.2(b) to the Accountants' Report in Appendix I to this prospectus.

### **Liquidity risk**

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

For the remaining contractual maturity of the our financial liabilities and lease liabilities, which has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities on the earliest date which we can be required to pay, see Note 34.2(c) to the Accountants' Report in Appendix I to this prospectus.

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## FINANCIAL INFORMATION

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### DIVIDEND

During the Track Record Period and up to the Latest Practicable Date, the Company did not declare any dividend to our shareholders.

We are a holding company incorporated under the laws of the Cayman Islands. As advised by our Cayman Islands counsel, under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profits or share premium account. Even if there is an accumulated loss, a dividend may be paid out of the share premium account, provided that the memorandum and articles of association of the Cayman Islands company do not prohibit such payment and that the Cayman company satisfies the solvency test set out in the Cayman Companies Act. There are no provisions in the Memorandum and Articles which prohibit dividends being declared and paid out of our share premium account notwithstanding our profitability, provided that our Company satisfies the solvency test set out in the Cayman Companies Act. Our future declarations of dividends will be at the absolute discretion of the Board based on future profitability. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors including our future earnings and cash inflows, future plan for use of funds, long-term development of our business and other legal and regulatory restrictions.

As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves until the aggregate amount of such reserves reach 50% of its registered capital, which are not available for distribution as cash dividends. Our PRC Legal Advisors are of the view that the declarations of dividends by some of our subsidiaries incorporated in PRC during the Track Record Period are in compliance with relevant PRC laws and regulations.

### WORKING CAPITAL CONFIRMATION

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover our costs, for at least the next 12 months from the expected date of this prospectus:

- our future operating cash flows in respective periods;
- cash and cash equivalent of RMB1,526.1 million as of June 30, 2022; and
- the estimated net proceeds from the Global Offering.

### DISTRIBUTABLE RESERVES

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

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## FINANCIAL INFORMATION

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### LISTING EXPENSES AND ISSUE COSTS

Assuming an Offer Price of HK\$12.00 per Share, the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to be approximately RMB99.5 million, accounting for 28.3% of gross proceeds from the Global Offering, of which RMB53.4 million of listing expenses and issue costs has been incurred during the Track Record Period, approximately RMB23.6 million is expected to be charged to profit or loss in 2022, and approximately RMB22.5 million is directly attributable to the offering and listing of our Offer Shares and will be deducted from equity upon the Listing. By nature, our listing expenses are composed of (i) underwriting commission of approximately RMB34.5 million, and (ii) non-underwriting related expenses of approximately RMB65.0 million, which consist of fees and expenses of legal advisors and Reporting Accountant of approximately RMB42.0 million and other fees and expenses of approximately RMB23.0 million.

### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus for details.

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading positions or prospects since March 31, 2022, being the date of our consolidated financial statements as set out in the Accountants' Report included in Appendix I to this prospectus.

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

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

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See “Business — Business Strategies” in this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

Assuming an Offer Price of HK\$12.00 per Share, we estimate that we will receive net proceeds of approximately HK\$341.6 million from the Global Offering after deducting the underwriting commissions and other estimated expenses paid and payable by us in connection with the Global Offering and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use our proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 45.0% of the net proceeds, or approximately HK\$153.7 million, for business expansion, such as the further development of smart pharmacy network in order to meet compliance requirements of, and provide business and technical support to our business, and enhancement of user growth and engagement, including:
  - approximately 22.5% of the net proceeds, or approximately HK\$76.9 million, is expected to be used for further expanding our network of smart pharmacies and penetrating into new cities. We plan to:
    - (i) increase the number of cities where we operate. We intend to increase 8 new operating cities by the end of 2022, 12 new operating cities by the end of 2023, and 14 new operating cities by the end of 2024. The selection criteria of new operating cities generally includes the population of core areas of the city, the per capita GDP of the citizens, the disposable income level and spending appetite of the consumers in the city, and competition level in the city;
    - (ii) strengthen the presence of our smart pharmacies in the covered areas, and expand to uncovered areas in the cities where we operate as well as the newly added operating cities. We intend to open or cooperate approximately 100 new smart pharmacies by the end of 2022, approximately 150 new smart pharmacies by the end of 2023, and approximately 100 new smart pharmacies by the end of 2024. Our expansion plan in relation to new smart pharmacies was delayed in the first half of 2022, mainly due to another wave of COVID-19 outbreak in the PRC and the local authorities of the cities that we had expansion plan had taken certain lock-down measures to prevent further spread of COVID-19, which renders difficulties for us to open new smart pharmacies under such circumstances. Despite the difficulties in the first half of 2022 due to the COVID-19 outbreak, we would like to use our best efforts to carry out our expansion plan as scheduled. As of the Latest Practicable Date, we have sufficient financial resources for opening new smart pharmacies. In addition, we have started to conduct the preparatory work for the expansion plan, including studies and site-visiting on selected areas for the planned new smart pharmacies in related cities, and preliminary recruitment and corresponding training of staffs for new smart pharmacies. Upon listing, we will continue to strengthen our brand and accelerate our expansion. Specifically, in the fourth quarter in 2022, we plan to open about 55 new smart pharmacies in our existing operating cities, mainly in Beijing and Shanghai, and explore new operating cities, such as Nanchang, Hefei, Haikou and Xi'an, with additional about 25 new smart pharmacies opened thereof;
    - (iii) optimize the organization structure of our network of smart pharmacies and establish our region-specific management system; and

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## FUTURE PLANS AND USE OF PROCEEDS

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- (iv) expand the collaboration with professional delivery teams to support our increasing number of smart pharmacies. We intend to further collaborate with our delivery partners under relevant outsourcing arrangement and additionally engage approximately 1,000 riders by the end of 2022, approximately 1,800 riders by the end of 2023, and approximately 2,500 riders by the end of 2024.

We believe the expansion plans above will further expand the scale of our business and achieve growth and improvement in our financial performance.

- approximately 15.8% of the net proceeds, or approximately HK\$54.0 million, is expected to be used for expanding and upgrading our smart pharmacies in cities where we operate. We plan to: (i) increase the number of the smart pharmacies in our existing operating cities through acquisition and organic growth; (ii) upgrade the storage area and storage environment of our smart pharmacies in our core operating cities such as Shanghai and Beijing; and (iii) improve the environment of our smart pharmacies in other operating cities by strengthening their delivery capability and organizational structure.
- approximately 6.7% of the net proceeds, or approximately HK\$22.9 million, is expected to be used for further expanding our user base and enhancing user engagement. We plan to: (i) increase investment in cooperation with advertisers to promote our products and services in cities where we operate; and (ii) continue to invest in sales promotion events through a series of social marketing, such as promotion sectioning and live streaming.
- approximately 15.0% of the net proceeds, or approximately HK\$51.2 million, for optimizing of our technology systems and operating platforms. We plan to:
  - For recruiting approximately 510 technology experts by the end of 2024 specialized in algorithms, software development, data structure, search engines, product development and data analysis in order to meet business requirements, stabilize the system framework, and build up technical barriers, followed by our recruitment plan for the next three years:
    - recruiting approximately 120 R&D talents in the first stage, including approximately 30 experts for the development of the search and recommendation system, distribution and arrangement system, health management system and supply chain system; approximately 10 senior- to mid-level product managers, approximately 60 development engineers, and approximately 20 Q&A engineers for the development and construction of business systems and security assurance;
    - recruiting approximately 170 R&D talents in the second stage, including approximately 50 experts for deep mining of knowledge graph research in the medical and pharmaceutical fields, approximately 15 senior- to mid-level product managers, approximately 85 development engineers, and approximately 20 Q&A engineers for improving functionality and capability of our platform and supporting new business; and
    - recruiting approximately 220 R&D talents in the third stage, including approximately 80 talents to support the exploration of business-assisted decision-making systems such as physician-assisted treatment, user self-diagnosis, disease prediction and sales forecasting, and intelligent supply chain, approximately 100 talents to support software updates and new businesses arising from the expansion of our business, and approximately 40 talents to support network framework upgrades and maintenance of data security.

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## FUTURE PLANS AND USE OF PROCEEDS

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- advance our platforms and systems to better serve users and promote our sales fulfillment by incorporating technologies such as AI, 5G, and IoT. This is expected to be achieved by mining and analyzing user health data and platform transaction data through big data and cloud computing to generate order projections, merchandise movement projections and disease-related data, benefiting our delivery services, operations, and doctors, including:
  - enhancing our proven fulfillment capabilities and order processing capabilities in response to our business expansion, including strengthening our capability to process pop-up orders and improving offline retail revenue and delivery efficiency;
  - developing a knowledge management platform and a system organizing and arranging e-prescriptions to achieve higher operational efficiency and to explore additional scope of product and service offerings we can offer to our users, including establishing an intelligent consultation platform and integrating AI consultation; and
  - developing an online payment system, aiming to bridge the government's health insurance system and commercial insurance system with our payment system to enable the payment for our healthcare product and service offerings with public health insurance and commercial insurance;
- upgrade our delivery system by increasing the coverage, service quality and functionalities of our distribution platforms, and promoting the coordination of our smart pharmacies with delivery force.
- approximately 10.0% of the net proceeds, or approximately HK\$34.2 million, for upgrading our services and our business, such as building professional structure of full-time doctors and pharmacists. We plan to: (i) upgrade the online medical consultation service by introducing 10 to 20 full-time doctors and pharmacists for the existing departments and specialties and further expanding the existing departments and specialties to include andrology, hepatology and dermatology by 2024, with at least five full-time doctors assigned to these departments; (ii) establish our proprietary knowledge graph; (iii) implement the online health insurance payment in the cities we operate; (iv) promote the connections of commercial health insurance and online payment; and (v) upgrade our on-demand point-of-care testing system.
- approximately 20.0% of the net proceeds, or approximately HK\$68.3 million, for our potential investments and acquisitions or strategic alliances along with the value chain of the healthcare industry in which we operate. Furthermore, we plan to invest in other companies in the healthcare industry with advanced technologies and services that will complement our business. To achieve such goal, we plan to carry out potential investments and acquisitions or strategic alliances with the following categories:
  - retail pharmacy companies, including online and offline pharmacy companies and companies operating pharmacies and warehouses, to broaden our network of smart pharmacies, enhance our drug express offering capabilities and further expand the scale of our business. Our investment selection criteria includes fully licensed and compliant operations, a local distributed pharmacy network covering major urban areas with a relatively decentralized network layout of no less than 30 in a single city and spread out in an astrolabe and effectively integrated with our e-zone. We plan to acquire three to four such target companies, which are expected to be in second-tier cities with a valuation of between RMB60 million and RMB80 million.

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## FUTURE PLANS AND USE OF PROCEEDS

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- testing institutions, including companies covering daily disease detection and rapid detection technology, on-demand point-of-care testing service providers and testing facilities and instruments companies, to further expand our healthcare product and service offerings. Our investment selection criteria includes innovative hardware, leading technology, and expertise specializing in home health testing and service scenarios. The target companies are expected to have obtained testing institutions qualifications with stable registered users. In addition, the target companies are expected to synergize with our on-demand healthcare services with a valuation of between RMB80 million and RMB100 million.
- medical service providers, including medical consultation service providers, health examine centers, medical technology development companies, companies with cutting-edge AI and big data technology and cross-border e-commerce medical companies, to improve our end-to-end capabilities to enhance user experience. While we do not have a specific valuation criteria, our investment selection criteria focuses on their consuming scenarios and the synergies with our business.

We are familiar with potential targets' businesses and believe we are able to identify suitable targets, leveraging our industry experiences and insights. According to the Frost & Sullivan Report, currently there are thousands of retail pharmacy companies, testing institutions and medical service providers, and the large number of such potential targets offers sufficient investments and acquisitions or strategic alliances opportunities. We will take into account a few factors in selecting targets which include: (i) if the target can synergize with our business; (ii) if the target is with sound operational and financial conditions; and (iii) if the target is at the leading edge of technological or business development. As of the Latest Practicable Date, we had not identified any definite targets for investments and acquisitions or strategic alliances. In determining the allocated amount of net proceeds, we primarily considered (i) the valuation of the acquisition targets of offline chain pharmacy companies in the market as they previously disclosed, while taking into account the cost to transform such target companies to carry out integrated online and offline operations; (ii) the historical valuation of the potential target companies that we attempted to acquire but did not process previously; and (iii) our management's reasonable judgment based on their understanding of and experience in the industry. We believe that acquiring the above businesses along the value chain of the healthcare industry will complement our existing business and create synergies with our existing operations. Although we may not have rich management experience in relation to testing institutions and medical service providers yet, we believe we are able to acquire relevant expertise by (i) conducting research on these industries in which the targets operate and recruiting management talents with competent management skills in relevant sectors, and (ii) retaining core management of the target companies.

- approximately 10.0% of the net proceeds, or approximately HK\$34.2 million, for working capital and other general corporate purposes.

The additional net proceeds that we would receive if the Over-allotment Option were exercised in full would be HK\$55.5 million (assuming an Offer Price of HK\$12.00 per Share). We expect to invest approximately HK\$850 million in our future plans, mainly for smart pharmacy development, technology system and acquisitions. And we plan to allocate approximately HK\$500 million cash in hand to supplement the funding gap between our plans and net proceeds. To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we may adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

If the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed into short-term interest-bearing bank accounts with licensed banks and/or authorized financial institutions in Hong Kong or the PRC (as defined under the Securities and Futures Ordinance, the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and other relevant laws in the PRC). We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited

CMB International Capital Limited

Futu Securities International (Hong Kong) Limited

Silverbricks Securities Company Limited

### UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement.

The Global Offering comprises the Hong Kong Public Offering of initially 3,354,000 Hong Kong Offer Shares and the International Offering of initially 30,183,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **Hong Kong Public Offering**

#### ***Hong Kong Underwriting Agreement***

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus relating thereto.

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.



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## UNDERWRITING

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### *Grounds for Termination*

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by written notice from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors, if any of the events set forth below occur at any time prior to 8:00 a.m. on the Listing Date:

- (1) there develops, occurs, exists or comes into effect:
  - (i). any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international or regional emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of infectious disease (including, without limitation, COVID-19 and Severe Acute Respiratory Syndrome (SARS)), economic sanctions, strikes, labour disputes, other industrial actions, lock-outs, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, severe transport disruption, paralysis in government operation, public disorder, political instability, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, PRC, the Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, any member of the European Union or any other jurisdictions relevant to any member of our Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or
  - (ii). any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions or elsewhere; or
  - (iii). any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange or the Tokyo Stock Exchange; or
  - (iv). any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union (or any member thereof) or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any the Relevant Jurisdictions; or
  - (v). any new laws, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in, or in the interpretation or application by any court or other competent authorities of, existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
  - (vi). the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

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## UNDERWRITING

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- (vii). any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Euro, Hong Kong dollar or the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or Renminbi is linked to any foreign currency), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii). any proceedings of any third party being threatened or instigated against any Director, member of our Group or the Controlling Shareholders; or
- (ix). any change or development or event involving a prospective change, or a materialization of, any of the risk set out in the section headed “Risk Factors” in this prospectus; or
- (x). non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xi). other than with the prior written consent of the Joint Global Coordinators, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xii). a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (xiii). a contravention by any member of our Group or Director of the Listing Rules or applicable laws; or
- (xiv). a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xv). an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group.

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Joint Global Coordinators:

- (a). has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or
- (b). has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

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## UNDERWRITING

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- (c). makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or
  - (d). has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (2) there has come to the notice of the Joint Sponsors and the Joint Global Coordinators:
- (i). the chairman and chief executive officer of our Company vacating his office; or
  - (ii). an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group, any Director or any director of any subsidiary of our Company or the chairman or the Controlling Shareholders; or
  - (iii). a prohibition on our Company or the Controlling Shareholders for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including the Shares subject to the Over-allotment Option) pursuant to the terms of the Global Offering; or
  - (iv). that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions taken as a whole; or
  - (v). that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement or omission from any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement); or
  - (vi). any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
  - (vii). any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties as defined in the Hong Kong Underwriting Agreement; or
  - (viii). any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or
  - (ix). any material breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties in the Hong Kong Underwriting Agreement; or

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## UNDERWRITING

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- (x). approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares in issue or to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (xi). our Company withdraws the this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (xii). any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to being named in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or
- (xiii). a material portion of the orders in the book-building process or the investment commitments by any cornerstone investors after signing of the Cornerstone Investment Agreements, have been withdrawn, terminated or cancelled.

### *Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules*

#### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for certain circumstances provided under Rule 10.08 of the Listing Rules.

#### *Undertakings by Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, the group of our Controlling Shareholders have undertaken to the Hong Kong Stock Exchange that, he/it shall not, unless in compliance with the requirements of the Listing Rules,

- (i) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; or
- (ii) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the preceding paragraph to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a group of Controlling Shareholders (as defined in the Listing Rules) of our Company.

Note 2 to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent the group of Controlling Shareholders from using the Shares beneficially owned by it as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a *bona fide* commercial loan.

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## UNDERWRITING

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Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, the group of our Controlling Shareholders have collectively further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it shall:

- (i) when he/it or the relevant registered holders pledge or charge any Shares beneficially owned by its in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) when he/it or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters referred to in paragraph(i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

### ***Undertakings Pursuant to the Hong Kong Underwriting Agreement***

#### *Undertakings by our Company*

Our Company, has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the “**First Six-Month Period**”), our Company will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements set out in the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase any Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, or any Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing), or deposit any Shares or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or any other securities of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, or any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or
- (iv) offer to or agree to, or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

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## UNDERWRITING

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in each case, whether any of the transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in sub-paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of our Company. The Controlling Shareholders hereby undertake to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters to procure our Company to comply with the above undertakings.

### *Undertakings from Controlling Shareholders*

To facilitate the Global Offering, each of our Controlling Shareholders has agreed and undertaken, severally and jointly, to each of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that, during the First Six-Month Period, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) he/it will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing) beneficially owned by he/it as at the Listing Date (the “**Locked-up Securities**”) or deposit any Shares or other securities of the Company with a depository in connection with the issue of depository receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities, or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (ii) he/it will not, until the expiry of the Second Six-Month Period, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

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## UNDERWRITING

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- (iii) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that he/it will not create a disorderly or false market in the securities of the Company.

### *Indemnity*

We and our Controlling Shareholders have agreed to indemnify, among the others, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

### *Undertakings by Certain of Our Shareholders*

The Pre-IPO Investors (the “**Undersigned Shareholders**”) have entered into a lock-up undertaking deed (the “**Lock-up Undertaking Deed**”) in favor of the Joint Sponsors and the Joint Global Coordinators (on behalf of all the Underwriters). Pursuant to the Lock-up Undertaking Deed, the Undersigned Shareholders are subject to lock-up arrangements and the lock-up period shall commence on the date of this Prospectus and ending on, and including, the date that is six months from the Listing Date, subject to certain exceptions as prescribed under the Lock-up Undertaking Deed.

### *Hong Kong Underwriters’ Interests in our Company*

Except for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

### **International Offering**

#### *International Underwriting Agreement*

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure subscribers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

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## UNDERWRITING

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### *Over-allotment Option*

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 5,030,500 Shares, representing no more than 15.0% of the initial Offer Shares under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any.

### **Commissions and Expenses**

The Hong Kong Underwriters will receive a gross underwriting commission equal to 6.0% of the Offer Price in respect of all the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering). Our Company may also in our sole discretion pay one or more of the Hong Kong Underwriters an additional discretionary incentive fee of up to 2.0% of the Offer Price for each Hong Kong Offer Share.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering (in such proportion as the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) in their sole discretion consider appropriate), the underwriting commission regarding such Hong Kong Offer Shares shall be reallocated to the International Underwriters (in such proportion as the Joint Global Coordinators in their sole discretion consider appropriate).

Our Company expects to pay the International Underwriters a gross underwriting commission equal to 6.0% of the Offer Price for each International Offer Share (including any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, each International Offer Share reallocated to the Hong Kong Public Offering and each Share to be issued pursuant to the Over-allotment Option, if any). Our Company may also in our sole and absolute discretion pay one or more of the International Underwriters an additional discretionary incentive fee of up to 2.0% of the Offer Price for each of the International Offer Shares.

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy, FRC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK\$101.4 million (assuming an Offer Price of HK\$12.00 per Offer Share), are payable and borne by our Company.

### **INDEPENDENCE OF THE JOINT SPONSORS**

For details of the independence of each of the Joint Sponsors under the Listing Rules, please refer to the section headed “Statutory and general information — E. Other information — 3. Joint Sponsors” in Appendix IV to this prospectus.

### **MINIMUM PUBLIC FLOAT**

Our Directors and the Joint Global Coordinators will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.



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## UNDERWRITING

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### ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering.” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

- (a) the Hong Kong Public Offering of 3,354,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in “Structure of the Global Offering — The Hong Kong Public Offering” below; and
- (b) the International Offering of 30,183,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act as described in “— The International Offering” below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 2.5% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 0.4% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in “— The International Offering — Over-allotment Option” below.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors’ indications of interest in acquiring the International Offer Shares under the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in “— The Hong Kong Public Offering — Reallocation” below.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE HONG KONG PUBLIC OFFERING

#### Number of Hong Kong Offer Shares Initially Offered

We are initially offering 3,354,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.25% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in “— Conditions of the Global Offering” below.

#### Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than the others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purpose only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking into account any adjustment in the number of the Offer Shares allocated between the Hong Kong Public Offering and the International Offering) is to be divided equally into two pools, Pool A and Pool B with any odd board lots being allocated to Pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 1,677,000 and 1,677,000, respectively. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million and up to the value of pool B (excluding the brokerage, SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for the Offer Shares means the price payable on application therein (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools.

Multiple or suspected multiple applications and any application for more than 1,677,000 Hong Kong Offer Shares (being 50% of the 3,354,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to a certain percentage of the International Offer Shares are fully subscribed or oversubscribed and the total number of the Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 10,061,500 Shares, representing 30% of the Offer Shares initially available under the Global Offering (assuming the Overallotment Option is not exercised);
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 13,415,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering (assuming the Over-allotment Option is not exercised); and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 16,768,500 Shares, representing 50% of the Offer Shares initially available under the Global Offering (assuming the Overallotment Option is not exercised).

In addition, the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. In accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules for:

- if the International Offer Shares are fully subscribed or oversubscribed, and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering
- if the International Offer Shares are undersubscribed, and the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription)

the maximum total number of Shares that may be reallocated to the Hong Kong Public Offering shall be not more than 6,708,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

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## STRUCTURE OF THE GLOBAL OFFERING

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Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators in their sole discretion consider appropriate.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate. However, if neither the Hong Kong Public Offering nor the International Offering is fully subscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus and the Underwriting Agreements.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK\$12.00 per Share in addition to any brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable on each Offer Share. Further details are set out below in the section headed "How to Apply for the Hong Kong Offer Shares".

References in this Prospectus to applications, **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

### **THE INTERNATIONAL OFFERING**

#### **Number of International Offer Shares Initially Offered**

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Offering will consist of an initial offering of 30,183,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised.

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## STRUCTURE OF THE GLOBAL OFFERING

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### **Allocation**

The International Offering will include selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing and Allocation” and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of the Offer Shares under the Hong Kong Public Offering.

### **Reallocation**

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the reallocation arrangement described in “— The Hong Kong Public Offering — Reallocation,” the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

### **Over-allotment Option**

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Global Coordinators at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 5,030,500 Shares, representing no more than 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 1.0% of our Company’s enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

### **STABILIZATION**

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to reduce and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

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## STRUCTURE OF THE GLOBAL OFFERING

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In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be effected at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Over-allocation

Following any over-allocation of the Shares in connection with the Global Offering, the Joint Global Coordinators, their affiliates or any person acting for it may cover such over-allocation by, amongst other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of the Shares which may be allotted and/or issued pursuant to the exercise in full of the Over-allotment Option, being 5,030,500 Shares, representing approximately 15.0% of the Offer Shares initially available under the Global Offering.

### PRICING AND ALLOCATION

The Offer Price will be HK\$12.00 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the Offer Price below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company (<http://www.ddjkt.com>) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price will be final and conclusive. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

### Reduction in Offer Price and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters) considers it appropriate and together with our Company’s consent, the number of Offer Shares and/or the indicative Offer Price may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.



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## STRUCTURE OF THE GLOBAL OFFERING

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In such a case, our Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering:

- (a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;
- (b) extend the period under which the Global Offering was open for acceptance to allow potential investors the sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- (c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set below the Offer Price indicated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances and subject to certain conditions, be reallocated between these offerings solely in the discretion of the Joint Global Coordinators.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price is so reduced.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering) are estimated to be approximately HK\$6,599.9 million, assuming an Offer Price of HK\$12.00 per Offer Share.

The level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, September 13, 2022 on the website of our Company ([www.ddjkt.com](http://www.ddjkt.com)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

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## STRUCTURE OF THE GLOBAL OFFERING

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### HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

We expect that our Company will enter into the International Underwriting Agreement relating to the International Offering on September 6, 2022.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting.”

### CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

- (a) the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn;
- (b) the execution and delivery of the International Underwriting Agreement on or about September 6, 2022; and
- (c) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering on the website of our Company ([www.ddjkt.com](http://www.ddjkt.com)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). In such eventuality, all application monies will be returned, without interest, on the terms set forth “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies.” In the meantime, all application monies will be held in a separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

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## **STRUCTURE OF THE GLOBAL OFFERING**

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

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and as mentioned in this prospectus.

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

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

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

### **DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, September 14, 2022, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, September 14, 2022. The Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 500 Shares each. The stock code of the Shares will be 9886.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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

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

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

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

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

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8600 on the following dates and times:

**Thursday, September 1, 2022 — 9:00 a.m. to 9:00 p.m.**  
**Friday, September 2, 2022 — 9:00 a.m. to 9:00 p.m.**  
**Monday, September 5, 2022 — 9:00 a.m. to 9:00 p.m.**  
**Tuesday, September 6, 2022 — 9:00 a.m. to 12:00 noon**

#### A. APPLICATIONS FOR HONG KONG OFFER SHARES

##### 1. How To Apply

*We will not provide any printed application forms for use by the public.*

To apply for Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at [www.eipo.com.hk](http://www.eipo.com.hk); or

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (2) apply through **CCASS eIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
  - (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account, electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Joint Global Coordinators, the **White Form eIPO** Service Provider and our and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

## 2. Who Can Apply

### *Eligibility for the Application*

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If an application is made by a person under a power of attorney, we and the Joint Global Coordinators, as our agents, may accept it at our or their discretion, and on any conditions we or they think fit, including requiring evidence of the attorney’s authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our subsidiaries;
- you are our Director or chief executive and/or a director or chief executive officer of our subsidiaries;
- you are a close associate of any of the above persons;
- you are a core connected person of the Company or a person who will become a core connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### *Items Required for the Application*

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

### **3. Terms and Conditions of an Application**

By applying through the application channels specified in this prospectus you:

- undertake to execute all relevant documents and instruct and authorize us and/or the Joint Global Coordinators (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Companies Act;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- agree that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, or the Relevant Persons, and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons any personal data which we or any of them may require about you and the person(s) for whose benefit you have made the application;
- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither we nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- authorize (i) us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Memorandum and Articles of Association and (ii) us and/or our agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “— Personal Collection” below to collect the Share certificate(s) and/or refund check(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that we, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

## HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

#### 4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
500	6,060.47	6,000	72,725.65	40,000	484,837.68	400,000	4,848,376.80
1,000	12,120.94	7,000	84,846.60	45,000	545,442.39	500,000	6,060,471.00
1,500	18,181.42	8,000	96,967.53	50,000	606,047.10	600,000	7,272,565.20
2,000	24,241.89	9,000	109,088.48	60,000	727,256.52	700,000	8,484,659.40
2,500	30,302.36	10,000	121,209.42	70,000	848,465.94	800,000	9,696,753.60
3,000	36,362.82	15,000	181,814.13	80,000	969,675.36	900,000	10,908,847.80
3,500	42,423.29	20,000	242,418.84	90,000	1,090,884.78	1,000,000	12,120,942.00
4,000	48,483.77	25,000	303,023.55	100,000	1,212,094.20	1,200,000	14,545,130.40
4,500	54,544.24	30,000	363,628.26	200,000	2,424,188.40	1,400,000	16,969,318.80
5,000	60,604.71	35,000	424,232.97	300,000	3,636,282.60	1,677,000 <sup>(1)</sup>	20,326,819.74

*Note:*

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

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



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 5. Applying Through The White Form eIPO Service

#### *General*

Individuals who meet the criteria in “— 2. Who Can Apply” may apply through the **White Form eIPO** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

Detailed instructions for application through the **White Form eIPO** service are on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk). If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at [www.eipo.com.hk](http://www.eipo.com.hk), you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

If you have any question on how to apply through the **White Form eIPO** service for Hong Kong Offer Shares, you may call the enquiry hotline of the **White Form eIPO** Service Provider at +852 2862 8600 on the following dates and times:

**Thursday, September 1, 2022 — 9:00 a.m. to 9:00 p.m.**  
**Friday, September 2, 2022 — 9:00 a.m. to 9:00 p.m.**  
**Monday, September 5, 2022 — 9:00 a.m. to 9:00 p.m.**  
**Tuesday, September 6, 2022 — 9:00 a.m. to 12:00 noon**

#### *Time for Submitting Applications under the White Form eIPO Service*

You may submit your application to the **White Form eIPO** Service Provider on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, September 1, 2022 until 11:30 a.m. on Tuesday, September 6, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, September 6, 2022 or such later time under “— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists.”

#### *No Multiple Applications*

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance*

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### *Commitment to Sustainability*

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “DINGDANG HEALTH TECHNOLOGY GROUP LTD.” **White Form eIPO** application submitted via [www.eipo.com.hk](http://www.eipo.com.hk) to support sustainability.

## 6. Applying By Giving Electronic Application Instructions To HKSCC Via CCASS

### *General*

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Giving Electronic Application Instructions to HKSCC via CCASS*

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, have not indicated or will not indicate an interest for, any Offer Shares under the International Offering nor otherwise participate in the International Offering;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
  - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
  - agree that none of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Effect of Giving Electronic Application Instructions to HKSCC via CCASS*

By giving **electronic application instructions** to HKSCC or instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

### *Time for Inputting Electronic Application Instructions<sup>(1)</sup>*

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

**Thursday, September 1, 2022 — 9:00 a.m. to 8:30 p.m.**  
**Friday, September 2, 2022 — 8:00 a.m. to 8:30 p.m.**  
**Monday, September 5, 2022 — 8:00 a.m. to 8:30 p.m.**  
**Tuesday, September 6, 2022 — 8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, September 1, 2022, until 12:00 noon on Tuesday, September 6, 2022 (24 hours daily, except on Tuesday, September 6, 2022 the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, September 6, 2022, the last application day or such later time as described in “— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists.”

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

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*Note:*

- (1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor participants.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *No Multiple Applications*

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### *Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance*

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### *Personal Data*

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

### *Personal Information Collection Statement*

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### *Reasons for the collection of your personal data*

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Purposes*

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and e-Refund payment instructions/refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

### *Transfer of personal data*

Personal data held by the Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### *Retention of personal data*

The Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

### *Access to and correction of personal data*

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

## 7. Warning For Electronic Applications

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, September 6, 2022.

## 8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“Unlisted company” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. How Much Are The Hong Kong Offer Shares

You must pay the Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the CCASS EIPO Service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in “— 4. Minimum Application Amount and Permitted Numbers”, or as otherwise specified on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy and the FRC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC and the FRC respectively).

See “Structure of the Global Offering — Pricing and Allocation” for further details on the Offer Price.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 10. Effect Of Bad Weather And/Or Extreme Conditions On The Opening Of The Application Lists

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon Tuesday, September 6, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, September 6, 2022 or if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made in such event.

### 11. Publication Of Results

The Company expects to announce the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, September 13, 2022 on the Company’s website at [www.ddjkt.com](http://www.ddjkt.com) and the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [www.ddjkt.com](http://www.ddjkt.com) and the Hong Kong Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Tuesday, September 13, 2022;
- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, September 13, 2022 to 12:00 midnight on Monday, September 19, 2022;
- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Tuesday, September 13, 2022, Wednesday, September 14, 2022, Thursday, September 15, 2022 and Friday, September 16, 2022.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 12. Circumstances In Which You Will Not Be Allotted Offer Shares

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

*(i) If your application is revoked:*

By giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

*(ii) If the Company or our agents exercise their discretion to reject your application:*

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

*(iii) If the allotment of Hong Kong Offer Shares is void:*

The allotment of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

*(iv) If:*

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at [www.eipo.com.hk](http://www.eipo.com.hk);
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. Refund Of Application Monies

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure of the Global Offering — Conditions of the Global Offering” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, September 13, 2022.

### 14. Dispatch/Collection Of Share Certificates And Refund Monies

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to the arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or before Tuesday, September 13, 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, September 14, 2022 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Personal Collection

*(i) If you apply through the White Form eIPO service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, September 13, 2022 or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, September 13, 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

*(ii) If you apply via electronic application instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, September 13, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on Tuesday, September 13, 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, September 13, 2022 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your **broker** or **custodian** to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, September 13, 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Tuesday, September 13, 2022.

### 15. Admission Of The Shares Into CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-94, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

# Deloitte.

# 德勤

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DINGDANG HEALTH TECHNOLOGY GROUP LTD. (FORMERLY KNOWN AS DINGDANG MEDICINE EXPRESS LTD.) AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

### Introduction

We report on the historical financial information of Dingdang Health Technology Group Ltd. (formerly known as Dingdang Medicine Express Ltd.) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-94, which comprises the consolidated statements of financial position of the Group as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the statements of financial position of the Company as of December 31, 2018, 2019, 2020 and 2021 and March 31, 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 four years ended December 31, 2021 and the three months ended March 31, 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-4 to I-94 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 1, 2022 (the "Prospectus") in connection with the initial listing of shares (the "IPO") 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 and presentation set out in Note 1.2 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. 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 and presentation set out in Note 1.2 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 and the Company's financial position as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1.2 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1.2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1.2 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-4 have been made.

**Dividends**

We refer to Note 30 to the Historical Financial Information which contains information about the dividends paid by the Company's subsidiaries in respect of the Track Record Period.

**Deloitte Touche Tohmatsu***Certified Public Accountants*

Hong Kong

September 1, 2022

**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, 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 International Standards on Auditing issued by International Auditing and Assurance Standards Board.

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

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,				Three months ended March 31,	
		2018	2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(unaudited)	
Revenue . . . . .	5B	584,612	1,275,589	2,228,563	3,678,690	779,712	987,407
Cost of revenue . . . . .		(344,373)	(805,635)	(1,462,370)	(2,516,379)	(542,788)	(652,986)
Gross profit . . . . .		240,239	469,954	766,193	1,162,311	236,924	334,421
Fulfillment expenses . . . . .		(97,510)	(199,676)	(283,178)	(412,279)	(96,311)	(112,374)
Selling and marketing expenses . . . . .		(140,934)	(278,464)	(441,310)	(834,783)	(159,079)	(208,768)
Research and development expenses . . . . .		(31,393)	(52,363)	(82,071)	(96,161)	(19,496)	(22,641)
General and administrative expenses . . . . .		(36,689)	(57,900)	(120,968)	(481,256)	(39,013)	(100,693)
Fair value losses on financial liabilities at fair value through profit or loss ("FVTPL") . . . . .		(33,620)	(150,685)	(754,591)	(912,201)	(669,357)	(280,615)
Other gains and losses, net . .	7	3,095	4,176	11,049	27,983	6,967	(2,556)
Other income . . . . .	8	4,074	5,145	16,230	15,905	3,464	4,487
Finance costs . . . . .	9	(3,797)	(5,571)	(6,061)	(17,776)	(2,040)	(1,952)
Share of result of an associate . . . . .		–	(91)	(256)	–	–	–
Impairment losses under expected credit loss ("ECL") model, net of reversal . . . . .	10	(214)	(221)	(3,153)	(265)	(595)	(1,116)
Listing expenses . . . . .		–	–	(2,771)	(33,337)	(6,663)	(10,280)
<b>Loss before income tax . . .</b>	6	<u>(96,749)</u>	<u>(265,696)</u>	<u>(900,887)</u>	<u>(1,581,859)</u>	<u>(745,199)</u>	<u>(402,087)</u>
Income tax expense . . . . .	13	<u>(6,423)</u>	<u>(8,236)</u>	<u>(18,793)</u>	<u>(17,115)</u>	<u>(3,717)</u>	<u>(2,329)</u>
<b>Loss and total comprehensive expense for the year/period . . . . .</b>		<u>(103,172)</u>	<u>(273,932)</u>	<u>(919,680)</u>	<u>(1,598,974)</u>	<u>(748,916)</u>	<u>(404,416)</u>
<b>(Loss)/profit and total comprehensive (expense)/income for the year/period attributable to:</b>							
Owners of the Company . .		(107,583)	(276,635)	(924,250)	(1,578,026)	(744,408)	(398,862)
Non-controlling interests . .		4,411	2,703	4,570	(20,948)	(4,508)	(5,554)
		<u>(103,172)</u>	<u>(273,932)</u>	<u>(919,680)</u>	<u>(1,598,974)</u>	<u>(748,916)</u>	<u>(404,416)</u>
<b>Loss per share (present in RMB YUAN)</b>							
– Basic . . . . .	14	(0.42)	(1.08)	(3.62)	(3.31)	(2.92)	(0.63)
– Diluted . . . . .	14	<u>(0.42)</u>	<u>(1.08)</u>	<u>(3.62)</u>	<u>(3.31)</u>	<u>(2.92)</u>	<u>(0.63)</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As of December 31,				As of
		2018	2019	2020	2021	March 31,
		RMB'000	RMB'000	RMB'000	RMB'000	2022
						RMB'000
<b>Assets</b>						
<b>Non-current assets</b>						
Property and equipment . . . . .	16	28,437	45,373	46,430	45,013	45,621
Right-of-use assets . . . . .	20	66,652	126,914	151,383	168,518	165,682
Goodwill . . . . .	18	20,881	85,504	256,417	255,762	255,762
Other intangible assets . . . . .	15	4,060	45,400	230,068	199,241	190,416
Investment in an associate . . . . .	17	–	389	–	–	–
Rental deposits . . . . .	22	2,059	5,344	8,431	9,932	10,509
Total non-current assets . . . . .		122,089	308,924	692,729	678,466	667,990
<b>Current assets</b>						
Inventories . . . . .	21	62,724	168,549	323,470	434,022	518,971
Trade and other receivables and prepayments . . . . .	22	34,404	87,932	187,584	279,591	308,376
Amounts due from related parties . . . . .	36	1,148	814	309	1,086	1,200
Financial assets at FVTPL . . . . .	19	81,882	43,267	321,480	–	38,790
Cash and cash equivalents . . . . .	23	46,242	144,691	260,574	1,552,994	1,498,232
Total current assets . . . . .		226,400	445,253	1,093,417	2,267,693	2,365,569
<b>Total assets</b> . . . . .		348,489	754,177	1,786,146	2,946,159	3,033,559
<b>Equity</b>						
Paid-in capital/share capital . . . . .	27	50,156	50,156	50,156	403	403
Reserves . . . . .		28,060	34,158	48,336	422,496	491,915
Accumulated losses . . . . .		(248,643)	(531,376)	(1,456,907)	(3,035,146)	(3,434,008)
<b>Equity attributable to owners of the Company</b> . . . . .		(170,427)	(447,062)	(1,358,415)	(2,612,247)	(2,941,690)
<b>Non-controlling interests</b> . . . . .		9,245	9,652	53,373	22,418	16,864
<b>Total equity</b> . . . . .		(161,182)	(437,410)	(1,305,042)	(2,589,829)	(2,924,826)
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Contract liabilities . . . . .	5B	3,383	5,378	9,756	8,899	5,389
Lease liabilities . . . . .	20	44,698	79,983	87,388	95,629	91,038
Financial liabilities at FVTPL . . . . .	25	101,316	763,883	2,343,474	4,650,950	4,931,565
Deferred tax liabilities . . . . .	26	1,076	10,119	49,065	41,581	39,710
Total non-current liabilities . . . . .		150,473	859,363	2,489,683	4,797,059	5,067,702
<b>Current liabilities</b>						
Trade and other payables . . . . .	24	193,459	247,387	440,697	586,651	692,910
Financial liabilities at FVTPL . . . . .	25	111,882	–	–	–	–
Amounts due to related parties . . . . .	36	5,696	14,233	45,568	22,512	72,934
Contract liabilities . . . . .	5B	26,779	25,996	50,653	59,780	57,805
Lease liabilities . . . . .	20	18,448	38,994	53,865	61,383	62,834
Income tax payable . . . . .		2,934	5,614	10,124	8,603	4,200
Deferred income . . . . .		–	–	598	–	–
Total current liabilities . . . . .		359,198	332,224	601,505	738,929	890,683
<b>Total liabilities</b> . . . . .		509,671	1,191,587	3,091,188	5,535,988	5,958,385
<b>Total equity and liabilities</b> . . . . .		348,489	754,177	1,786,146	2,946,159	3,033,559

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As of December 31,				As of
		2018	2019	2020	2021	March 31,
		RMB'000	RMB'000	RMB'000	RMB'000	2022
					RMB'000	
<b>Assets</b>						
<b>Non-current assets</b>						
Investments in subsidiaries . . . . .	38	–	–	3,574	3,313,802	3,383,221
Total non-current assets . . . . .		–	–	3,574	3,313,802	3,383,221
<b>Current assets . . . . .</b>						
Trade and other receivables and prepayments . . . . .	22	–	–	806	8,248	11,339
Amounts due from related parties . . . . .	36	–	–	–	1,279,479	1,270,587
Cash and cash equivalents . . . . .	23	231	225	204	189,393	185,772
Total current assets . . . . .		231	225	1,010	1,477,120	1,467,698
<b>Total assets . . . . .</b>		<b>231</b>	<b>225</b>	<b>4,584</b>	<b>4,790,922</b>	<b>4,850,919</b>
<b>Equity</b>						
Share capital . . . . .	27	156	156	156	403	403
Reserves . . . . .	28	–	–	3,574	327,616	397,035
Accumulated losses . . . . .		(21)	(30)	(2,393)	(221,434)	(524,685)
<b>Total equity . . . . .</b>		<b>135</b>	<b>126</b>	<b>1,337</b>	<b>106,585</b>	<b>(127,247)</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Financial liabilities at FVTPL . . . . .	25	–	–	–	4,650,950	4,931,565
Total non-current liabilities . . . . .		–	–	–	4,650,950	4,931,565
<b>Current liabilities</b>						
Trade and other payables . . . . .	24	–	–	–	6,905	13,133
Amounts due to related parties . . . . .	36	96	99	3,247	26,482	33,468
Total current liabilities . . . . .		96	99	3,247	33,387	46,601
<b>Total liabilities . . . . .</b>		<b>96</b>	<b>99</b>	<b>3,247</b>	<b>4,684,337</b>	<b>4,978,166</b>
<b>Total equity and liabilities . . . . .</b>		<b>231</b>	<b>225</b>	<b>4,584</b>	<b>4,790,922</b>	<b>4,850,919</b>





	Attributable to owners of the Company								
	Notes	Paid-in capital/share capital	Other reserves	Share-based payments reserves	Statutory reserves	Accumulated losses	Sub-total	Non-controlling interests (the "NCI")	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>(Unaudited)</b>									
<b>As of January 1, 2021</b>		50,156	20,266	13,064	15,006	(1,456,907)	(1,358,415)	53,373	(1,305,042)
Loss and total comprehensive expense for the period		–	–	–	–	(744,408)	(744,408)	(4,508)	(748,916)
Dividends	30	–	–	–	–	–	–	(10,102)	(10,102)
Share-based payments expenses	29	–	–	3,153	–	–	3,153	–	3,153
<b>As of March 31, 2021</b>		50,156	20,266	16,217	15,006	(2,201,315)	(2,099,670)	38,763	(2,060,907)

*Notes:*

- i. In accordance with the articles of association of the subsidiaries established in the People's Republic of China (the "PRC") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after tax, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve is subject to the approval of the respective director, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve can only be used to offset accumulated losses or to increase capital of the relevant subsidiaries.
  - ii. The paid-in capital of Dingdang Medicine Express Technology Group Ltd.\* (叮嚀快藥科技集團有限公司) ("Dingdang Medicine Express Technology") of RMB50,000,000 was transferred to other reserves upon the completion of the reorganization.
  - iii. On April 19, 2021, Dingdang (Beijing) Health Management Co., Ltd.\* (叮嚀(北京)健康管理有限公司) ("Dingdang Beijing") was established by Dingdang Medicine Express Technology and an independent third party TD Capital (Hong Kong) Management Company Limited (同達資本(香港)管理有限公司) ("TD HK") by holding 99% and 1% of its equity interest, respectively. The capital contribution from TD HK and the then NCI raised was RMB2,800,000.
- After the establishment, Dingdang Medicine Express Technology transferred 8 wholly owned subsidiaries with net liabilities position to Dingdang Beijing, resulting the Group's equity interest in those 8 subsidiaries decreased from 100% to 99%.
- On May 26, 2021, the Company's subsidiary Dingdang Kuaiyao (Beijing) Technology Development Co., Ltd.\* (叮嚀快藥(北京)技術開發公司) (the "WFOE") acquired the 1% NCI in Dingdang Beijing from TD HK at a cash consideration of RMB2,800,000.

\* English names are for identification purpose only.



## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Operating activities</b>						
Loss before income tax . . . . .	(96,749)	(265,696)	(900,887)	(1,581,859)	(745,199)	(402,087)
Adjustments for: . . . . .						
Finance costs . . . . .	3,797	5,571	6,061	17,776	2,040	1,952
Interest income . . . . .	(1,376)	(2,569)	(3,539)	(4,165)	(976)	(2,265)
Foreign exchange (gains)/losses . . . .	–	–	–	(11,922)	–	6,496
Share of result of an associate . . . . .	–	91	256	–	–	–
Depreciation of property and equipment . . . . .	12,962	16,782	20,879	21,650	5,425	5,146
Depreciation of right-of-use assets . . . . .	19,561	35,593	47,742	78,404	15,887	19,083
Amortization of other intangible assets . . . . .	590	5,108	6,257	35,232	8,785	8,825
Impairment loss, net of reversal . . . .						
– financial assets under ECL model . . . . .	214	221	3,153	265	595	1,116
– Inventories . . . . .	–	–	870	(720)	32	198
Share-based payments expenses . . . .	–	–	13,064	323,911	3,153	69,419
Loss/(gain) on disposal of property and equipment . . . . .	412	(3)	25	(90)	1	(448)
Loss/(gain) on early termination of a lease . . . . .	–	–	–	31	–	(9)
Gain on fair value changes of financial assets at FVTPL . . . . .	(2,824)	(4,551)	(8,946)	(10,273)	(2,008)	(3,186)
Loss on fair value changes of financial liabilities at FVTPL . . . . .	33,620	150,685	754,591	912,201	669,357	280,615
Gain on acquisition of subsidiary . . . .	(308)	–	–	–	–	–
Loss/(gain) on disposal/deregistration of subsidiaries . . . . .	–	1,292	(1,072)	434	–	–
<b>Operating cash flows before movements in working capital . . . . .</b>	<b>(30,101)</b>	<b>(57,476)</b>	<b>(61,546)</b>	<b>(219,125)</b>	<b>(42,908)</b>	<b>(15,145)</b>
Increase in inventories . . . . .	(28,684)	(84,697)	(115,972)	(109,832)	(63,951)	(85,147)
Decrease/(increase) in trade and other receivables and prepayments . . . . .	5,296	(44,684)	(83,088)	(89,617)	(17,413)	(28,703)
(Increase)/decrease in amounts due from related parties . . . . .	(1,148)	334	521	(793)	(111)	(114)
Increase/(decrease) in trade and other payables . . . . .	45,383	(84,493)	60,960	136,621	89,891	105,650
Increase/(decrease) in contract liabilities . . . . .	17,536	3,366	18,461	8,270	(1,948)	(5,485)
Increase/(decrease) in deferred income . . . . .	–	–	598	(598)	(271)	–
Increase in amounts due to related parties . . . . .	5,479	8,485	2,610	5,704	25,192	50,424
<b>Cash generated from/(used in) operations . . . . .</b>	<b>13,761</b>	<b>(259,165)</b>	<b>(177,456)</b>	<b>(269,370)</b>	<b>(11,519)</b>	<b>21,480</b>
<b>Income taxes paid . . . . .</b>	<b>(3,594)</b>	<b>(6,732)</b>	<b>(15,590)</b>	<b>(26,120)</b>	<b>(5,032)</b>	<b>(8,603)</b>
<b>Net cash from/(used in) operating activities . . . . .</b>	<b>10,167</b>	<b>(265,897)</b>	<b>(193,046)</b>	<b>(295,490)</b>	<b>(16,551)</b>	<b>12,877</b>

	Notes	Year ended December 31,				Three months ended March 31,	
		2018	2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Investing activities</b>							
Interest received . . . . .		1,304	2,411	3,266	3,781	541	2,163
Proceeds on disposal of property and equipment . . . . .		122	14	94	323	11	450
Proceeds on disposal of other intangible assets . . . . .		-	-	19	74	38	-
Acquisition of investment in an associate . . . . .		-	(480)	-	-	-	-
Proceeds on deregistration of an associate . . . . .		-	-	133	-	-	-
Purchases of financial assets at FVTPL . . . . .		(692,179)	(1,956,673)	(3,607,813)	(3,805,390)	(886,309)	(1,689,920)
Redemption of financial assets at FVTPL . . . . .		766,523	2,005,418	3,340,771	4,137,143	1,127,044	1,654,316
Purchases of property and equipment . . . . .		(10,540)	(20,276)	(19,595)	(20,466)	(3,840)	(5,756)
Payments for right-of-use assets . . .		(228)	(1,848)	(493)	(4,367)	(160)	(1,517)
Purchases of other intangible assets .		(206)	(5,447)	(2,751)	(4,479)	(3,321)	-
Advances to related parties . . . . .		-	-	(16)	-	(5)	-
Repayments from related parties . . .		-	-	-	16	-	-
Net cash outflow on acquisition of subsidiaries . . . . .	31	(20,764)	(13,169)	(204,275)	-	-	-
Net cash inflow on disposal of subsidiaries . . . . .	32	-	627	4,189	-	-	-
<b>Net cash from/(used in) investing activities . . . . .</b>		<u>44,032</u>	<u>10,577</u>	<u>(486,471)</u>	<u>306,635</u>	<u>233,999</u>	<u>(40,264)</u>

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financing activities</b>					(unaudited)	
Dividends paid to non-controlling shareholders . . . . .	–	(4,778)	(6,330)	(1,255)	(1,171)	–
Advance from related parties . . . . .	217	57	28,785	43	1,249	–
Repayments to related parties . . . . .	–	(5)	(60)	(28,803)	(28,380)	(2)
Repayments of lease liabilities . . . . .	(18,097)	(35,934)	(46,850)	(75,207)	(20,142)	(17,861)
Interest paid . . . . .	(3,797)	(5,571)	(6,061)	(17,776)	(2,040)	(1,952)
Redemption of shares with preferred rights . . . . .	–	–	–	(1,345,000)	–	–
Proceeds on issue of shares with preferred rights . . . . .	–	400,000	825,000	–	–	–
Proceeds on issue of Preferred Shares* of the Company . . . . .	–	–	–	2,740,275	–	–
Capital contributions from non-controlling shareholders of subsidiaries . . . . .	600	–	980	3,550	–	–
Acquisition of NCI in a subsidiary . . . . .	–	–	–	(2,800)	–	–
Other borrowing raised . . . . .	–	–	–	1,270,000	–	–
Repayment of other borrowing . . . . .	–	–	–	(1,267,800)	–	–
Payments of share issuing costs . . . . .	–	–	(64)	(4,052)	(577)	(1,064)
Share issuance to shareholders of the Company . . . . .	–	–	–	378	–	–
<b>Net cash (used in)/from financing activities . . . . .</b>	<b>(21,077)</b>	<b>353,769</b>	<b>795,400</b>	<b>1,271,553</b>	<b>(51,061)</b>	<b>(20,879)</b>
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>33,122</b>	<b>98,449</b>	<b>115,883</b>	<b>1,282,698</b>	<b>166,387</b>	<b>(48,266)</b>
Cash and cash equivalents at the beginning of the year/period . . . . .	13,120	46,242	144,691	260,574	260,574	1,552,994
Effect of foreign exchange rate changes on cash and cash equivalents . . . . .	–	–	–	9,722	–	(6,496)
<b>Cash and cash equivalents at the end of the year/period, represented by . . . . .</b>	<b>46,242</b>	<b>144,691</b>	<b>260,574</b>	<b>1,552,994</b>	<b>426,961</b>	<b>1,498,232</b>

\* Defined in Note 25.

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION****1.1 General information**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 20, 2014. Upon incorporation, one subscriber share was issued and allotted to the initial subscriber, Sertus Nominees (Cayman) Limited, who subsequently transferred such share to Alliance Flow Limited (互益有限公司) on the same date. The Company also allotted one share to Golden Mission Group Limited on the same date. On November 12, 2014, the shares held by Alliance Flow Limited and Golden Mission Group Limited were transferred to Delight Faith Limited (興信有限公司) and Go Far Limited (金發有限公司), respectively, both of which are controlled by Mr. Yang Wenlong (the "Controlling Shareholder"). On April 30, 2015, the Company issued 127,499,999 shares to each of Delight Faith Limited and Go Far Limited. The Company was owned by Delight Faith Limited and Go Far Limited as to 50% and 50%, respectively, as of December 31, 2018 and 2019. The addresses of the Company's registered office and the principal place of business are disclosed in the section "Corporate Information" in the Prospectus. The Company is an investment holding company and its subsidiaries are principally engaged in the provision of pharmaceutical and healthcare business in the PRC.

On September 11, 2014, Dingdang Health Technology Group (HK) Limited (叮噹健康科技集團(香港)有限公司) was incorporated under the laws of Hong Kong as a wholly owned subsidiary of the Company. Dingdang Health Technology Group (HK) Limited further incorporated WFOE under the laws of PRC as its wholly-owned foreign enterprise in the PRC on September 30, 2016.

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

No statutory audited financial statements were issued for the Company since the Company is incorporated in a jurisdiction where there is no statutory audit requirement.

**1.2 Group Restructuring and Basis of Preparation and Presentation of Historical Financial Information**

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3, which conform with IFRSs issued by the IASB and the conventions applicable for the Reorganization (details are set out below).

During the Track Record Period, the main operating activities of the Group were carried out by Dingdang Medicine Express Technology and its subsidiaries, which were principally engaged in the pharmaceutical and healthcare business. All of these entities were established and operated in the PRC (collectively the "PRC Operating Entities").

Dingdang Medicine Express Technology was established as a company with limited liability by Mr. Yang Yibin and Mr. Yang Xiao in the PRC in September 2014. In March 2015, the Controlling Shareholder, being the father of Mr. Yang Yibin and Mr. Yang Xiao, subscribed paid-in capital in Dingdang Medicine Express Technology, since when the Controlling Shareholder has historically and throughout the Track Record Period been controlling the entities now comprising the Group.

In preparation for the IPO of the Company on the Stock Exchange, the entities comprising the Group underwent a group reorganization (the "Reorganization") as described below, pursuant to which the Company became the holding company and listing vehicle of the Group.

Prior to the Reorganization, Dingdang Medicine Express Technology was held by the Controlling Shareholder, Zhuhai Dingdang No. 1 Enterprise Management Consulting Center (Limited Partnership)\* (珠海叮噹一號企業管理諮詢中心(有限合夥)) ("Dingdang No. 1"), Zhuhai Dingdang No. 2 Enterprise Management Consulting Center (Limited Partnership)\* (珠海叮噹二號企業管理諮詢中心(有限合夥)) ("Dingdang No. 2"), Zhuhai Dingdang No. 3 Enterprise Management Consulting Center (Limited Partnership)\* (珠海叮噹三號企業管理諮詢中心(有限合夥)), ("Dingdang No. 3"), Zhuhai Dingdang No. 4 Investment Center (Limited Partnership)\* (珠海叮噹四號投資中心(有限合夥)) ("Dingdang No. 4") and a group of independent investors (the "Pre-IPO Investors").

Dingdang No. 1, Dingdang No. 2, Dingdang No. 3, and Dingdang No. 4 are managed by the same general partner, Beijing Dingdang Wisdom Business Consulting Co., Ltd.\* (北京叮嚀智慧商務諮詢有限公司), which is owned by the Controlling Shareholder and Mr. Yang Yibin. Besides, each limited partners of Dingdang No. 1, Dingdang No. 2 and Dingdang No. 3 has entrusted the Controlling Shareholder to exercise the voting rights held by them in Dingdang No. 1, Dingdang No. 2 and Dingdang No. 3.

The Reorganization comprised the following steps:

1. On December 31, 2020, Delight Faith Limited and Go Far Limited transferred all the shares held by them in the Company to their respective wholly owned subsidiaries, being Delight Health Limited (健興有限公司) and Future Health Limited (健發有限公司). After the completion of the transfer, the Company is owned by Delight Health Limited and Future Health Limited as to 50% and 50%, respectively, as of December 31, 2020.
2. On December 31, 2020, Dingdang Health Limited (叮嚀健康有限公司) was established under the laws of British Virgin Islands as a wholly owned subsidiary of the Company. The shares held by the Company in Dingdang Health Technology Group (HK) Limited were fully transferred to Dingdang Health Limited and thus Dingdang Health Technology Group (HK) Limited became the wholly owned subsidiary of Dingdang Health Limited.
3. Pursuant to the written resolution of the shareholders of Dingdang Medicine Express Technology dated March 1, 2021, the Pre-IPO Investors would reduce and withdraw their paid-in capital in Dingdang Medicine Express Technology (the "Capital Reduction") afterwards. Upon completion of the Capital Reduction on May 20, 2021, such Pre-IPO Investors ceased to be the shareholders of Dingdang Medicine Express Technology, and Dingdang Medicine Express Technology is owned by the Controlling Shareholder, Dingdang No. 1, Dingdang No. 2, Dingdang No. 3, and Dingdang No. 4.
4. On April 19, 2021, Dingdang (Beijing) was established under the laws of the PRC as a sino-foreign joint venture enterprise, Dingdang Beijing was held by Dingdang Medicine Express Technology and TD HK, as to 99% and 1% of its equity interest, respectively.
5. Dingdang Medicine Express Technology and Dingdang Beijing entered into a share transfer agreement, pursuant to which Dingdang Medicine Express Technology agreed to transfer and Dingdang Beijing agreed to acquire the following subsidiaries (the "Non-restricted Subsidiaries"):
  - (i) 70% of the equity interest in Dingdang Good Health Technology (Beijing) Co., Ltd.\* (叮嚀好健康科技(北京)有限公司) ("Dingdang Good Health") on April 28, 2021;
  - (ii) 70% of the equity interest in Beijing Dingdang Youpin Technology Co., Ltd.\* (北京叮嚀優品技術有限公司) ("Dingdang Youpin") on April 28, 2021;
  - (iii) 60% of the equity interest in Dingdang Good Mood Health Management (Beijing) Co., Ltd.\* (叮嚀好心情健康管理(北京)有限公司) ("Dingdang Good Mood") on April 28, 2021;
  - (iv) 52% of the equity interest in Renhe Yaofangwang (Beijing) Medicine Technology Co., Ltd.\* (仁和藥房網(北京)醫藥科技有限公司) ("Renhe Yaofangwang") on May 11, 2021;
  - (v) 75% of the equity interest in Jiangxi Dingdangyun Big Data Management Co., Ltd.\* (江西叮嚀雲大數據管理有限公司) ("Jiangxi Dingdangyun") on May 11, 2021;
  - (vi) 85% of the equity interest in Jiangxi Renhetang Pharmaceutical Chain Co., Ltd.\* (江西仁和堂醫藥連鎖有限公司) ("Jiangxi Renhetang") on May 11, 2021;
  - (vii) 100% of the equity interest in Jiangxi Dingdang E-Commerce Co., Ltd.\* (江西叮嚀電子商務有限公司) ("Jiangxi Dingdang E-Commerce") on May 11, 2021; and
  - (viii) 51% of the equity interest in Jiangxi Dingdang Lexiang E-Commerce Co., Ltd.\* (江西叮嚀樂享電子商務有限公司) ("Dingdang Lexiang") on May 12, 2021.
6. On May 25, 2021, the WFOE, Dingdang Medicine Express Technology, the Controlling Shareholder, Dingdang No. 1, Dingdang No. 2, Dingdang No. 3, and Dingdang No. 4 entered into a series of contractual arrangements (collectively, the "Contractual Arrangements"), which allows the Company to exercise control over the business operation of Dingdang Medicine Express Technology and certain of its subsidiaries (collectively, the "Restricted Subsidiaries") and enjoy all the economic interests derived therefrom. See the section headed "Contractual Arrangements" below for further details.
7. On May 25, 2021, the Company, Dingdang Medicine Express Technology and the Pre-IPO Investors investing in Dingdang Medicine Express Technology (including their respective offshore investment vehicles, where applicable), entered into a share purchase agreement, pursuant to which the Pre-IPO Investors agreed to subscribe for certain number of shares of the Company as the case may be, to reflected the rights, obligations and shareholding in Dingdang Medicine Express Technology held by the Pre-IPO Investors immediately preceding the Capital Reduction.

8. On May 26, 2021, the WFOE acquired 99% of the equity interest in Dingdang Beijing held by Dingdang Medicine Express Technology and 1% of the equity interest in Dingdang Beijing held by TD HK. Upon completion of such acquisitions, Dingdang Beijing became a wholly-owned subsidiary of the WFOE.

\* *English names are for identification purpose only.*

Upon the completion of the Reorganization, the Company became the holding Company of the PRC Operating Entities. Prior to the completion of Reorganization, the Company and its subsidiaries does not involve in any other business and the Reorganization has not resulted in any change of economic substance and the Company and its subsidiaries' operations do not meet the definition of a business. The Group resulting from the Reorganization is regarded as a continuation of the Company and its subsidiaries and Dingdang Medicine Express Technology and its subsidiaries. The Historical Financial Information has been prepared on the basis as if the Company had always been the holding company of Dingdang Medicine Express Technology. For the purpose of this report, the Historical Financial Information has been prepared and presented using the carrying value of the Company and its subsidiaries and Dingdang Medicine Express Technology and its subsidiaries for all periods presented as if the Reorganization had been completed before the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence and Dingdang Medicine Express Technology and its subsidiaries had been operated by the Company and its subsidiaries throughout the Track Record Period, or since their respective dates of incorporation or acquisition, where there is a shorter period.

The consolidated statements of financial position of the Group as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the relevant entities, as if the current group structure had been in existence and Dingdang Medicine Express Technology and its subsidiaries had been operated by the Company and its subsidiaries at those dates taking into account their respective dates of incorporation or acquisition.

#### ***Contractual Arrangements***

On May 25, 2021, the Contractual Arrangements were signed to comply with the relevant laws and regulations in the PRC which restrict foreign ownership of the companies engaged in business of value-added telecommunication service and the online hospital service carried out by the Group, which included exclusive business cooperation agreement, exclusive purchase option agreement, equity pledge agreement, proxy agreement, loan agreement, LP undertaking and spouse undertaking. These Contractual Arrangements can be extended at WFOE's options prior to the expiration date.

The Contractual Arrangements enable the WFOE to control the Restricted Subsidiaries by:

- Irrevocably exercising equity holders' voting rights of Restricted Subsidiaries;
- Exercising effective financial and operational control over of Restricted Subsidiaries;
- Receiving substantially all of the economic interest returns generated by Restricted Subsidiaries in consideration for the technology consulting and services provided by WFOE. WFOE has obligation to grant interest-free loans to the relevant shareholders of Restricted Subsidiaries with the sole purpose of providing funds necessary for the capital contribution to Restricted Subsidiaries;
- Obtaining an irrevocable and exclusive right which WFOE may exercise at any time to purchase all or part of the equity interests in Restricted Subsidiaries from its shareholders at a minimum purchase price permitted under the PRC laws and regulations; and
- Obtaining a pledge over the entire equity interests of Restricted Subsidiaries from its shareholders as collateral security for all of Restricted Subsidiaries' payments due to WFOE and to secure performance of Restricted Subsidiaries' obligation under the Contractual Arrangements.

Total assets of the Group's Restricted Subsidiaries were RMB181 million, RMB568 million, RMB1,382 million, RMB1,328 million and RMB383 million as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, respectively, and these balances have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

Total revenue of the Group's Restricted Subsidiaries was RMB54 million, RMB65 million, RMB135 million, RMB223 million and RMB72 million for the years ended December 31, 2018, 2019, 2020 and 2021 and three months ended March 31, 2022, respectively, and these amounts have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

As of March 31, 2022, the Group had net liabilities of RMB2,925 million and accumulated losses of RMB3,434 million, primarily due to the significant fair value changes of the Preferred Shares. The definition and details of these Preferred Shares are set out in Note 25. Under any circumstances, no significant cash flow impact is expected in the next twelve months from the date of the report for the Preferred Shares. In addition, the Group has performed a working capital forecast for the next twelve months. Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital in the next twelve months from the date of the report. The directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

## 2. 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 the accounting policies which conform with the International Accounting Standards ("IASs"), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the accounting period beginning on January 1, 2022 throughout the Track Record Period.

### New and amendments to IFRSs in issue but not yet effective

The Group has not adopted the following new standards and amendments to IFRS that have been issued but not yet effective:

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts and related Amendments	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

The Group expects that the new standards and amendments listed above are unlikely to have any material impact on the Group's consolidated financial statements in the future.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is 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 categorized 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.

### 3.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities (including 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 Track Record Period are included in the consolidated statements of profit or loss 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 combination.

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*

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized 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 recognized 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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate.



### 3.2 Business combinations or asset acquisitions

#### *Optional concentration test*

Effective from January 1, 2020, 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 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.

#### *Business combinations*

Acquisitions of businesses, other than business combination under common control, 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 recognized in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010)*.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements 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; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases are 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 recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable 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 of 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 recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

### 3.3 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 group 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).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

### 3.4 Investments in subsidiaries and associates

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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of result of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

### 3.5 Revenue from contracts with customers

The Group recognizes 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 customer.

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 recognized 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 recognized at a point in time when the customer obtains control of the distinct good or service.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each Track Record Period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

#### *Product Revenue*

The Group primarily sells pharmaceutical and healthcare products through online channels, such as its mobile APP or third-party online platforms, and offline channels, such as its network of physical pharmacies across the PRC. The Group also distributes some of its products to merchant customers. The Group recognizes the 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 recognized at the point in time when the customer obtains control of the products, net of discounts.

#### *Others*

The Group provides marketing services to third parties on its online and offline channels. The Group recognizes revenue overtime from advertising placements based on the Group's advertising schedules confirmed by customers during the advertising period with output method, as the customer simultaneously receives and consumes the benefits throughout the period.

Marketplace services revenue primarily consists of commission fees charged to third-party merchants via the Group's online marketplace such as mobile APP or WeChat mini program. The Group generally is acting as an agent and its performance obligation is to present specified goods or services provided by those third-party merchants throughout a certain period. Commission fee revenue is recognized on a net basis over the presenting period with output method.

### 3.6 Contract liability

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Unearned revenue awards to customers related to unsatisfied performance obligations at the end of the period, is included in contract liabilities in the Group's consolidated statements of financial position.

### 3.7 Cost of revenue

Cost of revenue consists primarily of purchase price of products, shipping charges and write-downs of inventories. Shipping charges to receive products from the suppliers are included in inventories, and recognized as cost of revenue upon sale of the products to the customers.

The Group periodically receives considerations from certain vendors, representing rebates for products sold and subsidies for the sales of the vendors' products over a period of time. 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 cost when recognized in the consolidated statements of profit or loss and other comprehensive income.

### 3.8 Fulfillment expenses

Fulfillment expenses consist primarily of logistics and warehousing services expenses.

### 3.9 Research and development expenses

Research expenditures are recognized as an expenses as incurred. Costs incurred on development projects are capitalized as other intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as other intangible assets as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022.

### 3.10 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 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*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### *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 recognized as expense on a straight-line basis over the lease term.

*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 for 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 recognizes 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.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, 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*

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, 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.

#### *COVID-19-related rent concessions*

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in profit or loss in the period in which the event occurs.

#### *The Group as a lessor*

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Sublease*

When the Group is an intermediate lessor, it accounts for the headlease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the headlease, not with reference to the underlying asset.

### **3.11 Foreign currency translation**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 recognized in profit or loss in the period in which they arise.

### **3.12 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.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### 3.13 Government grants

Government grants are not recognized 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 are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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 recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

### 3.14 Employee benefits

#### *Pension obligations and other social welfare benefits*

Full-time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries, including consolidated affiliated entities of the Group make contributions to the government for these benefits based on certain percentages of the employees' salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by being forfeited by those employees who leave the plans prior to vesting fully in the contributions.

#### *Bonus plan*

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonuses as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within one year and are measured at the amounts expected to be paid when they are settled.

#### *Short-term employee benefits*

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

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

### 3.15 Share-based payments

Share-based awards to the Group's employees are granted under a share incentive plan (the "Share Incentive Plan"). The Group grants its restricted share units (the "RSUs") and share options to the Group's eligible employees, which are recorded in share-based payments reserves in the Group's consolidated statements of financial position.

#### *Equity-settled share-based payment transactions*

Equity-settled share-based payments to employees 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, with a corresponding increase in equity (share-based payments reserves). 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 recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserves. For RSUs/share options that vest immediately at the date of grant, the fair value of the RSUs/share options granted is expensed immediately to profit or loss.

When share options are exercised or RSUs granted are vested, the amount previously recognized in share-based payments reserves will continue to be held in share-based payments reserves. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserves will continue to be held in share-based payments reserves.

The effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employees are required to recognize. If the modification increases the fair value of the equity instruments granted, the Group is required to measure immediately before and after the modification and include the incremental fair value granted (i.e. the difference between the fair value of the modified equity instrument and that of the date of the modification) in the measurement of the amount recognized for services received as consideration for the equity instruments granted. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

### 3.16 Taxation

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

The current tax payable is based on taxable profit for the Track Record Period. 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 the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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 recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the 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 the 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 recognizes 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.

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 recognized in profit or loss.

### 3.17 Property and equipment

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

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, 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.



An item of property and equipment is derecognized 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 and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

### 3.18 Other intangible assets

Other intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for other intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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.

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized 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 amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized 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 recognized in profit or loss when the asset is derecognized.

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

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and other 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 and equipment, right-of-use assets, and other 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. 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. The 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. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### 3.20 Inventories

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all costs necessary to make the sale. Cost 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. Cost of inventory is determined using the weighted average method. Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write downs are recorded in cost of revenue in the consolidated statements of profit or loss and other comprehensive income.

### 3.21 Provisions

Provisions are recognized 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 recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the 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).

### 3.22 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized 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. Transaction costs that are directly attributable to the 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 recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized 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.

#### (a) *Financial assets*

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortized 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 except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

*Amortized cost and interest income*

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments/receivables subsequently measured at FVTOCI. 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. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized 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 recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

*Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortized 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 recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in "other gains and losses".

*Impairment of financial assets*

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amounts due from related parties and cash and cash equivalents), which are subject to impairment assessment 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 recognizes lifetime ECL for trade receivables and amounts due from related parties of trade nature (excluding the prepayments to related parties, where applicable). The ECL on these assets are assessed individually for debtors with significant balances or credit impaired and/or collectively using a provision matrix with appropriate groupings.

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

*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.

#### *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). 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.

#### *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 reorganization.

#### *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. 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 recognized in profit or loss.

#### *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. The Group uses a practical expedient in estimating ECL on trade receivables and amounts due from related parties of trade nature using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

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.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- 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.

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

#### *Derecognition of financial assets*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

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

### **(b) *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.

#### *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 the Company are recognized at the proceeds received, net of direct issue costs.

#### *Financial liabilities*

All financial liabilities are subsequently measured at amortized 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 (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

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.

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 recognized in 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, 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 recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits/accumulated losses upon derecognition of the financial liability.

#### *Financial liabilities at amortized cost*

Financial liabilities including trade and other payables and amounts due to related parties are subsequently measured at amortized cost, using the effective interest method.

*Derecognition/modification of financial liabilities*

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortized over the remaining term. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

**(c) Derivative financial instruments**

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

*Embedded derivatives*

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

**(d) 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 statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company 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 recognized 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the Group's financial position and results of operation are addressed below:

### **Critical judgements 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 recognized in the consolidated financial statements.

#### *Consolidation of affiliated entities*

The Group obtained control of the Restricted Subsidiaries by entering into 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 Restricted Subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Restricted Subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements 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 the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Fair value of shares with preferred rights/Preferred Shares*

The Group has issued a series of shares with preferred rights/Preferred Shares prior to and during the Track Record Period as set out in Note 25. The Group recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and back-solve method 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. However, it should be noted that some inputs, such as fair value of the ordinary shares of Dingdang Medicine Express Technology and the Company, possibilities under different scenarios, such as qualified listing, redemption, liquidation, and other inputs, such as time to liquidation, 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 changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair value of the shares with preferred rights/Preferred Shares of the Group during the Track Record Period are set out in Note 25.

#### *Leases — Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### *Estimated impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of cash-generating units to which goodwill has 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 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.

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the carrying amount of goodwill is RMB20,881,000, RMB85,504,000, RMB256,417,000, RMB255,762,000 and RMB255,762,000 (with no accumulated impairment loss at the end of each reporting period). Details of the recoverable amount calculation are disclosed in Note 18.

*Useful lives and amortization of other intangible assets*

The Group determines the estimated useful lives and related amortization for the Group's other intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Specifically, the useful life of customer relationship is estimated based on the retention rate of the current customers of the acquisition target as of the acquisition date, the historical retention rate and projected future revenues associated with such customers. Management will revise the amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

*Provision of ECL for trade receivables and amounts due from related parties of trade nature*

Provision of ECL for trade receivables and amounts due from related parties of trade nature was estimated based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables and amounts due from related parties of trade nature. Estimated loss rates are 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. In addition, trade receivables and amounts due from related parties of trade nature that are credit-impaired are assessed for ECL individually. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and amounts due from related parties of trade nature are disclosed in Note 34.

**5A. SEGMENT INFORMATION**

The Group does not distinguish revenue, costs and expenses between segments in its internal reporting, and reports costs and expenses by nature as a whole.

The Group's chief operating decision maker, who has been identified as the president, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As the Group's non-current assets are all located in the PRC and all the Group's revenue are derived from the PRC, no geographical information is presented. 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.

**5B. REVENUE****(a) Disaggregation of revenue from contracts with customers:**

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Type of goods or services:</i>					(unaudited)	
Product revenue:						
Pharmaceutical and healthcare business . . . . .	562,123	1,250,895	2,204,689	3,561,336	761,224	956,613
Others* . . . . .	22,489	24,694	23,874	117,354	18,488	30,794
Total revenue from contracts with customers . . . . .	584,612	1,275,589	2,228,563	3,678,690	779,712	987,407
<i>Timing of revenue recognition:</i>						
A point in time . . . . .	562,123	1,250,895	2,204,689	3,561,336	761,224	956,613
Overtime . . . . .	22,489	24,694	23,874	117,354	18,488	30,794
Total . . . . .	584,612	1,275,589	2,228,563	3,678,690	779,712	987,407

\* Others represents the marketing services, marketplace services and other revenue.



**(b) Contract liabilities**

The Group collected payments in advance from customers primarily for sales of pharmaceutical and healthcare products, marketplace service fees and unearned revenue awards to customers. The Group has recognized the following liabilities related to contracts with customers under "contract liabilities":

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Advance from sales of products . . . . .	22,127	16,476	37,762	43,973	48,956
Advance service income . . . . .	371	357	1,490	7,024	2,795
Unearned revenue awards to customers . . . . .	7,664	14,541	21,157	17,682	11,443
<b>Total . . . . .</b>	<b>30,162</b>	<b>31,374</b>	<b>60,409</b>	<b>68,679</b>	<b>63,194</b>

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current . . . . .	26,779	25,996	50,653	59,780	57,805
Non-current . . . . .	3,383	5,378	9,756	8,899	5,389
	30,162	31,374	60,409	68,679	63,194

As of January 1, 2018, contract liabilities amounted to RMB10.7 million.

The Group has recognized the transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, as contract liabilities. The directors of the Company expect that the current contract liabilities will be recognized as revenue within one year, while the non-current contract liabilities will be recognized as revenue over one year but within two years.

**(c) Revenue recognized in relation to contract liabilities**

The following table shows the amount of the revenue recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period: . . . . .	9,301	26,779	25,996	49,569	47,639	58,215

## 6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cost of inventories sold . . . . .	339,682	803,372	1,458,551	2,510,926	538,296	652,042
Provision for/(reversals of) impairment of inventories . . . . .	–	–	870	(720)	32	198
Technical service expense . . . . .	10,173	31,300	69,958	123,192	29,720	33,116
Promotion and advertising expenses . . . . .	37,178	68,959	121,908	266,637	41,030	53,602
Employee benefit expenses (including directors' emoluments as set out in Note 11) – Salaries and bonuses . . . . .	71,306	141,532	235,606	357,803	74,318	86,655
– Share-based payments expenses (Note 29) . . . . .	–	–	13,064	323,911	3,153	69,419
– Welfare, medical and other benefits . . . . .	28,635	46,518	52,467	107,420	24,747	30,315
Total employee benefit expenses . .	99,941	188,050	301,137	789,134	102,218	186,389
Depreciation of property and equipment . . . . .	12,962	16,782	20,879	21,650	5,425	5,146
Depreciation of right-of-use assets . . . . .	19,561	35,593	47,742	78,404	15,887	19,083
Amortization of other intangible assets . . . . .	590	5,108	6,257	35,232	8,785	8,825
Auditor's remuneration . . . . .	83	100	467	6,025	1,199	4,590

## 7. OTHER GAINS AND LOSSES, NET

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net foreign exchange gains/(losses) . . . . .	–	–	–	11,922	–	(6,496)
(Loss)/gain on disposal of property and equipment . . . . .	(412)	3	(25)	90	(1)	448
(Loss)/gain on disposal/deregistration of subsidiaries (Note 32) . . . . .	–	(1,292)	1,072	(434)	–	–
Gain on fair value changes of financial assets at FVTPL . . . . .	2,824	4,551	8,946	10,273	2,008	3,186
(Loss)/gain on early termination of leases (Note) . . . . .	–	–	–	(31)	–	9
Others . . . . .	683	914	1,056	6,163	4,960	297
Total . . . . .	3,095	4,176	11,049	27,983	6,967	(2,556)

*Note:* For the year ended December 31, 2021, loss on early termination of a lease represented the RMB38,000 compensation to the lessor as the Group breached the contract, excluding net difference of RMB7,000 comprising a RMB494,000 decrease in right-of-use assets and a RMB501,000 decrease in lease liabilities. For the three months ended March 31, 2022, gain on early termination of a lease represented the net difference of RMB9,000 comprising a RMB843,000 decrease in right-of-use assets and a RMB852,000 decrease in lease liabilities.

## 8. OTHER INCOME

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Interest income						
– Bank deposits . . . . .	1,304	2,411	3,266	3,781	541	2,163
– Lease deposits . . . . .	72	158	273	384	435	102
Government grants (Note) . . . . .	2,261	1,888	10,920	8,390	1,802	1,322
Rental income – fixed . . . . .	437	688	1,771	3,350	686	900
Total . . . . .	<u>4,074</u>	<u>5,145</u>	<u>16,230</u>	<u>15,905</u>	<u>3,464</u>	<u>4,487</u>

*Note:* The amounts represented subsidies received from the local governments for rewarding the Group's contribution to local economies. There were no specific conditions attached to the grants and the amounts were recognized in profit or loss when the grants were received, except for certain government grants, the Group recorded in deferred income first as specific conditions were to meet before the government grants could be recognized in profit or loss.

## 9. FINANCE COSTS

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Interest on other borrowing (Note) . . . . .	–	–	–	10,169	–	–
Interest on lease liabilities . . . . .	3,797	5,571	6,061	7,607	2,040	1,952
Total . . . . .	<u>3,797</u>	<u>5,571</u>	<u>6,061</u>	<u>17,776</u>	<u>2,040</u>	<u>1,952</u>

*Note:* The Company's other borrowing raised on May 24, 2021 from CMB International Finance Limited (招銀國際財務有限公司) was secured by equity interests held by the Company and was guaranteed by certain subsidiaries of the Company. The principal amount was USD197,973,499.61, equivalent to RMB1,270,000,000, which carried a fixed interest rate of 0.8% per month. This borrowing was repaid in full in June 2021.

## 10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
<b>Impairment losses, net of reversals, recognised on:</b>						
– Trade receivables . . . . .	101	120	1,643	(1,521)	269	880
– Other receivables . . . . .	113	101	1,510	1,786	326	236
Total . . . . .	<u>214</u>	<u>221</u>	<u>3,153</u>	<u>265</u>	<u>595</u>	<u>1,116</u>

Details of impairment assessment for the Track Record Period are set out in Note 34.

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

## (a) The remuneration of directors and chief executive is set out below:

For the year ended December 31, 2018				
Name	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(note i)			
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii)	–	–	–	–
Mr. Xu Ning (note iii)	240	–	51	291
Mr. Yu Lei (note iii)	360	–	57	417
Mr. Yu Qinglong (note iv)	240	–	51	291
	840	–	159	999
For the year ended December 31, 2019				
Name	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(note i)			
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii)	–	–	–	–
Mr. Xu Ning (note iii)	478	–	56	534
Mr. Yu Lei (note iii)	558	–	62	620
Mr. Yu Qinglong (note iv)	438	–	56	494
	1,474	–	174	1,648
For the year ended December 31, 2020				
Name	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(note i)			
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii)	–	–	–	–
Mr. Xu Ning (note iii)	1,094	685	42	1,821
Mr. Yu Lei (note iii)	1,371	1,369	48	2,788
Mr. Yu Qinglong (note iv)	1,186	652	48	1,886
	3,651	2,706	138	6,495
For the year ended December 31, 2021				
Name	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(note i)			
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii)	–	236,381	–	236,381
Mr. Xu Ning (note iii)	1,187	720	61	1,968
Mr. Yu Lei (note iii)	1,554	1,439	61	3,054
Mr. Yu Qinglong (note iv)	1,331	1,151	61	2,543
	4,072	239,691	183	243,946

## For the three months ended March 31, 2021 (unaudited)

Name	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB'000 (note i)	RMB'000	RMB'000	RMB'000
Executive directors: . . . . .				
Mr. Yang Wenlong (Chairman) (note ii) . . . . .	–	–	–	–
Mr. Xu Ning (note iii) . . . . .	223	121	15	359
Mr. Yu Lei (note iii) . . . . .	298	242	15	555
Mr. Yu Qinglong (note iv) . . . . .	249	115	15	379
	770	478	45	1,293

## For the three months ended March 31, 2022

Name	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB'000 (note i)	RMB'000	RMB'000	RMB'000
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii) . . . . .	–	68,438	–	68,438
Mr. Xu Ning (note iii) . . . . .	225	19	15	259
Mr. Yu Lei (note iii) . . . . .	301	38	15	354
Mr. Yu Qinglong (note iv) . . . . .	252	30	15	297
	778	68,525	45	69,348

*Notes:*

- i Bonuses are determined based on the Group's performance, performance of the relevant individual within the Group and comparable market statistics.
- ii. Appointed as executive director of the Company commenced from August 20, 2014 and as the president commenced from June 19, 2021.
- iii. Appointed as executive director of the Company commenced from May 26, 2021. The emoluments were borne by Dingdang Medicine Express Technology for the years ended December 31, 2018, 2019, 2020 and 2021 and three months ended March 31, 2021 (unaudited) and 2022.
- iv. Appointed as executive director of the Company commenced from June 10, 2021. The emoluments were borne by Dingdang Medicine Express Technology for the years ended December 31, 2018, 2019, 2020 and 2021 and three months ended March 31, 2021 (unaudited) and 2022.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and its subsidiaries.

Ms. Cai Li, Ms. Lian Suping, Mr. Zhang Shouchuan, Mr. Fan Zhenhong and Mr. Jiang Shan are non-executive directors of the Company. Ms. Cai Li was newly appointed on May 26, 2021. Ms. Lian Suping was newly appointed on June 10, 2021. Mr. Zhang Shouchuan, Mr. Fan Zhenhong and Mr. Jiang Shan were newly appointed on June 19, 2021. No emoluments were paid or payable to non-executive directors for their services as directors of the Company and its subsidiaries, if applicable.

**(b) Benefits and interests of directors**

Except for the emoluments disclosed above, there is no other benefits offered to the directors.

**(c) Directors' termination benefits**

No director's termination benefit subsisted at any time during the Track Record Period.

**(d) Consideration provided to third parties for making available directors' services**

No consideration provided to third parties for making available director's services subsisted at any time during the Track Record Period.

**(e) Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies and connected entities**

No loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities subsisted at any time during the Track Record Period.

## (f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the Track Record Period.

## 12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees include one director in year of 2018, two directors in year of 2019 and 2020 and three directors in year of 2021 and three months ended March 31, 2021 (unaudited) and 2022, respectively, whose remuneration is set out in Note 11 during the Track Record Period. The emoluments payable to the remaining individuals during the Track Record Period were as follows:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and bonuses . . . . .	1,476	1,560	1,905	1,213	219	633
Welfare, medical and other benefits . . . . .	220	174	124	103	9	30
Share-based payments . . . . .	–	–	4,511	3,690	628	–
Total . . . . .	1,696	1,734	6,540	5,006	856	663

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands:

	Number of individuals					
	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
					(unaudited)	
Emolument bands (in Hong Kong dollars (the "HKD"))						
Nil to HKD500,000 . . . . .	3	–	–	–	1	2
HKD500,001 to HKD1,000,000 . . . . .	1	3	–	–	1	–
HKD2,000,001 to HKD2,500,000 . . . . .	–	–	2	–	–	–
HKD2,500,001 to HKD3,000,000 . . . . .	–	–	1	1	–	–
HKD3,000,001 to HKD3,500,000 . . . . .	–	–	–	1	–	–
Total . . . . .	4	3	3	2	2	2

During the Track Record Period, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office. None of directors and employees waived or agreed to waive any emoluments during the Track Record Period.

**13. INCOME TAX EXPENSE****Income tax***Cayman Islands*

Under the current laws of the Cayman Islands, the Company incorporated in the Cayman Islands is not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

*British Virgin Islands*

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains. Additionally, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

*Hong Kong*

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2 million.

*PRC*

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the standard enterprise income tax rate for PRC Operating Entities is 25% during the Track Record Period.

Dingdang Medicine Express Technology was subject to a preferential income tax rate of 15%, as Dingdang Medicine Express Technology was qualified as a High-New Technology Enterprises (the "HNTE") and the HNTE qualification was approved and valid for 3 years from January 1, 2018 to December 31, 2020. The HNTE qualification was further renewed and extended to December 31, 2023 on December 17, 2021.

Jiangxi Renhetang was subject to a preferential income tax rate of 15%, as Jiangxi Renhetang was qualified as a HNTE and the HNTE qualification was approved and valid for 3 years from January 1, 2018 to December 31, 2020.

Certain subsidiaries have been approved as small low-profit enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 2.5%, 5% or 10% during the Track Record Period.

*Withholding tax on undistributed dividends*

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise (the "FIE") to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE) if the Hong Kong holding company qualifies for the beneficial owner criteria. The Company has not recorded any withholding tax on any profits generated by the PRC Operating Entities before completion of the Reorganization. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB100,770,000 as at March 31, 2022 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expense of the Group is analyzed as follows:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
PRC Enterprise Income Tax						
Current income tax						
– Current year/period . . . . .	6,528	9,400	19,787	24,458	5,588	4,200
– Under provision in respect of prior year/period . . . . .	–	12	313	141	–	–
Deferred income tax (Note 26) . . . . .	(105)	(1,176)	(1,307)	(7,484)	(1,871)	(1,871)
Total . . . . .	<u>6,423</u>	<u>8,236</u>	<u>18,793</u>	<u>17,115</u>	<u>3,717</u>	<u>2,329</u>

The income tax expense for the year/period can be reconciled to the loss before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before income tax . . . . .	(96,749)	(265,696)	(900,887)	(1,581,859)	(745,199)	(402,087)
Tax calculated at PRC statutory income tax rate of 25% . . . . .	(24,187)	(66,424)	(225,222)	(395,465)	(186,300)	(100,522)
Tax effects of:						
– Expenses that are not deductible in determining taxable profit . . . . .	19,952	42,271	194,866	243,185	167,510	71,251
– Tax effect of share of result of an associate . . . . .	–	23	64	–	–	–
– Utilization of tax losses previously not recognized . . . . .	(230)	(18)	(1,287)	(65)	(80)	(3,300)
– Different tax rates available to different jurisdictions . . . . .	6	4	5	3,641	4	2,400
– Preferential income tax rates applicable to subsidiaries and the consolidated affiliated entities . . . . .	(2,134)	746	162	3,851	(443)	614
– Tax losses not recognized . . . . .	3,937	14,863	26,282	60,304	25,122	15,429
– Tax effect of deductible temporary differences previously not recognized net of utilization . . . . .	9,079	16,759	23,610	101,523	(2,096)	16,457
– Under provision in respect of prior year/period . . . . .	–	12	313	141	–	–
Total income tax expense . . . . .	<u>6,423</u>	<u>8,236</u>	<u>18,793</u>	<u>17,115</u>	<u>3,717</u>	<u>2,329</u>



## 14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss for the year/period attributable to owners of the Company for the purpose of basic and diluted loss per share . . . . .	(107,583)	(276,635)	(924,250)	(1,578,026)	(744,408)	(398,862)
Number of shares						
	2018	2019	2020	2021	2021	2022
					(unaudited)	
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share . . . . .	255,000,000	255,000,000	255,000,000	477,002,288	255,000,000	630,793,590

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganization as disclosed in Note 1.2 and the shares subdivision and consolidation in Note 27 had been effected since January 1, 2018.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had potential ordinary shares of shares with preferred rights/Preferred Shares (Note 25). For the four years ended December 31, 2021 and three months ended March 31, 2021 (unaudited) and 2022, the potential ordinary shares were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the four years ended December 31, 2021 and three months ended March 31, 2021 (unaudited) and 2022 are the same as basic loss per share of the respective year/period.

## 15. OTHER INTANGIBLE ASSETS

	Software	Trademark and franchise right	Customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At January 1, 2018	2,757	84	–	2,841
Additions	206	–	–	206
Acquired on acquisition of subsidiaries (Note 31)	–	2,422	–	2,422
At December 31, 2018	2,963	2,506	–	5,469
Additions	5,447	–	–	5,447
Acquired on acquisition of subsidiaries (Note 31)	4,125	36,876	–	41,001
Disposals	(103)	–	–	(103)
At December 31, 2019	12,432	39,382	–	51,814
Additions	2,751	–	–	2,751
Acquired on acquisition of subsidiaries (Note 31)	45,281	82,912	60,000	188,193
Disposals	(25)	–	–	(25)
At December 31, 2020	60,439	122,294	60,000	242,733
Additions	4,479	–	–	4,479
Disposals	(197)	–	–	(197)
At December 31, 2021 and March 31, 2022	64,721	122,294	60,000	247,015
AMORTIZATION				
At January 1, 2018	775	44	–	819
Charge for the year	304	286	–	590
At December 31, 2018	1,079	330	–	1,409
Charge for the year	1,269	3,839	–	5,108
Eliminated on disposals	(103)	–	–	(103)
At December 31, 2019	2,245	4,169	–	6,414
Charge for the year	1,970	4,287	–	6,257
Eliminated on disposals	(6)	–	–	(6)
At December 31, 2020	4,209	8,456	–	12,665
Charge for the year	9,864	13,368	12,000	35,232
Eliminated on disposals	(123)	–	–	(123)
At December 31, 2021	13,950	21,824	12,000	47,774
Charge for the period	2,483	3,342	3,000	8,825
At March 31, 2022	16,433	25,166	15,000	56,599
CARRYING AMOUNT				
At January 1, 2018	1,982	40	–	2,022
At December 31, 2018	1,884	2,176	–	4,060
At December 31, 2019	10,187	35,213	–	45,400
At December 31, 2020	56,230	113,838	60,000	230,068
At December 31, 2021	50,771	100,470	48,000	199,241
At March 31, 2022	48,288	97,128	45,000	190,416

The estimated useful lives of other intangible assets are as follows:

Category	Estimated useful lives
Software	3-10 years
Trademark and franchise right	5-9 years
Customer relationship	5 years

The above other intangible assets were acquired from third parties or purchased as part of business combination during the Track Record Period.

The trademark acquired from third party is related to three trademark registration certificates granted by Trademark Office of the State Administration for Industry and Commerce of China. The management of the Group considered the trademark would be able to apply on the Company's online medicine trading service or technologies for 9 years with reference to the remaining valid period of such trademark registration certificates.

The franchise rights acquired in the business combinations were related to franchise right contracts. The management of the Group considered the franchise rights would be able to apply on the Company's online medicine trading service or technologies for 5-9 years with reference to the franchise right contracts.

## 16. PROPERTY AND EQUIPMENT

	Leasehold improvement	Electronic equipment	Motor vehicle	Machinery	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>							
At January 1, 2018 . . . . .	100	6,760	30	–	16	–	6,906
Additions . . . . .	6,884	2,806	–	78	772	–	10,540
Acquired on acquisition of subsidiaries (Note 31) . . . . .	27,578	349	401	101	949	–	29,378
Disposals . . . . .	–	(6,075)	(30)	(107)	(187)	–	(6,399)
At December 31, 2018 . . . . .	34,562	3,840	401	72	1,550	–	40,425
Additions . . . . .	12,164	4,980	902	138	2,092	–	20,276
Acquired on acquisition of subsidiaries (Note 31) . . . . .	12,150	492	228	6	670	–	13,546
Disposal of a subsidiary (Note 32) . . . . .	–	(163)	–	–	–	–	(163)
Disposals . . . . .	–	–	–	–	(17)	–	(17)
At December 31, 2019 . . . . .	58,876	9,149	1,531	216	4,295	–	74,067
Additions . . . . .	7,910	9,568	306	–	1,811	–	19,595
Acquired on acquisition of subsidiaries (Note 31) . . . . .	510	951	545	30	424	–	2,460
Disposals . . . . .	–	(117)	(154)	(3)	(33)	–	(307)
At December 31, 2020 . . . . .	67,296	19,551	2,228	243	6,497	–	95,815
Additions . . . . .	8,507	6,229	1,692	210	3,828	–	20,466
Disposals . . . . .	–	(155)	(401)	(11)	(171)	–	(738)
At December 31, 2021 . . . . .	75,803	25,625	3,519	442	10,154	–	115,543
Additions . . . . .	1,106	756	49	–	964	2,881	5,756
Disposals . . . . .	–	(10)	–	–	–	–	(10)
At March 31, 2022 . . . . .	76,909	26,371	3,568	442	11,118	2,881	121,289
<b>DEPRECIATION</b>							
At January 1, 2018 . . . . .	–	4,882	5	–	4	–	4,891
Charge for the year . . . . .	11,058	1,545	71	2	286	–	12,962
Eliminated on disposals . . . . .	–	(5,721)	–*	–*	(144)	–	(5,865)
At December 31, 2018 . . . . .	11,058	706	76	2	146	–	11,988
Charge for the year . . . . .	14,527	1,364	274	18	599	–	16,782
Eliminated on disposal of a subsidiary (Note 32) . . . . .	–	(70)	–	–	–	–	(70)
Eliminated on disposals . . . . .	–	–	–	–	(6)	–	(6)
At December 31, 2019 . . . . .	25,585	2,000	350	20	739	–	28,694
Charge for the year . . . . .	16,345	3,109	336	34	1,055	–	20,879
Eliminated on disposals . . . . .	–	(107)	(73)	–*	(8)	–	(188)
At December 31, 2020 . . . . .	41,930	5,002	613	54	1,786	–	49,385
Charge for the year . . . . .	13,621	5,618	741	42	1,628	–	21,650
Eliminated on disposals . . . . .	–	(144)	(279)	–*	(82)	–	(505)
At December 31, 2021 . . . . .	55,551	10,476	1,075	96	3,332	–	70,530
Charge for the period . . . . .	2,712	1,628	275	14	517	–	5,146
Eliminated on disposals . . . . .	–	(8)	–	–	–	–	(8)
At March 31, 2022 . . . . .	58,263	12,096	1,350	110	3,849	–	75,668

	Leasehold improvement	Electronic equipment	Motor vehicle	Machinery	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CARRYING AMOUNT							
At January 1, 2018 . . . . .	100	1,878	25	–	12	–	2,015
At December 31, 2018 . . . . .	23,504	3,134	325	70	1,404	–	28,437
At December 31, 2019 . . . . .	33,291	7,149	1,181	196	3,556	–	45,373
At December 31, 2020 . . . . .	25,366	14,549	1,615	189	4,711	–	46,430
At December 31, 2021 . . . . .	20,252	15,149	2,444	346	6,822	–	45,013
At March 31, 2022 . . . . .	18,646	14,275	2,218	332	7,269	2,881	45,621

\* less than RMB1,000.

The above items of property and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of the expected life of leasehold improvement or the lease term
Electronic equipment	19.00%-31.67%
Motor vehicle	23.75%
Machinery	9.50%
Furniture and fixtures	19.00%

#### 17. INVESTMENT IN AN ASSOCIATE

	As of December 31, 2019	As of December 31, 2020
	RMB'000	RMB'000
Cost of investment in an associate . . . . .	480	480
Share of post-acquisition loss and other comprehensive expense . . . . .	(91)	(347)
Disposal of investment in an associate . . . . .	–	(133)
	389	–

The details of the investment in the associate as of December 31, 2019 are as follows:

Name of entity	Place of incorporation and principal place of operation	Principal activities	Percentage of equity interest	Percentage of voting rights
Jiangxi Yilian Innovation Pharmaceutical Co., Ltd.* (江西醫聯創新藥業有限公司) ("Jiangxi Yilian") . . . . .	Mainland China	Healthcare enterprise management services	24%	24%

\* English names are for identification purpose only.

The Group has 24% ownership interest and voting rights in Jiangxi Yilian. Considering that the Group is able to exercise significant influence over Jiangxi Yilian through the power to appoint 1 out of the 3 directors of Jiangxi Yilian under the articles of association of Jiangxi Yilian, it is classified as an associate of the Group.

Set out below is the summarized financial information of the associate. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

### Jiangxi Yilian

	As of December 31, 2019	
	RMB'000	
<b>Summarized statement of financial position</b>		
Non-current assets . . . . .		1,304
Current assets . . . . .		320
Current liabilities . . . . .		3
	Year ended December 31, 2019	January 1, 2020 to the date of deregistration on December 24, 2020
	RMB'000	RMB'000
<b>Summarized statement of profit or loss and other comprehensive income</b>		
Revenue for the year/period . . . . .	3	–
Loss for the year/period . . . . .	(379)	(1,068)
Total comprehensive expense for the year/period . . . . .	(379)	(1,068)

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	As of December 31, 2019
	RMB'000
Net assets of Jiangxi Yilian . . . . .	1,621
Proportion of the Group's ownership interest in Jiangxi Yilian . . . . .	24%
The Group's share of net assets and carrying amount of Jiangxi Yilian . . . . .	389

### Deregistration of an associate

In December 2020, Jiangxi Yilian was deregistered because of the business transformation. No gain or loss was recognized by the Group upon the deregistration.

## 18. GOODWILL

	Acquisition of subsidiaries
	RMB'000
COST	
At January 1, 2018 . . . . .	2,658
Acquired on acquisition of Dingdang Smart Pharmacy (Shanghai) Co., Ltd.* (叮噹智慧藥房(上海)有限公司) (“Shanghai Smart Pharmacy”) and its subsidiaries . . . . .	10,978
Acquired on acquisition of Dingdang Smart Pharmacy (Beijing) Co., Ltd.* (叮噹智慧藥房(北京)有限公司) (“Beijing Smart Pharmacy”) and its subsidiaries . . . . .	4,041
Acquired on acquisition of other subsidiaries . . . . .	3,204
At December 31, 2018 . . . . .	20,881
Acquired on acquisition of Dingdang Smart Pharmacy (Guangdong) Co., Ltd.* (叮噹智慧藥房(廣東)有限公司) (“Guangdong Smart Pharmacy”) . . . . .	48,503
Acquired on acquisition of other subsidiaries . . . . .	17,412
Disposals of subsidiaries (Note 32) . . . . .	(1,292)
At December 31, 2019 . . . . .	85,504
Acquired on acquisition Renhe Yaofangwang and its subsidiaries . . . . .	167,351
Acquired on acquisition of other subsidiaries . . . . .	6,409
Disposals of subsidiaries (Note 32) . . . . .	(2,847)
At December 31, 2020 . . . . .	256,417
Disposals of subsidiaries (Note 32) . . . . .	(655)
At December 31, 2021 and March 31, 2022 . . . . .	255,762

	Acquisition of subsidiaries
	RMB'000
CARRYING AMOUNT	
At January 1, 2018 . . . . .	2,658
At December 31, 2018 . . . . .	20,881
At December 31, 2019 . . . . .	85,504
At December 31, 2020 . . . . .	256,417
At December 31, 2021 and March 31, 2022 . . . . .	255,762

\* *English names are for identification purpose only.*

For the purpose of impairment testing, goodwill is allocated to a group of cash generating units. The carrying amounts of goodwill allocated to significant cash generating units (the "Significant CGUs") are as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shanghai Smart Pharmacy and its subsidiaries . . . . .	10,978	10,978	10,978	10,978	10,978
Beijing Smart Pharmacy and its subsidiaries . . . . .	4,041	4,041	4,041	4,041	4,041
Guangdong Smart Pharmacy . . . . .	–	48,503	48,503	48,503	48,503
Renhe Yaofangwang and its subsidiaries . . . . .	–	–	167,351	167,351	167,351

The impairment review on the goodwill of the Group according to IAS 36 were conducted by the management with reference to valuation carried out by independent qualified professional valuer, ValueLink Management Consultants Limited, who has appropriate qualifications and experiences in valuation of similar instruments. The address of ValueLink Management Consultants Limited which valuation report was referenced to for the Track Record Period is Room 1201C, Jing Guang Centre Business Building, 1 Chaoyangmen Outer Street, Chaoyang District, Beijing, the PRC.

For the purpose of impairment review as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the recoverable amount of the Significant CGUs containing goodwill is determined based on value-in-use calculations by using the discounted cash flow method, based on the following inputs:

**Shanghai Smart Pharmacy and its subsidiaries:**

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Financial projection period . . . . .	5-year	5-year	4-year*	5-year	5-year
Forecasted average annual revenue growth rate . . . . .	54%	35%	29%	18%	16%
Estimated terminal growth rate beyond the projection period extrapolated . . . . .	3%	3%	3%	3%	3%
Pre-tax discount rate . . . . .	23.76%	23.63%	24.07%	24.02%	23.55%

**Beijing Smart Pharmacy and its subsidiaries:**

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Financial projection period . . . . .	5-year	5-year	4-year*	5-year	5-year
Forecasted average annual revenue growth rate . . . . .	27%	19%	14%	10%	10%
Estimated terminal growth rate beyond the projection period extrapolated . . . . .	3%	3%	3%	3%	3%
Pre-tax discount rate . . . . .	22.41%	22.87%	23.31%	23.84%	23.57%

**Guangdong Smart Pharmacy:**

	As of December 31,			As of March 31,
	2019	2020	2021	2022
Financial projection period . . . . .	5-year	4-year*	5-year	5-year
Forecasted average annual revenue growth rate . . . . .	40%	26%	16%	16%
Estimated terminal growth rate beyond the projection period extrapolated . . . . .	3%	3%	3%	3%
Pre-tax discount rate . . . . .	23.45%	23.95%	23.47%	24.52%

**Renhe Yaofangwang and its subsidiaries:**

	As of December 31,		As of March 31,
	2020	2021	2022
Financial projection period . . . . .	7-year**	5-year	5-year
Forecasted average annual revenue growth rate . . . . .	30%	28%	27%
Estimated terminal growth rate beyond the projection period extrapolated . . . . .	3%	3%	3%
Pre-tax discount rate . . . . .	22.06%	23.78%	23.68%

\* The financial projection period is 4-year because the management applied a 5-year projection period for the year ended December 31, 2019 goodwill impairment by using actual operating results for the year ended December 31, 2020 and projected operating results for the year ending December 31, 2021 to 2024 while a 4-year projection period for the year ended December 31, 2020 goodwill impairment by removing actual operating results for the year ended December 31, 2020 and maintaining consistent projected operating results for the year ending December 31, 2021 to 2024 when the management performed the goodwill impairment review for the year ended December 31, 2019 and 2020 simultaneously. Based on goodwill impairment result for the year ended December 31, 2020, no impairment arose by applying the 4-year projection period, and the management determined no further projection up to year ending December 31, 2025 is necessary for the impairment testing purpose. The financial projection period reverts back to 5-year for the year ended December 31, 2021 goodwill impairment review as the management normally prepares the projection with a period of 5 years. The management determined the projection period with reference to IAS 36.33(b).

\*\* The management represented that the direct-to-patient pharmacies business, which Renhe Yaofangwang and its subsidiaries operates in, is a new and fast developing distribution channel of pharmaceutical products and it is expected to enter a stable growth period after at least 7-year-period, from when the management determined Renhe Yaofangwang and its subsidiaries would reach the market share in direct-to-patient pharmacies business, terminate the projection period and enter the infinite period. Therefore, the financial projection period for goodwill impairment review as of December 31, 2020 is 7-year. Based on the actual outcomes for the year ended December 31, 2021, Renhe Yaofangwang and its subsidiaries would reach the stable growth period earlier, thus the management revised the inputs of the goodwill impairment review.

The management leveraged their extensive experience in the industry and provided forecast based on past performance and expectation of future business plans and market developments.

The management, together with the Company's valuer, performed impairment test for the goodwill and determined such goodwill was not impaired, since the headroom for the Significant CGUs containing goodwill amounted to:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Shanghai Smart Pharmacy and its subsidiaries . . . . .	32,776	36,447	57,669	82,928	70,506
Beijing Smart Pharmacy and its subsidiaries . . . . .	58,895	48,366	73,943	100,421	92,298
Guangdong Smart Pharmacy . . . . .	N/A	30,871	64,041	32,643	38,416
Renhe Yaofangwang and its subsidiaries . . . . .	N/A	N/A	N/A	74,474	46,742

Sensitivity analysis has been performed based on the assumptions that revenue or terminal value or the pre-tax discount rate has been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased by as below:

**Shanghai Smart Pharmacy and its subsidiaries:**

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue decrease by 5% . . . . .	2,800	3,200	5,300	6,800	5,000
Terminal value decrease by 5% . . . . .	2,900	2,700	3,200	4,900	3,700
Pre-tax discount rate increase by 5% . . . . .	6,300	6,100	6,400	11,100	8,300

**Beijing Smart Pharmacy and its subsidiaries:**

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue decrease by 5% . . . . .	4,500	4,900	7,100	9,411	6,004
Terminal value decrease by 5% . . . . .	4,200	3,500	4,200	5,849	3,580
Pre-tax discount rate increase by 5% . . . . .	9,100	8,500	8,900	12,914	8,222

**Guangdong Smart Pharmacy:**

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue decrease by 5% . . . . .	5,900	8,100	6,000	6,968
Terminal value decrease by 5% . . . . .	3,600	4,300	3,000	3,483
Pre-tax discount rate increase by 5% . . . . .	8,500	8,900	7,300	8,060

**Renhe Yaofangwang and its subsidiaries:**

	As of December 31,	As of March 31,
	2021	2022
	RMB'000	RMB'000
Revenue decrease by 5% . . . . .	16,848	15,985
Terminal value decrease by 5% . . . . .	10,088	9,630
Pre-tax discount rate increase by 5% . . . . .	22,399	20,885

Headroom and sensitivity analysis have not been performed for Renhe Yaofangwang and its subsidiaries as of December 31, 2020 as such information is not meaningful having regards Renhe Yaofangwang was acquired by Dingdang Medicine Express Technology in December 2020.

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the estimated revenue, estimated terminal value, and pre-tax discount rate must change by the percentage set out below to remove the remaining headroom for the Significant CGUs containing goodwill, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount.

**Shanghai Smart Pharmacy and its subsidiaries:**

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Revenue decrease by . . . . .	61.50%	41.91%	49.00%	60.32%	69.99%
Terminal value decrease by . . . . .	56.99%	50.88%	81.95%	83.49%	93.93%
Pre-tax discount rate increase by . . . . .	36.65%	26.91%	68.61%	63.71%	82.20%



**Beijing Smart Pharmacy and its subsidiaries:**

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Revenue decrease by . . . . .	68.60%	50.00%	51.57%	53.36%	76.98%
Terminal value decrease by . . . . .	71.27%	68.45%	87.30%	85.85%	129.18%
Pre-tax discount rate increase by . . . . .	49.49%	39.92%	71.60%	67.15%	137.89%

**Guangdong Smart Pharmacy:**

	As of December 31,			As of March 31,
	2019	2020	2021	2022
Revenue decrease by . . . . .	26.45%	39.36%	27.07%	27.57%
Terminal value decrease by . . . . .	46.05%	76.70%	53.64%	53.67%
Pre-tax discount rate increase by . . . . .	20.77%	56.78%	28.41%	30.32%

**Renhe Yaofangwang and its subsidiaries:**

	As of December 31,		As of March 31,
	2021	2022	2022
Revenue decrease by . . . . .	21.68%	14.62%	
Terminal value decrease by . . . . .	36.85%	24.27%	
Pre-tax discount rate increase by . . . . .	19.30%	12.09%	

Reasonable possible changes in key assumptions will not lead to the goodwill impairment loss as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022.

**19. FINANCIAL ASSETS AT FVTPL**

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current:</b>					
Financial products issued by banks . . . . .	81,882	43,267	321,480	–	38,790

The Group's financial assets at FVTPL are the financial products issued by banks, which are short-term investments with expected rates of return ranging from 1.15% to 4.45%, depending on the market price of underlying financial instruments, including treasury bonds, central bank bills, structured deposit and other financial assets. The Group managed and evaluated the performance of investments on a fair value basis in accordance with the Group's risk management and investment strategy. Details of fair value measurements are set out in Note 34.

**20. LEASES****(a) Right-of-use assets**

The carrying amounts of the Group's right-of-use assets and the movements during the Track Record Period are as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year/period . . . . .	5,594	66,652	126,914	151,383	168,518
Additions . . . . .	19,714	70,259	52,429	96,747	17,090
Acquired on acquisition of subsidiaries (Note 31) . . . . .	60,905	25,596	20,255	–	–
Depreciation charge . . . . .	(19,561)	(35,593)	(47,742)	(78,404)	(19,083)
Disposals of subsidiaries (Note 32) . . . . .	–	–	(473)	(714)	–
Early termination . . . . .	–	–	–	(494)	(843)
Carrying amount at the end of the year/period . . . . .	66,652	126,914	151,383	168,518	165,682

The carrying amounts of right-of-use assets at end of each reporting period and the depreciation by classes of rights-of-use assets are all buildings during the Track Record Period.

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Expense relating to short-term leases . . . . .	1,408	1,501	2,696	2,812	876	345
Total cash outflow for leases . . . . .	23,530	44,854	56,100	89,993	23,218	21,675

The Group leases certain of its offline pharmacies, offices, warehouses and staff quarters which are negotiated for terms ranging from 1 to 20 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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 conducted impairment assessment on recoverable amounts of right-of-use assets of relevant subsidiaries that have indicators of impairment. The Group estimated the recoverable amount of these subsidiaries, each representing an individual cash generating unit, to which the asset belongs when it is not possible to estimate the recoverable amount individually. No impairment loss were recognized to right-of-use assets during the Track Record Period.

The Group regularly entered into short-term leases for offline pharmacies, offices, warehouses and staff quarters. As of December 31, 2018, 2019, 2020 and 2021 and March 31, 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 lessors. Leased assets may not be used as security for borrowing purposes.

#### (b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movements during the Track Record Period are as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year/period . . . . .	5,388	63,146	118,977	141,253	157,012
New leases . . . . .	19,486	68,411	51,936	92,380	15,573
Acquired on acquisition of subsidiaries (Note 31) . . . . .	56,369	23,354	17,732	–	–
Accretion of interest recognized . . . . .	3,797	5,571	6,061	7,607	1,952
Payments . . . . .	(21,894)	(41,505)	(52,911)	(82,814)	(19,813)
Disposals/deregistration of subsidiaries (Note 32) . . . . .	–	–	(542)	(913)	–
Early termination . . . . .	–	–	–	(501)	(852)
Carrying amount at the end of the year/period . . . . .	63,146	118,977	141,253	157,012	153,872
Analyzed as:					
Non-current . . . . .	44,698	79,983	87,388	95,629	91,038
Current . . . . .	18,448	38,994	53,865	61,383	62,834
	63,146	118,977	141,253	157,012	153,872

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Present value of lease liability					
– within one year . . . . .	18,448	38,994	53,865	61,383	62,834
– between 1 and 2 years . . . . .	16,219	34,635	40,694	48,018	49,073
– between 2 and 5 years . . . . .	26,552	43,000	45,217	44,908	39,520
– over 5 years . . . . .	1,927	2,348	1,477	2,703	2,445
	63,146	118,977	141,253	157,012	153,872

The lease liabilities were measured at the present value of the lease payments that are not yet paid using incremental borrowing rates. The following table shows the weighted average incremental borrowing rates applied to lease liabilities:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	%	%	%	%	%	%
Incremental borrowing rate . . . . .	4.52~7.26	4.01~5.31	4.38~6.39	3.83~6.39	(unaudited) 4.38~6.39	3.81~6.39

All leases are entered at fixed rates.

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, lease liabilities are mainly denominated in RMB.

The maturity analysis of lease liabilities at each reporting date during the Track Record Period are set out in Note 34.

## 21. INVENTORIES

Inventories consist of the following:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Products . . . . .	62,634	168,205	323,454	434,013	518,962
Others . . . . .	90	344	16	9	9
	<u>62,724</u>	<u>168,549</u>	<u>323,470</u>	<u>434,022</u>	<u>518,971</u>

## 22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

### The Group

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current:</b>					
<b>(a) Trade receivables</b>					
Trade receivables from third parties . . . . .	11,849	23,573	51,480	91,351	90,056
Less: allowance for credit losses . . . . .	(101)	(221)	(1,864)	(343)	(1,223)
Subtotal . . . . .	<u>11,748</u>	<u>23,352</u>	<u>49,616</u>	<u>91,008</u>	<u>88,833</u>
<b>(b) Other receivables and prepayments</b>					
Staff advances . . . . .	554	977	49	60	1,785
Welfare receivable . . . . .	312	1,166	1,085	1,534	1,526
Advance to suppliers . . . . .	5,807	20,903	42,223	41,378	58,412
Prepaid expenses . . . . .	9,271	15,636	22,493	34,280	40,128
Recoverable value-added tax . . . . .	154	1,660	21,563	32,238	32,310
Receivable from non-controlling shareholders . . . . .	–	3,000	4,650	3,900	3,900
Receivable from third-party online platforms . . . . .	2,664	15,190	34,387	53,769	57,891
Deposits receivables . . . . .	3,104	4,492	7,511	11,455	11,521
Deferred issue costs . . . . .	–	–	738	5,338	7,011
Others . . . . .	903	1,770	3,286	6,434	7,098
Less: allowances for credit losses . . . . .	(113)	(214)	(17)	(1,803)	(2,039)
Subtotal . . . . .	<u>22,656</u>	<u>64,580</u>	<u>137,968</u>	<u>188,583</u>	<u>219,543</u>
Total . . . . .	<u>34,404</u>	<u>87,932</u>	<u>187,584</u>	<u>279,591</u>	<u>308,376</u>
<b>Non-current:</b>					
Rental deposits . . . . .	2,059	5,344	8,431	9,932	10,509
	<u>2,059</u>	<u>5,344</u>	<u>8,431</u>	<u>9,932</u>	<u>10,509</u>

As of January 1, 2018, trade receivables amounted to RMB10.9 million.

The Group's trading terms with some of its customers are on credit. The Group primarily allows a credit period from 30 to 45 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 December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months . . . . .	11,321	22,289	45,801	87,298	81,192
3 to 6 months . . . . .	313	1,103	3,533	2,231	6,610
6 to 12 months . . . . .	125	125	744	1,570	854
Over 12 months . . . . .	90	56	1,402	252	1,400
Less: allowance for ECL . . . . .	(101)	(221)	(1,864)	(343)	(1,223)
	11,748	23,352	49,616	91,008	88,833

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, included in the Group's trade receivables balance were debtors with aggregate carrying amount of RMB9.34 million, RMB20.51 million, RMB32.05 million, RMB28.41 million and RMB20.11 million respectively, which were past due but not impaired as of the reporting date. The Group has not provided an impairment loss as the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 34.

#### The Company

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred issue costs . . . . .	–	–	738	5,338	7,011
Prepaid expenses . . . . .	–	–	68	2,910	4,328
	–	–	806	8,248	11,339

### 23. CASH AND CASH EQUIVALENTS

#### The Group

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances . . . . .	46,242	44,691	260,574	1,552,994	1,498,232
Term deposit . . . . .	–	100,000	–	–	–
Total . . . . .	46,242	144,691	260,574	1,552,994	1,498,232

#### Bank balances

During the Track Record Period, bank balances carry interest at market rates which range from 0.001% to 2.100%. There is no restricted bank balance as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022.

#### Term deposit

The Group's term deposit is a bank deposit with original maturities over three months and redeemable on maturity. However, the deposit could be transferred to other parties unconditionally via the bank upon demand before maturity without interest loss according to the deposit contract. The interest rate of the term deposit was 3.80% per annum for the year ended December 31, 2019. The term deposit was redeemed during the year ended December 31, 2020.

#### The Company

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances . . . . .	231	225	204	189,393	185,772

## 24. TRADE AND OTHER PAYABLES

## The Group

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables . . . . .	42,500	103,379	226,252	285,940	403,995
Bills payable . . . . .	–	4,140	–	–	–
Subtotal . . . . .	42,500	107,519	226,252	285,940	403,995
Salary and welfare payables . . . . .	38,620	68,473	100,485	140,164	128,737
Other tax payable . . . . .	4,792	3,190	4,780	10,262	7,455
Payables for delivery . . . . .	70,728	22,795	27,551	34,441	30,356
Payables for service fee . . . . .	93	1,099	1,210	7,770	4,044
Accrued expenses . . . . .	29,022	35,957	53,809	56,237	57,939
Receipt on behalf of third-party merchants . . . . .	1,393	1,357	4,316	11,758	12,482
Dividend payable . . . . .	–	–	1,255	10,102	10,102*
Rental received in advance . . . . .	336	–	222	771	754
Accrued listing expenses and issue costs . . . . .	–	–	3,155	10,060	16,288
Deposits payable . . . . .	3,967	6,375	14,606	16,323	16,296
Others . . . . .	2,008	622	3,056	2,823	4,462
Subtotal . . . . .	150,959	139,868	214,445	300,711	288,915
Total . . . . .	193,459	247,387	440,697	586,651	692,910

\* RMB9,544,000 dividend payable by Jiangxi Renhetang has been subsequently settled in April 2022 and the remaining RMB558,000 dividend payable by Dingdang Good Health has been subsequently settled in August 2022.

The credit period of trade payables is ranging from 30 to 60 days. An aging analysis of the trade payables based on the invoice date at the end of each reporting period is as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months . . . . .	42,113	100,292	195,336	259,166	371,191
3 to 6 months . . . . .	347	78	19,920	8,235	14,784
6 to 12 months . . . . .	39	–	5,342	6,330	5,075
Over 12 months . . . . .	1	3,009	5,654	12,209	12,945
Total . . . . .	42,500	103,379	226,252	285,940	403,995

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>The Company</b>					
Accrued listing expense and issue cost . . . . .	–	–	–	6,905	13,133

## 25. FINANCIAL LIABILITIES AT FVTPL

## The Group

Dingdang Medicine Express Technology entered into share subscription agreement with independent investors and issued four series (the “Series A”, “Series A+”, “Series B” and “Series B+”, respectively) of shares with preferred rights from year 2016 to 2020. Dingdang Medicine Express Technology had received the consideration of RMB100 million, RMB100 million, RMB400 million and RMB825 million, respectively. On May 25, 2021, as part of Reorganization, Dingdang Medicine Express Technology redeemed shares with preferred rights by way of capital reductions and the Company issued certain number of preferred shares. The beneficial interests of the Series A, Series A+, Series B and Series B+ remained unchanged after this exercise and before issue of Series C shares. On the same day, the Company entered into share subscription agreement with independent investors and issued Series C preferred shares (the Series C, together with Series A, Series A+, Series B and Series B+ preferred shares, known as “Preferred Shares”) and received the total consideration of USD429 million (equivalent to RMB2,740,275,000).

As of March 31, 2022, the authorized share capital of the Company consisted of (i) 4,322,857,693 ordinary shares of par value USD0.0001 each, (ii) 125,000,000 Series A preferred shares of par value USD0.0001 each, (iii) 147,058,820 Series B preferred shares of par value USD0.0001 each, (iv) 222,709,327 Series B+ preferred shares of par value USD0.0001 each, and (v) 182,374,160 Series C preferred shares of par value USD0.0001 each. Fair value for each series at the end of each Track Record Period are as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current liabilities</b>					
Series A+ . . . . .	111,882	–	–	–	–
Total . . . . .	111,882	–	–	–	–
<b>Non-current liabilities</b>					
Series A . . . . .	101,316	137,581	249,336	386,953	415,036
Series A+ . . . . .	–	148,032	253,673	386,953	415,036
Series B . . . . .	–	478,270	689,021	956,860	1,022,664
Series B+ . . . . .	–	–	1,151,444	1,503,977	1,597,838
Series C . . . . .	–	–	–	1,416,207	1,480,991
Total . . . . .	101,316	763,883	2,343,474	4,650,950	4,931,565

### Shares with preferred rights issued by Dingdang Medicine Express Technology

#### Series A

In December 2016, Dingdang Medicine Express Technology entered into Series A share subscription agreement with a third-party investor. Dingdang Medicine Express Technology issued 5,555,555.55 shares with preferred rights at RMB1.00 per share for a total cash proceed of RMB100 million, representing 10.00% of the ownership of Dingdang Medicine Express Technology on a fully diluted basis.

The rights, preferences and privileges of Series A shares with preferred rights are as follows:

(a) *Preemptive rights*

When Dingdang Medicine Express Technology increases capital/issuance of new shares, it should first notify the Series A investor in writing of the proposed conditions, commercial terms and related terms of the capital increase/new share issuance, including but not limited to the number of capital increase/issuance of new shares, pricing standards, estimated completion time, etc., the Series A investor shall have the same priority to subscribe for capital increase/subscribe for newly issued shares based on its shareholding ratio under the same terms and conditions as the existing shareholders.

(b) *Right of first refusal*

When Dingdang Medicine Express Technology's existing shareholders intend to sell, transfer or otherwise dispose of all or part of Dingdang Medicine Express Technology's equity held by them, the proposed conditions for the transfer or disposal should be the first to notify in writing to the Series A investor, including but not limited to the number of transfers and disposals of equity, pricing standards, proposed transferees and estimated completion time, and other information. The Series A investor shall have the same preemptive right to purchase the equity to be transferred based on its shareholding ratio under the same terms and conditions as other existing shareholders.

(c) *Dividend rights*

When Dingdang Medicine Express Technology decides to distribute dividends, the Series A investor has a veto right at the decision-making level of the board of directors. When Dingdang Medicine Express Technology's board of directors decides to distribute dividends, it shall not distribute dividends or bonuses to other shareholders until the Series A investor has fully received the dividends.

(d) *Rights of co-sale*

When the Controlling Shareholder intends to sell, transfer or otherwise dispose of all or part of Dingdang Medicine Express Technology's equity held by him, a notice of transfer with proposed conditions, commercial terms and any related terms should be provided to the Series A investor. The Series A investor have the right to transfer the equity based on the shareholding ratio on the same terms and conditions in the transfer notice.

The Series A shares with preferred rights were classified as equity instrument as there is no contractual obligations for Dingdang Medicine Express Technology to deliver cash or other financial assets.

**Series A+**

In November 2017, Dingdang Medicine Express Technology entered into Series A+ share subscription agreement with a third-party investor, Dingdang Medicine Express Technology issued 6,250,000.00 shares with preferred rights at RMB1.00 per share for a total cash proceed of RMB100 million, representing 10.00% of the ownership of Dingdang Medicine Express Technology on a fully diluted basis. Upon pre-investment adjustment, the quantity of Series A investor's shares have been increased from 5,555,555.55 to 6,250,000.00.

The key terms of Series A+ shares with preferred rights and modification of Series A shares with preferred rights are set as below:

**(a) Anti-dilution rights**

When Dingdang Medicine Express Technology intends to increase its registered capital through capital increase and share expansion, issuance of new shares or issuance of convertible bonds, if the subscription price for each RMB registered capital of such subsequent capital increased is lower than the subscription price corresponding to each RMB of registered capital invested by Series A and A+ investors in Dingdang Medicine Express Technology, Series A and A+ investors have the rights to require the Controlling Shareholder to jointly and severally transfer a certain proportion of Dingdang Medicine Express Technology's shares to Series A and A+ investors free of charge to adjust Series A and A+ investors' proportion of shares held equal to a specific proportion.

**(b) Liquidation preference**

In the event of any liquidation, dissolution, bankruptcy, winding up of Dingdang Medicine Express Technology, all assets and funds of Dingdang Medicine Express Technology legally available for distribution to the shareholders shall be distributed to the shareholders of Dingdang Medicine Express Technology as follows:

- Investors of Series A and A+ shares with preferred rights
- Other shareholders of Dingdang Medicine Express Technology except investors of Series A and A+ shares with preferred rights

**(c) Dividend rights**

All of the shareholders of Dingdang Medicine Express Technology shall be entitled to receive dividends, out of no more than 10% of the net profit after tax if there is still a surplus after making up the loss and drawing the statutory surplus reserve. Each shareholder has the right to receive dividends with the basis of the proportion of paid in capital.

**(d) Redemption Rights**

The Series A+ investor has the right to require the Controlling Shareholder to jointly and severally purchase the shares of Dingdang Medicine Express Technology held by the Series A+ investor if the investment agreement is terminated due to the provisions as follows:

- If Dingdang Medicine Express Technology fails to complete the registration and filing procedures, the Series A+ investor can terminate the agreement;
- If Dingdang Medicine Express Technology and/or the Controlling Shareholder violate or fail to fulfill any of their commitments and cause significant adverse effects on Dingdang Medicine Express Technology and/or the Series A+ investor, the Series A+ investor may terminate agreement;
- If all the statements and warranties made by Dingdang Medicine Express Technology and/or the Controlling Shareholder are false, inaccurate, omission or misleading and lead to significant adverse effect to Dingdang Medicine Express Technology and/or the Series A+ investor, the Series A+ investor can terminate the agreement accordingly;
- If any non-performing party fails to properly perform other obligations under the agreement and has not been fulfilled or rectified within 45 days after receipt of the notice from other observant investors, any observant investors can terminate the agreement accordingly.

The redemption price for Series A+ shares with preferred rights shall be 100% of the issue price plus 8% simple annual interest of the issue price commencing from the issue date minus all the distributed dividends.

Series A+ investors are also entitled to the right of co-sale, preemptive rights and rights of first refused as Series A investors.

As the Series A+ shares with preferred rights are contingently redeemable by the holders under certain events and the share numbers are variable due to the potential adjustments aforementioned under certain circumstances which are not purely "anti-dilutive" in nature. The Series A+ shares with preferred rights are initially recognized at fair value. The Group designates the entire Series A+ shares with preferred rights as financial liabilities at FVTPL with fair value change recognized in "fair value changes of financial liabilities at FVTPL" in profit or loss.

The modifications to the Series A shares with preferred rights, i.e. the anti-dilution rights granted to holders of Series A shares with preferred rights, results to derecognition of the equity and financial liability is recognized at its fair value at modification date with reference to IAS32.16 (b), with the difference is recognized as an adjustment within equity. The Group also designates Series A shares with preferred rights as financial liabilities at FVTPL with fair value change recognized in "fair value changes of financial liabilities at FVTPL" in profit or loss.

### Series B

In January 2019, Dingdang Medicine Express Technology entered into Series B share subscription agreement with third-party investors. Dingdang Medicine Express Technology issued 14,705,882 shares at RMB1.00 per share for a total cash proceed of RMB400 million, representing 19.05% of the ownership of Dingdang Medicine Express Technology on a fully diluted basis.

The key terms of Series B shares with preferred rights and modification of Series A and A+ shares with preferred rights are set as below:

#### (a) *Anti-dilution rights*

When Dingdang Medicine Express Technology intends to increase its registered capital through capital increase and share expansion, issuance of new shares or issuance of convertible bonds, if the subscription price for each RMB registered capital of such subsequent capital increased is lower than the subscription price corresponding to each RMB of registered capital invested by Series A, A+ and B investors in Dingdang Medicine Express Technology, Series A, A+ and B investors have the rights to require the Controlling Shareholder to jointly and severally transfer a certain proportion of Dingdang Medicine Express Technology's shares to Series A, A+ and B investors free of charge to adjust Series A, A+ and B investors' subscription price of each RMB registered capital equal to a specific amount calculated by a generalized weighted average formula which would lead to a different shares compensation quantity with the formula used in Series A+.

#### (b) *Liquidation preference*

In the event of any liquidation, dissolution, bankruptcy, winding up of Dingdang Medicine Express Technology, Dingdang Medicine Express Technology's property should first be used to pay social insurance fees, statutory compensation, taxes owed, and debt. The remaining property (if any) shall be distributed in the following order:

- Investors of Series B shares with preferred rights
- Investors of Series A and A+ shares with preferred rights
- Other shareholders of Dingdang Medicine Express Technology except investors of Series A, A+ and B shares with preferred rights

#### (c) *Redemption rights*

The Series A+ and B investor have the right to require Dingdang Medicine Express Technology and the Controlling Shareholder to jointly and severally purchase all or part of the shares of Dingdang Medicine Express Technology held by the Series A+ and B investors due to the provisions as follow:

- If an IPO has not been consummated on the stock exchange market before March 31, 2024 after the date of the signed Series B share subscription agreement or after the Company submitted its listing application materials, it has been rejected or voluntarily withdrawn due to the existence of horizontal competition with Renhe (Group) Development Co., Ltd.\* (仁和(集團)發展有限公司) ("Renhe (Group)") and cannot eliminate such obstacles through rectification;
- There is a material breach of any of the transaction documents or material violation of applicable laws by any companies comprising in Dingdang Medicine Express Technology and the Controlling Shareholder or violation has caused a material adverse effect to the Group or the investors;
- Other serious breaches of the contract occurred, and failed to correct after 30 days from the date of written notice of any series B investor's requesting;

\* *English names are for identification purpose only.*



The redemption price for Series A+ and Series B shares with preferred rights shall be the amount of paid in capital held multiply by Series A+ and Series B subscription price respectively, plus 8% simple annual interest of the issue price commencing from the issue date minus all the distributed dividends per share with preferred rights then held by such shareholder.

Series B investors are also entitled to the preemptive rights, dividend rights, rights of co-sale and rights of first refusal as Series A and A+ investors.

As the Series B shares with preferred rights are contingently redeemable by the holders under certain events and the share numbers are variable due to the potential adjustments aforementioned under certain circumstances which are not purely "anti-dilutive" in nature. The Series B shares with preferred rights are initially recognized at fair value. The Group designates the entire Series B shares with preferred rights as financial liabilities at FVTPL with fair value change recognized in "fair value changes of financial liabilities at FVTPL" in profit or loss.

For the modification of Series A and A+ shares with preferred rights contractual terms, the revised terms did not result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. Series A and A+ shares with preferred rights are still recognized as financial liabilities at FVTPL with fair value change recognized in "fair value changes of financial liabilities at FVTPL" in profit or loss. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

#### **Series B+**

In May 2020, Dingdang Medicine Express Technology entered into Series B+ share subscription agreement with third-party investors. Dingdang Medicine Express Technology issued 22,270,933 shares at RMB1.00 per share for a total cash proceed of RMB825 million, representing 22.39% of the ownership of Dingdang Medicine Express Technology on a fully diluted basis.

The key terms of Series B+ shares with preferred rights and modification of Series A, A+ and B shares with preferred rights are set as below:

##### **(a) Liquidation preference**

In the event of any liquidation, dissolution, bankruptcy, winding up or sale of Dingdang Medicine Express Technology, all assets and funds of Dingdang Medicine Express Technology legally available for distribution to the shareholders (after satisfaction of all creditors' claims and claims that may be preferred by applicable laws) shall be distributed to the shareholders of Dingdang Medicine Express Technology as follows:

- Investors of Series B+ shares with preferred rights;
- Investors of Series B shares with preferred rights;
- Investors of Series A+ shares with preferred rights;
- Investors of Series A shares with preferred rights;
- Other shareholders of Dingdang Medicine Express Technology except investors of Series A, A+, B and B+ shares with preferred rights;

##### **(b) Redemption rights**

The Series A+, Series B and Series B+ shares with preferred rights shall be redeemable at the option to purchase all or part of Dingdang Medicine Express Technology's equity held by the Series A+ and Series B investors as provided below:

- If an IPO has not been consummated on the Stock Exchange market before March 31, 2024 after the date of signed Series B+ share subscription agreement or after the Company submitted its listing application materials, it has been rejected or voluntarily withdrawn due to the existence of horizontal competition with Renhe (Group) and cannot eliminate such obstacles through rectification;
- There is a material breach of any of the transaction documents or material violation of applicable laws by any companies comprising in Dingdang Medicine Express Technology and the Controlling Shareholder or violation has caused a material adverse effect to the Group or the investors;
- Other serious breaches of the contract occurred, and failed to correct after 30 days from the date of written notice of any series B+ investor's requesting;

The redemption price for Series A+, Series B and Series B+ shares with preferred rights shall be the amount of paid in capital held multiply by Series A+, Series B and Series B+ subscription price respectively, plus 8% simple annual interest of the issue price commencing from the issue date minus all the distributed dividends per share with preferred rights then held by such shareholder.

Series B+ investors are also entitled to the preemptive rights, dividend rights, rights of co-sale, rights of first refusal and anti-dilution rights as Series A, A+ and B investors.

As the Series B+ shares with preferred rights are contingently redeemable by the holders under certain events and the share numbers are variable due to the potential adjustments aforementioned under certain circumstances which are not purely "anti-dilutive" in nature. The Series B+ shares with preferred rights are initially recognized at fair value. The Group designates the entire Series B+ shares with preferred rights as financial liabilities at FVTPL with fair value change recognized in "fair value changes of financial liabilities at FVTPL" in profit or loss.

For the modification of Series A, A+ and B shares with preferred rights contractual terms, the revised terms not result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. Series A, A+ and B shares with preferred rights are still recognized as financial liabilities at FVTPL with fair value change recognized in "fair value changes of financial liabilities at FVTPL" in profit or loss. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

### Preferred Shares issued by the Company

In May 2021, as part of Reorganization, the Company entered into a share subscription agreement with independent investors of Series A, Series A+, Series B and Series B+ to issue certain number of preferred shares of the Company to these investors to reflect their rights obligations and shareholding in Dingdang Medicine Express Technology. The directors of the Company measured the fair value of the derecognised Series A, Series A+, Series B and Series B+ shares with preferred rights in Dingdang Medicine Express Technology and that of the newly issued preferred shares, assisted by an independent qualified professional valuer and determined that there was no significant differences. On the same day, the Company issued 182,374,160 Series C preferred shares with par value of USD0.0001 per share for a total cash proceeds of RMB1,404 million, representing 13.94% ownership of the Company.

Upon the completion of Reorganization, the key terms of Preferred Shares are set as below:

(a) *Preemptive rights*

When the Company increases capital/issuance of new shares, it should first notify the Preferred Shares investor in writing of the proposed conditions, commercial terms and related terms of the capital increase/new share issuance, including but not limited to the number of capital increase/issuance of new shares, pricing standards, estimated completion time, etc., the Preferred Shares investor shall have the same priority to subscribe for capital increase/subscribe for newly issued shares based on its shareholding ratio under the same terms and conditions as the existing shareholders.

(b) *Right of first refusal*

When the Company's existing shareholders intend to sell, transfer or otherwise dispose of all or part of the Company's equity held by them, the proposed conditions for the transfer or disposal should be the first to notify in writing to the Preferred Shares investor, including but not limited to the number of transfers and disposals of equity, pricing standards, proposed transferees and estimated completion time, and other information. The Preferred Shares investor shall have the same preemptive right to purchase the equity to be transferred based on its shareholding ratio under the same terms and conditions as other existing shareholders.

(c) *Dividend rights*

The board of directors may from time to time declare dividends and distributions on shares of the Company outstanding and authorize payment of the same out of the funds of the Company lawfully available therefore. When the Company's board of directors decides to distribute dividends, it shall not distribute dividends or bonuses to other shareholders until the Preferred Shares investor has fully received the dividends.

(d) *Rights of co-sale*

When the Controlling Shareholder intends to sell, transfer or otherwise dispose of all or part of the Company's equity held by him, a notice of transfer with proposed conditions, commercial terms and any related terms should be provided to the Preferred Shares investor. The Preferred Shares investor have the right to transfer the equity based on the shareholding ratio on the same terms and conditions in the transfer notice.

(e) *Liquidation preference*

In the event of any liquidation, dissolution, bankruptcy, winding up or sale of the Company all assets and funds of the Company legally available for distribution to the shareholders (after satisfaction of all creditors' claims and claims that may be preferred by applicable laws) shall be distributed to the shareholders of the Company as follows:

- Investors of Series C preferred shares;
- Investors of Series B+ preferred shares;
- Investors of Series B preferred shares;
- Investors of Series A and A+ preferred shares;
- Other shareholders of the Company except investors of Preferred Shares;

(f) *Redemption rights*

The Preferred Shares shall be redeemable at the option to purchase all or part of the Company's equity held by the Preferred Shares investors as provided below:

- If an IPO has not been consummated on the Stock Exchange market before March 31, 2024; it has been rejected or voluntarily withdrawn due to the existence of horizontal competition with Renhe (Group) and cannot eliminate such obstacles through rectification;
- Any holder of the Preferred Shares has exercised its redemption rights pursuant;
- There is a material breach of any of the transaction documents or material violation of applicable laws by any companies comprising in the Company's and the Controlling Shareholder or violation has caused a material adverse effect to the Group or the investors;
- Other serious breaches of the contract occurred, and failed to correct after 30 days from the date of written notice of any investor's requesting;

The redemption price of Series A, Series A+, Series B and Series B+ preferred shares shall be the greater of (i) (A) one hundred percent (100%) of issue price of each round plus (B) eight percent (8%) simple annual interest of the corresponding issue price commencing from issue date minus (C) all the distributed dividends with respect to per series preferred share then held by such preferred share shareholders and (ii) the net asset value in respect of such series preferred share based on the latest audited financial statements of the Company.

The redemption price of Series C preferred shares shall be the greater of (i) the sum of (A) one hundred percent (100%) of the Series C issue price, (B) eight percent (8%) compound annual interest of the Series C issue price commencing from Series C issue date and (C) all dividends declared and unpaid with respect to per Series C preferred share then held by such Series C shareholder and (ii) the net asset value in respect of such Series C preferred share based on the latest audited financial statements of the Company.

(g) *Conversion Rights*

Each Preferred Share shall be convertible, at the option of the holder thereof, into such number of fully paid and non-assessable ordinary shares as determined by dividing the relevant deemed issue price by the then-effective relevant conversion price. The conversion price for the Preferred Shares shall initially be equal to issue price of each round of preferred shares, resulting in an initial conversion ratio of 1:1, and shall be subject to adjustment and readjustment from time to time as hereinafter provided.

Each Preferred Share shall automatically be converted, based on the then-effective conversion price for such Preferred Share, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the earlier of (i) the closing of an IPO, or (ii) with respect to any class of shares, the written notice signed by the holders representing more than 50% of the voting power of the outstanding shares of such class, voting as a separate class and calculated on an as-converted basis. If the Company shall at any time, or from time to time, effect a subdivision of the outstanding ordinary shares, the conversion price then in effect immediately prior to such subdivision with respect to each preferred share shall be proportionately decreased. Conversely, if the Company shall at any time, or from time to time, combine the outstanding ordinary shares into a smaller number of shares, the conversion price then in effect immediately prior to such combination with respect to each preferred share shall be proportionately increased. Any adjustment shall become effective at the close of business on the date the subdivision or combination becomes effective.

Dingdang Medicine Express Technology derecognized financial liabilities at FVTPL of Series A, A+, B, B+ shares with preferred rights due to the Capital Reduction and the Company designated the Preferred Shares as financial liabilities at FVTPL as they are contingently redeemable by the holders of these Preferred Shares under certain events out of control of the Company and will be settled other than by the exchange of a fixed amount of cash for a fixed number of the Company's shares.

**Presentation and Classification**

The shares with preferred rights and Preferred Shares were valued by the directors of Dingdang Medicine Express Technology and the Company with reference to valuation carried out by independent qualified professional valuer, ValueLink Management Consultants Limited. Dingdang Medicine Express Technology and the Company used the discounted cash flow method as of December 31, 2019, 2020, 2021 and March 31, 2022 and back-solve method as of December 31, 2018 to determine the underlying share value of Dingdang Medicine Express Technology and the Company and performed an equity allocation based on option pricing model to arrive the fair value of the shares with preferred rights and Preferred Shares as of the dates of issuance and at the end of each Track Record period.

Back-solve method is used by the directors when there is a new round of third party financing activity happens just around the valuation date. Series B shares with preferred rights was issued in January 2019, with reference of whose issue price the directors determined the underlying share value as of December 31, 2018.

The directors consider the discounted cash flow method is more relevant and appropriate for December 31, 2019, 2020, 2021 and March 31, 2022 valuation, considering there was no third party financing activity near such valuation date.

Key valuation assumptions are set out as below:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Risk-free interest rate . . . . .	2.95%	2.81%	2.93%	0.79%	2.28%
Expected volatility value . . . . .	42.48%	43.91%	43.03%	45.26%	43.70%
Discount rate . . . . .	N/A	20.00%	17.00%	15.00%	15.00%
DLOM under liquidation scenario . . . . .	20.00%	19.00%	17.00%	15.00%	13.50%
DLOM under redemption scenario . . . . .	20.00%	19.00%	17.00%	15.00%	13.50%
DLOM under listing scenario . . . . .	20.00%	19.00%	17.00%	7.50%	6.00%
Possibilities under liquidation scenario . . . . .	35.00%	35.00%	27.50%	15.00%	15.00%
Possibilities under redemption scenario . . . . .	35.00%	35.00%	27.50%	15.00%	15.00%
Possibilities under listing scenario . . . . .	30.00%	30.00%	45.00%	70.00%	70.00%

Movement of financial liabilities at FVTPL during the Track Record Period is set out in Note 34.4.

The directors of the Company estimated the risk free interest rate based on the yield of the Chinese treasury bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates as at December 31, 2018, 2019 and 2020, and American treasury bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates as at December 31, 2021 and March 31, 2022. Volatility 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 liquidation dates. Discount rate was estimated by weighted average cost of capital as of each valuation date. The DLOM was estimated based on the option-pricing method.

**The Company**

The determination of the fair value for the Preferred Shares is set out in Note 25 "The Group".

Fair value for each series at the end of each Track Record Period are as follows:

	As of December 31,	As of March 31,
	2021	2022
	RMB'000	RMB'000
<b>Non-current liabilities</b>		
Series A . . . . .	386,953	415,036
Series A+ . . . . .	386,953	415,036
Series B . . . . .	956,860	1,022,664
Series B+ . . . . .	1,503,977	1,597,838
Series C . . . . .	1,416,207	1,480,991
Total . . . . .	4,650,950	4,931,565

**26. DEFERRED TAX LIABILITIES**

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

	Revaluation in acquisitions
	RMB'000
At January 1, 2018	–
Recognized in acquisitions (Note 31)	1,181
Credit to profit or loss	(105)
At December 31, 2018	1,076
Recognized in acquisitions (Note 31)	10,219
Credit to profit or loss	(1,176)
At December 31, 2019	10,119
Recognized in acquisitions (Note 31)	40,253
Credit to profit or loss	(1,307)
At December 31, 2020	49,065
Credit to profit or loss	(7,484)
At December 31, 2021	41,581
Credit to profit or loss	(1,871)
At March 31, 2022	39,710

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the Group had unused tax losses of RMB108,544,000, RMB211,197,000, RMB383,659,000, RMB634,775,000 and RMB683,289,000, respectively, available for offset against future profits. Due to the unpredictability of future profit streams, no deferred tax asset had been recognized for these unused tax losses. The tax losses with expiry dates as disclosed in the following table.

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2019	328	–	–	–	–
2020	193	988	–	–	–
2021	3,270	7,955	4,689	–	–
2022	7,140	12,981	12,290	12,290	7,560
2023	15,749	43,514	45,877	45,832	37,361
2024	1,005	53,794	74,913	74,347	74,347
2025	47,305	47,305	154,376	154,015	154,015
2026	33,554	33,554	33,554	251,265	251,265
2027	–	–	–	–	57,393
2028	–	–	–	–	–
2029	–	11,106	11,106	11,106	11,106
2030	–	–	46,854	46,854	46,854
2031	–	–	–	39,066	39,066
2032	–	–	–	–	4,322
	<u>108,544</u>	<u>211,197</u>	<u>383,659</u>	<u>634,775</u>	<u>683,289</u>

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the Group had deductible temporary differences of RMB65,509,000, RMB132,546,000, RMB227,244,000, RMB633,336,000 and RMB699,164,000, respectively, from certain PRC entities. No deferred tax assets have been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

**27. PAID-IN CAPITAL/SHARE CAPITAL****The Group**

For the purpose of this report, the paid-in capital/share capital of the Group represented the paid-in capital of Dingdang Medicine Express Technology and the share capital of the Company as of December 31, 2018, 2019 and 2020 as if the Reorganization had been completed before the Track Record Period. The share capital of the Group as of December 31, 2021 and March 31, 2022 represented the share capital of the Company as the Reorganization was completed in May 2021.

**The Company**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 20, 2014. The initial authorized share capital of the Company was United States Dollar (the "USD") 50,000 divided into 500,000,000 shares with a par value of USD0.0001. Upon incorporation, one subscriber share was issued and allotted to the initial subscriber, Sertus Nominees (Cayman) Limited, who subsequently transferred such share to Alliance Flow Limited on the same date. The Company also allotted one share to Golden Mission Group Limited on the same date. On November 12, 2014, the shares held by Alliance Flow Limited and Golden Mission Group Limited were transferred to Delight Faith Limited and Go Far Limited, respectively. On April 30, 2015, the Company issued 127,499,999 shares to each of Delight Faith Limited and Go Far Limited.

On December 31, 2020, the 127,500,000 shares held by Delight Faith Limited and Go Far Limited were transferred to Delight Health Limited and Future Health Limited, respectively.

	Number of ordinary shares	Nominal value of ordinary shares USD
Authorized		
As of January 1, 2018, December 31, 2018, 2019 and 2020 of USD0.0001 each . . . . .	500,000,000	50,000
Subdivision (Note i) . . . . .	4,500,000,000	–
Consolidation (Note iii) . . . . .	(4,500,000,000)	–
Creation of additional ordinary shares of USD0.0001 each (Note iii) . . . . .	4,500,000,000	450,000
As of December 31, 2021 and March 31, 2022 of USD0.0001 each . . . . .	<u>5,000,000,000</u>	<u>500,000</u>
	Number of ordinary shares	Paid in capital USD
Issued and fully paid		
As of January 1, 2018, December 31, 2018, 2019 and 2020 of USD0.0001 each . . . . .	255,000,000	25,500
Subdivision (Note i) . . . . .	2,295,000,000	–
Surrender of USD0.00001 each (Note ii) . . . . .	(2,137,943,330)	(21,379)
Issue ordinary shares of USD0.00001 each (Note ii) . . . . .	11,710,000	117
Consolidation (Note iii) . . . . .	(381,390,003)	–
Issue ordinary shares of USD0.0001 each (Note iv) . . . . .	457,623,333	45,762
Issue ordinary shares of USD0.0001 each (Note v) . . . . .	130,793,590	13,079
As of December 31, 2021 of and March 31, 2022 USD0.0001 each . . . . .	<u>630,793,590</u>	<u>63,079</u>

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Presented as . . . . .	<u>156</u>	<u>156</u>	<u>156</u>	<u>403</u>	<u>403</u>

*Notes:*

- i. On April 20, 2021, the Company conducted a share subdivision and the authorized ordinary shares were subdivided from USD50,000 consisting of 500,000,000 ordinary shares of a par value of USD0.0001 each to USD50,000 consisting of 5,000,000,000 ordinary shares of a par value of USD0.00001 each. Thus the issued and fully paid shares increased by 2,295,000,000 ordinary shares from USD25,500 consisting of 255,000,000 ordinary shares of a par value of USD0.0001 each to USD25,500 consisting of 2,550,000,000 ordinary shares of a par value of USD0.00001 each.
- ii. On April 28, 2021, Delight Health Limited and Future Health Limited irrevocably surrendered to the Company for cancellation of total 2,137,943,330 ordinary shares of USD0.00001 par value each for nil consideration. The issued share capital of the Company diminished by USD21,379.4333 (equivalent to RMB131,000). The Company also issued 11,710,000 ordinary shares to Excel Returns Group Limited (致盈集團有限公司) on the same day.
- iii. On May 12, 2021, every ten ordinary shares with a par value of USD0.00001 each in the Company's issued and unissued ordinary shares were consolidated into one ordinary share with par value of USD0.0001 each. Immediately following the share consolidation, the authorized share capital of the Company was consolidated from USD50,000 consisting of 5,000,000,000 ordinary shares with a par value of USD0.00001 each to USD50,000 consisting of 500,000,000 ordinary shares with a par value of USD0.0001 each. The issued and fully paid ordinary shares of the Company decreased by 381,390,003 ordinary shares from 423,766,670 ordinary shares with a par value of USD0.00001 each to 42,376,667 ordinary shares with a par value of USD0.0001 each.

On the same day, the authorized share capital of the Company increased from USD50,000 divided into 500,000,000 ordinary shares with a par value of USD0.0001 each, by the creation of additional 4,500,000,000 ordinary shares with a par value of USD0.0001 each, to USD500,000 divided into 5,000,000,000 ordinary shares with a par value of USD0.0001 each.

- iv. During May 2021, the Company issued 457,623,333 ordinary shares with a par value of USD0.0001 to Excel Returns Group Limited, Go Prosper Enterprises Corporation (致盛企業有限公司), Much Premium Investment Limited (創基投資有限公司), Delight Health Limited and Future Health Limited, resulting in a total of 500,000,000 issued and fully paid ordinary shares with a par value of USD0.0001 each in total.
- v. On May 31, 2021, pursuant to a Founder Incentive Scheme, as defined in Note 29, 130,793,590 ordinary shares of USD0.0001 each were issued to the Controlling Shareholder.

## 28. RESERVES

### The Company

	Share-based payments reserves	Other reserves	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2018, December 31, 2018 and December 31, 2019 . . .	–	–	–
Share-based payments expenses . . . . .	3,574	–	3,574
At December 31, 2020 . . . . .	3,574	–	3,574
Share-based payments expenses . . . . .	323,911	–	323,911
Capital reduction by shareholders of the Company . . . . .	–	131	131
At December 31, 2021 . . . . .	327,485	131	327,616
Share-based payments expenses . . . . .	69,419	–	69,419
At March 31, 2022 . . . . .	396,904	131	397,035

## 29. SHARE-BASED PAYMENTS

During the Track Record Period, the employees were granted share options and RSUs under the Share Incentive Plan. Accordingly, the Group accounted for such plans by measuring the services received from the grantees in accordance with the requirement applicable to equity-settled share-based payment transactions. No expense will be recognized unless and until the IPO is probable.

The table below sets forth share-based payments expenses for share options and RSUs during the Track Record Period:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Share options . . . . .	–	–	2,059	8,211	1,209	710
RSUs . . . . .	–	–	11,005	315,700	1,944	68,709
	–	–	13,064	323,911	3,153	69,419

### (a) Details of the employee share option scheme of the Company

The employee share option scheme of the Company was pursuant to a resolution passed in May 2020 for the primary purpose of providing incentives to eligible employees. A total number of 11,710,000 shares under the share option scheme were classified into two categories with different lockup period, including 3,840,000 shares which were granted to common grantees, and the remaining shares were granted to special grantees. The total share options granted to common grantees will be vested by 30%, 30% and 40% in sequence over three years after listing date of the Company. The share options granted to special grantees will be vested by 40% and 60% over two years after listing date of the Company. Both categories of grantees should satisfy the performance appraisal.

Details of the employees' share option is as follow:

Date of grant	Number of ordinary shares	Exercise price
		RMB
As of May 30, 2020 . . . . .	11,710,000	0.1

The following tables disclose the details of share options held by existing employees of the Company and movements in such holdings:

	Number of share options	Weighted average exercise price	Weighted average remaining term
		RMB	Year
Outstanding as of January 1, 2018, December 31, 2018 and 2019 . . . . .	–	–	
Granted . . . . .	11,710,000	0.1	
Outstanding as of December 31, 2020 . . . . .	11,710,000	0.1	9.42
Forfeited . . . . .	(230,000)	0.1	
Outstanding as of December 31, 2021 . . . . .	11,480,000	0.1	8.42
Forfeited . . . . .	(90,000)	0.1	
Outstanding as of March 31, 2022 . . . . .	11,390,000	0.1	8.17

There were no exercisable share options during the Track Record Period.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 2.73% of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share-based payments reserve.

**(b) Fair value of share options granted**

The valuation of the share option were conducted by the management with reference to valuation carried out by independent qualified professional valuer, ValueLink Management Consultants Limited, who has appropriate qualifications and experiences in valuation of similar instruments. Options were priced using a binomial option pricing model. The main inputs used in the model include fair value of the Company's share as of the grant date, exercise price, expected volatility, expected life and risk-free interest rate. The inputs used in the model are as follows:

	Share options to common grantees	Share options to special grantees
Grant date . . . . .	30/05/2020	30/05/2020
Exercise price . . . . .	RMB0.1	RMB0.1
Expected life (years) . . . . .	10	10
Expected volatility . . . . .	52.82%	52.82%
Risk-free interest . . . . .	2.71%	2.71%
Fair value as of grant date (per share) . . . . .	RMB2.0663	RMB2.0653

A share-based compensation expenses of RMB2,059,000, RMB8,211,000, RMB1,209,000 (unaudited) and RMB710,000 for share options has been recognized in profit or loss for the year ended December 31, 2020 and 2021 and three months ended March 31, 2021 and 2022, respectively.

**(c) Details of the RSUs**

A RSUs plan of Dingdang Medicine Express Technology (the "2016 RSUs Plan") was adopted pursuant to a resolution passed on September 13, 2016 for the primary purpose of providing incentives to eligible employees and directors, in which Dingdang Medicine Express Technology granted 85,333,330 RSUs to 26 employees and directors.

The time-based condition for the common grantees is that no more than 30%, 30% and 40% in sequence of vested shares can be disposed of in each of the three years after listing date. The time-based condition for the special grantees is that no vested shares can be disposed within six month after listing date. After six months, vested shares cannot be disposed without the authorization of the Company. The fair value of each RSUs under 2016 RSUs Plan for common grantees and special grantees were RMB0.5012 and RMB0.5100, respectively, on September 13, 2016.

On May 30, 2020, a supplementary agreement (the "2020 RSUs Plan") was adopted by the Company. Considering the RSUs under both plans have been granted to same participants with same quantity, the fair value of the RSUs granted under 2016 RSUs Plan is broadly consistent with the fair value of the RSUs granted under 2020 RSUs Plan on May 30, 2020. The fair value of each RSUs granted under both plans were RMB2.3027 and RMB2.0334, respectively, on May 30, 2020. Accordingly, the 2016 RSUs Plan, was replaced as a result of the adoption of the 2020 RSUs Plan. The remaining employed 17 employees became the shareholders of the Company through Go Prosper Enterprises Corporation and Much Premium Investment Limited instead. The replacement of the plans has no effect on the vesting conditions of the grantees.

On May 31, 2021, an incentive shares plan (the "Founder Incentive Scheme") was approved by the shareholders of the Company. Pursuant to the Founder Incentive Scheme, 130,793,590 ordinary shares, representing the then 10% of the total issued shares of the Company, were issued to the Controlling Shareholder. The purpose of the Founder Incentive Scheme was to recognize and reward the contribution of the Controlling Shareholder to the growth and development of the Group.



20% of the founder incentive shares will be released of upon the expiration of the lock-up period applicable to the founder after a qualified IPO of the Company. The time-based condition for the Controlling Shareholder is that 10%, 10%, 10% and 10% in sequence of vested shares can be disposed of in each of the first four anniversaries of the grant date. The performance-based condition for the Controlling Shareholder is that 10%, 10%, 10% and 10% in sequence of vested shares can be disposed of over four years upon satisfaction of certain performance conditions of the Group on the performance testing date, which is the date the board of the Company approves the final audited financial statements. The fair value of the RSU under Founder Incentive Scheme was RMB5.3197 per share on May 31, 2021.

A summary of the RSUs' movement is as follows:

	Number of RSUs for common grantees	Number of RSUs for special grantees	Number of RSUs for the Controlling Shareholder		Weighted- average grant date fair value
				Total	
				RMB	RMB
<b>Unvested as of January 1, 2018</b> (Note i) . . . . .	58,150,000	21,833,330	–	79,983,330	0.50
Canceled upon resignation (Note ii) . . . . .	(200,000)	–	–	(200,000)	0.50
<b>Unvested as of December 31, 2018</b> . . . . .	57,950,000	21,833,330	–	79,783,330	0.50
Canceled upon resignation (Note iii) . . . . .	(200,000)	–	–	(200,000)	0.50
<b>Unvested as of December 31, 2019</b> . . . . .	57,750,000	21,833,330	–	79,583,330	0.50
Canceled upon resignation (Note iv) . . . . .	(3,350,000)	–	–	(3,350,000)	0.50
<b>Unvested as of December 31, 2020</b> . . . . .	54,400,000	21,833,330	–	76,233,330	0.50
Grant . . . . .	–	–	130,793,590	130,793,590	5.32
<b>Unvested as of December 31, 2021 and March 31, 2022</b> . . . . .	<u>54,400,000</u>	<u>21,833,330</u>	<u>130,793,590</u>	<u>207,026,920</u>	3.55

*Notes:*

- i. From September 13, 2016 to January 1, 2018, 5,350,000 RSUs cancelled as a result of 3 grantees resigned. The remaining quantity of RSUs is 79,983,330 at January 1, 2018;
- ii. In 2018, 200,000 RSUs cancelled as a result of 1 grantee resigned;
- iii. In 2019, 200,000 RSUs cancelled as a result of 1 grantee resigned;
- iv. In 2020, 3,350,000 RSUs cancelled as a result of 4 grantees resigned.

Movement of the RSUs for directors, which has been included in common grantees and the Controlling Shareholder as shown above, is as follows:

	Number of RSUs for directors	Weighted-average grant date fair value
		RMB
Unvested as of January 1, 2018, December 31, 2018, 2019 and 2020 . . . . .	23,000,000	0.50
Grant . . . . .	130,793,590	5.32
Unvested as of December 31, 2021 and March 31, 2022 . . . . .	<u>153,793,590</u>	4.60

The valuation of the RSUs were conducted by the management with reference to valuation reports carried out by independent qualified professional valuer, ValueLink Management Consultants Limited, who has appropriate qualifications and experiences in valuation of similar instruments. RSUs for grantees were priced using the value of the ordinary share of Dingdang Medicine Express Technology which determined by the discounted cash flow method with a DLOM and RSUs for the Controlling Shareholder were priced using the value of ordinary share of the Company which determined by the back-solve method with a DLOM. The key inputs used to evaluate the fair value of RSUs on the grant date are as follows:

	RSUs for common grantees	RSUs for special grantees	RSUs for the Controlling Shareholder
Discount rate . . . . .	23%	23%	N/A
DLOM . . . . .	<u>28%-30%</u>	<u>28%</u>	<u>10.5%-20.5%</u>

A share-based compensation expenses of RMB11,005,000, RMB315,700,000, RMB1,944,000 (unaudited) and RMB68,709,000 for RSUs have been recognized in profit or loss for the year ended December 31, 2020 and 2021 and three months ended March 31, 2021 and 2022, respectively.

**30. DIVIDENDS**

In 2019, a final dividend to the non-controlling interests of RMB4,778,000 was declared and paid for the year ended December 31, 2018 by a subsidiary of the Company.

In 2020, a final dividend to the non-controlling interests of RMB7,585,000 was declared and among which RMB6,330,000 was paid for the year ended December 31, 2019 by certain subsidiaries of the Company. Subsequently, the rest dividend of RMB1,255,000 was paid in 2021.

In 2021, a final dividend to the non-controlling interests of RMB10,102,000 was declared for the year ended December 31, 2020 by certain subsidiaries of the Company.

The rate of dividend and the number of shares, ranking for the dividend are not presented as such information is not meaningful having regards for the purpose of this report.

Other than the above, no dividend was paid or declared by the Company and other companies comprising the Group during the Track Record Period.

**31. ACQUISITION OF SUBSIDIARIES**

During the Track Record Period, the Group acquired several companies' interest in cash, which were principally engaged in pharmacy operating and were acquired with the objective of improving the Group's distribution in pharmaceutical products. The acquisition have been accounted for as acquisition of business using the acquisition method.

Acquisition-related costs have been excluded from the consideration transferred and have been recognized as an expense during the Track Record Period, within the "General and administrative expenses" line item in the consolidated statements of profit or loss and other comprehensive income.

**During the year ended December 31, 2018**

The Group acquired 100% equity interest of Beijing Smart Pharmacy and Shanghai Smart Pharmacy on January 1, 2018, Jiangxi Zhongda Pharmacy Co., Ltd.\* (江西中達藥業有限公司) ("Jiangxi Zhongda") on January 31, 2018 and Beijing Dingdang Wisdom Juntai Pharmacy Co., Ltd.\* (北京叮嚀智慧君泰大藥房有限公司) ("Juntai Pharmacy") on March 31, 2018 from independent third parties. The assets acquired and liabilities recognized at the dates of acquisitions are as follows, representing in aggregate as such four subsidiaries are not treated as individually material.

**Consideration transferred:**

	<b>RMB'000</b>
Cash . . . . .	24,510

**Assets acquired and liabilities recognized at the dates of acquisitions**

	<b>RMB'000</b>
<b>Assets:</b>	
Other intangible assets . . . . .	2,422
Property and equipment . . . . .	29,378
Right-of-use assets . . . . .	60,905
Inventories . . . . .	22,384
Trade and other receivables and prepayments . . . . .	8,548
Financial assets at FVTPL . . . . .	8,432
Cash and cash equivalents . . . . .	3,746
<b>Liabilities:</b>	
Trade and other payables . . . . .	(69,781)
Contract liabilities . . . . .	(1,889)
Lease liabilities . . . . .	(56,369)
Deferred tax liabilities . . . . .	(1,181)
Net assets . . . . .	6,595

\* English names are for identification purpose only.

The trade receivables acquired with a fair value of RMB3,493,000 at the dates of acquisitions had gross contractual amounts of RMB3,493,000. The best estimate at acquisition dates of the contractual cash flows not expected to be collected amounted to nil.

**Goodwill arising on acquisitions**

	RMB'000
Consideration transferred . . . . .	24,510
Less: recognized amounts of net assets acquired . . . . .	6,595
	17,915
Goodwill arising on acquisitions . . . . .	18,223
Bargain purchase gains arising on acquisitions . . . . .	(308)
	17,915

Goodwill arose on the acquisitions of these subsidiaries because the acquisitions included the advantage in location of retail pharmacies and potential customer relationship. Such benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

**Net cash outflow on acquisitions of these subsidiaries**

	RMB'000
Cash consideration paid . . . . .	24,510
Less: cash and cash equivalents balances acquired . . . . .	3,746
	20,764

**During the year ended December 31, 2019**

The Group acquired 100% equity interest of Guangdong Smart Pharmacy on January 31, 2019, Dingdang Smart Pharmacy (Guangzhou) Co., Ltd.\* (叮嚀智慧藥房(廣州)有限公司) ("Guangzhou Smart Pharmacy") on February 28, 2019, Chengdu Dingdang Smart Pharmacy Chain Co., Ltd.\* (成都叮嚀智慧藥房連鎖有限公司) ("Chengdu Smart Pharmacy") on February 28, 2019, and Honghuanglv Trading (Foshan) Co., Ltd.\* (紅皇綠商貿(佛山)有限公司, formerly known as 叮嚀智慧藥房(佛山)有限公司 and 佛山市南海區福慈藥業有限公司) on July 31, 2019, 85% equity interest of Dingdang Smart Pharmacy (Tianjin) Co., Ltd.\* (叮嚀智慧藥房(天津)有限公司) ("Tianjin Smart Pharmacy") on January 31, 2019 and Dingdang Smart Pharmacy (Hangzhou) Co., Ltd.\* (叮嚀智慧藥房(杭州)有限公司) ("Hangzhou Smart Pharmacy") on September 30, 2019 from independent third parties. The assets acquired and liabilities recognized at the dates of acquisitions are as follows, representing in aggregate as such six subsidiaries are not treated as individually material.

**Consideration transferred:**

	RMB'000
Cash . . . . .	18,809

**Assets acquired and liabilities recognized at the dates of acquisitions**

	RMB'000
<b>Assets:</b>	
Other intangible assets . . . . .	41,001
Property and equipment . . . . .	13,546
Right-of-use assets . . . . .	25,596
Inventories . . . . .	21,383
Trade and other receivables and prepayments . . . . .	13,564
Financial assets at FVTPL . . . . .	5,579
Cash and cash equivalents . . . . .	5,640
<b>Liabilities:</b>	
Trade and other payables . . . . .	(140,289)
Contract liabilities . . . . .	(71)
Lease liabilities . . . . .	(23,354)
Deferred tax liabilities . . . . .	(10,219)
Net liabilities . . . . .	(47,624)

\* English names are for identification purpose only.

The trade receivables acquired with a fair value of RMB4,479,000 at the dates of acquisitions had gross contractual amounts of RMB4,479,000. The best estimate at acquisition dates of the contractual cash flows not expected to be collected amounted to nil.

#### Non-controlling interests

The non-controlling interests (15% in Tianjin Smart Pharmacy and 15% in Hangzhou Smart Pharmacy) recognized at the acquisition dates were measured by reference to the proportionate share of recognized amounts of net liabilities and amounted to RMB518,000.

#### Goodwill arising on acquisitions:

	RMB'000
Consideration transferred . . . . .	18,809
Plus: non-controlling interests . . . . .	(518)
Less: recognized amounts of net liabilities acquired . . . . .	(47,624)
Goodwill arising on acquisitions . . . . .	<u>65,915</u>

Goodwill arose on the acquisitions of these subsidiaries because the acquisitions included the advantage in location of retail pharmacies and some potential customer relationship. Such benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

#### Net cash outflow on acquisitions of subsidiaries

	RMB'000
Cash consideration paid . . . . .	18,809
Less: cash and cash equivalents balances acquired . . . . .	5,640
	<u>13,169</u>

#### During the year ended December 31, 2020

- (a) The Group acquired 52% equity interest of Renhe Yaofangwang in December 2020 from Renhe Pharmacy Co., Ltd.\* (仁和藥業股份有限公司), a related company significantly influenced by the Controlling Shareholder and an independent third party. The assets acquired and liabilities recognized at the date of acquisition are as follows.

#### Consideration transferred:

	RMB'000
Cash . . . . .	<u>218,192</u>

#### Assets acquired and liabilities recognized at the date of acquisition

	RMB'000
<b>Assets:</b>	
Other intangible assets . . . . .	184,981
Property and equipment . . . . .	2,185
Right-of-use assets . . . . .	15,759
Inventories . . . . .	35,627
Trade and other receivables and prepayments . . . . .	21,695
Financial assets at FVTPL . . . . .	1,230
Cash and cash equivalents . . . . .	19,699
<b>Liabilities:</b>	
Trade and other payables . . . . .	(121,439)
Contract liabilities . . . . .	(10,541)
Lease liabilities . . . . .	(13,602)
Deferred tax liabilities . . . . .	(39,450)
Net assets . . . . .	<u>96,144</u>

\* English names are for identification purpose only.

The trade receivables acquired with a fair value of RMB12,188,000 at the date of acquisition had gross contractual amounts of RMB12,188,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

**Non-controlling interests**

The non-controlling interests of 48% in Renhe Yaofangwang recognized at the acquisition date were measured by reference to the proportionate share of recognized amounts of net assets and amounted to RMB46,930,000.

**Goodwill arising on acquisition:**

	RMB'000
Consideration transferred . . . . .	218,192
Plus: non-controlling interests of Renhe Yaofangwang . . . . .	46,930
Plus: non-controlling interests of a subsidiary of Renhe Yaofangwang . . . . .	(1,627)
Less: recognized amounts of net assets acquired . . . . .	96,144
Goodwill arising on acquisition . . . . .	<u>167,351</u>

Goodwill arose on the acquisition of the subsidiary because the acquisition included the advantage in location of retail pharmacies and some potential customer relationship. Such benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

**Net cash outflow on acquisition of the subsidiary**

	RMB'000
Cash consideration paid . . . . .	218,192
Less: cash and cash equivalents balances acquired . . . . .	19,699
	<u>198,493</u>

- (b) The Group acquired 70% equity interest of Dingdang Youpin on October 1, 2020, 60% equity interest of Dingdang Good Mood on November 1, 2020 and 70% equity interest of Henan Dingdang Smart Pharmacy Co., Ltd.\* (河南叮咛智慧药房有限公司) (“Henan Smart Pharmacy”) on November 30, 2020 from independent third parties. The assets acquired and liabilities recognized at the dates of acquisitions are as follows, representing in aggregate as such three subsidiaries are not treated as individually material.

**Consideration transferred:**

	RMB'000
Cash . . . . .	<u>6,930</u>

**Assets acquired and liabilities recognized at the dates of acquisitions**

	RMB'000
<b>Assets:</b>	
Other intangible assets . . . . .	3,212
Property and equipment . . . . .	275
Right-of-use assets . . . . .	4,496
Inventories . . . . .	4,314
Trade and other receivables and prepayments . . . . .	2,659
Financial assets at FVTPL . . . . .	995
Cash and cash equivalents . . . . .	1,148
<b>Liabilities:</b>	
Trade and other payables . . . . .	(10,348)
Contract liabilities . . . . .	(33)
Lease liabilities . . . . .	(4,130)
Deferred tax liabilities . . . . .	(803)
Net assets . . . . .	<u>1,785</u>

\* English names are for identification purpose only.

The trade receivables acquired with a fair value of RMB162,000 at the dates of acquisitions had gross contractual amounts of RMB162,000. The best estimate at acquisition dates of the contractual cash flows not expected to be collected amounted to nil.

***Non-controlling interests***

The non-controlling interests (40% in Dingdang Good Mood, 30% in Dingdang Youpin and Henan Smart Pharmacy) recognized at the acquisition dates were measured by reference to the proportionate share of recognized amounts of net assets and amounted to RMB1,264,000.

***Goodwill arising on acquisitions:***

	RMB'000
Consideration transferred . . . . .	6,930
Plus: non-controlling interests . . . . .	1,264
Less: recognized amounts of net assets acquired . . . . .	1,785
Goodwill arising on acquisitions . . . . .	<u>6,409</u>

Goodwill arose on the acquisitions of these subsidiaries because the acquisitions included the advantage in location of retail pharmacies and some potential customer relationship. Such benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

***Net cash outflow on acquisitions of subsidiaries***

	RMB'000
Cash consideration paid . . . . .	6,930
Less: cash and cash equivalents balances acquired . . . . .	1,148
	<u>5,782</u>

***Impact of acquisitions on the results of the Group***

Included in the loss for the year ended December 31, 2018, 2019 and 2020 is loss of RMB52.5 million, RMB37.6 million, and RMB2.3 million, respectively, attributable to the additional business. Revenue for the year ended December 31, 2018, 2019 and 2020 includes RMB397.0 million, RMB216.1 million, and RMB2.7 million, respectively, generated from the additional business.

Had the acquisitions of subsidiaries been completed on January 1, 2018, January 1, 2019, January 1, 2020, respectively, revenue for the year of the Group would have been RMB584.6 million, RMB1,304.8 million and RMB2,667.3 million, respectively. Loss for the year would have been RMB103.2 million, RMB283.7 million and RMB969.1 million, respectively.

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 acquisitions been completed on January 1, 2018, 2019, and 2020, nor is it intended to be a projection of future results. In determining the 'pro-forma' revenue and profit of the Group had subsidiaries been acquired at January 1, 2018, January 1, 2019, January 1, 2020, respectively, the directors of the Company calculated depreciation/amortization of right-of-use assets and other intangible assets based on the recognized amounts of right-of-use assets and other intangible assets at the dates of the acquisitions.

## 32. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

On March 31, 2019, the Group disposed 100% equity interest of its wholly owned subsidiaries named Jiangxi Renfang Technology Co., Ltd\* (江西仁方科技有限公司) (“Jiangxi Renfang”) and Jiangxi Renyue Health Technology Co., Ltd\* (江西仁悦健康科技有限公司) (“Jiangxi Renyue”) to independent third parties. The aggregate net assets of the subsidiaries at the date of disposal were as follows:

## (a) The disposal of Jiangxi Renfang

Consideration received:

	<b>RMB'000</b>
Cash received . . . . .	5,127

*Analysis of assets and liabilities over which control was lost:*

	<b>31/03/2019</b>
	<b>RMB'000</b>
<b>Assets:</b>	
Property and equipment . . . . .	92
Trade and other receivables and prepayments . . . . .	1,925
Inventories . . . . .	106
Cash and cash equivalents . . . . .	4,848
<b>Liabilities:</b>	
Trade and other payables . . . . .	(1,111)
Contract liabilities . . . . .	(733)
<b>Net assets disposed of . . . . .</b>	<b>5,127</b>

*Gain or loss on disposal of a subsidiary:*

	<b>RMB'000</b>
Consideration received . . . . .	5,127
Net assets disposed of . . . . .	(5,127)
Derecognized of goodwill arising from acquisition of the subsidiary . . . . .	(1,292)
<b>Loss on disposal . . . . .</b>	<b>(1,292)</b>

*Net cash inflow arising on disposal:*

	<b>RMB'000</b>
Cash consideration . . . . .	5,127
Less: cash and cash equivalents disposed of . . . . .	4,848
	279

\* English names are for identification purpose only.

## (b) The disposal of Jiangxi Renyue

*Consideration received:*

Cash received . . . . .	RMB'000 1,712
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*Analysis of assets and liabilities over which control was lost:*

	31/03/2019
	RMB'000
<b>Assets:</b>	
Property and equipment . . . . .	1
Trade and other receivables and prepayments . . . . .	2,447
Inventories . . . . .	149
Cash and cash equivalents . . . . .	1,364
<b>Liabilities:</b>	
Trade and other payables . . . . .	(757)
Contract liabilities . . . . .	(1,492)
<b>Net assets disposed of . . . . .</b>	<b>1,712</b>

*Gain or loss on disposal of a subsidiary:*

	RMB'000
Consideration received . . . . .	1,712
Net assets disposed of . . . . .	(1,712)
<b>Gain on disposal . . . . .</b>	<b>–</b>

*Net cash inflow arising on disposal:*

	RMB'000
Cash consideration . . . . .	1,712
Less: cash and cash equivalents disposed of . . . . .	1,364
	348

During the year ended December 31, 2020, the Group disposed all of its 51% equity interest in subsidiary named Beijing Huixin Tongchuang Pharmaceutical Investment Management Co., Ltd\* (北京慧鑫同創醫藥投資管理有限公司, formerly known as 叮嚀醫藥投資管理(北京)有限公司), to independent third parties and deregistered two subsidiaries named Shanghai Tongyi Pharmacy Co., Ltd\* (上海童頤大藥房有限公司) and Hangzhou Jiaying Pharmacy Co., Ltd\* (杭州佳英藥房有限公司). The aggregate net assets of the subsidiaries at the dates of disposal/deregistration were as follows:

*Consideration received:*

Cash received . . . . .	RMB'000 4,200
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*Analysis of assets and liabilities over which control was lost:*

	RMB'000
<b>Assets:</b>	
Right-of-use assets . . . . .	473
Trade and other receivables and prepayments . . . . .	2,961
Inventories . . . . .	122
Cash and cash equivalents . . . . .	11
<b>Liability:</b>	
Trade and other payables . . . . .	(1,366)
Lease liabilities . . . . .	(542)
<b>Net assets disposed/deregistered of . . . . .</b>	<b>1,659</b>

\* English names are for identification purpose only.



	RMB'000
Gain or loss on disposal/deregistration of subsidiaries:	
Consideration received . . . . .	4,200
Net assets disposed/deregistrated of . . . . .	(1,659)
Derecognized of goodwill arising from acquisition of the subsidiary . . . . .	(2,847)
Non-controlling interests . . . . .	1,378
<b>Gain on disposal/deregistration . . . . .</b>	<b>1,072</b>

*Net cash inflow arising on disposal/deregistration:*

	RMB'000
Cash consideration . . . . .	4,200
Less: cash and cash equivalents disposed/deregistrated of . . . . .	11
	<b>4,189</b>

During the year ended December 31, 2021, the Group deregistered ten subsidiaries named Juntai Pharmacy, Dingdang Health Community Service (Beijing) Co., Ltd.\* (叮嚀健康社區服務(北京)有限公司), Shijiazhuang Dingdang Health Management Co., Ltd.\* (石家莊叮嚀健康管理有限公司), Zhangshu Bailite Medical Instrument Co., Ltd.\* (樟樹市百力特醫療器械有限公司), Henan Dingdang Health Management Co., Ltd.\* (河南叮嚀健康管理有限公司), Honghuanglv Trading (Foshan) Co., Ltd., Dingdang Haoshenghuo (Beijing) Technology Co., Ltd.\* (叮嚀好生活(北京)科技有限公司), Jiangxi Youxuan Pharmaceutical Chain Co., Ltd.\* (江西優選醫藥連鎖有限公司), Renhe Yaofangwang (Beijing) Health Management Co., Ltd.\* (仁和藥房網(北京)健康管理有限公司) and Beijing Kanglida Express Co., Ltd.\* (北京康立達快遞有限公司), and disposed three subsidiaries named Shanghai Muhe Medical Equipment Co., Ltd.\* (上海慕和醫療器械有限公司), Renhe Yaofangwang (Shanxi) Medicine Technology Co., Ltd.\* (仁和藥房網(山西)醫藥科技有限公司) and Renhe Yaofangwang (Shanxi) Medical Health Management Co., Ltd.\* (仁和藥房網(山西)醫療健康管理有限公司). The aggregate net assets of the subsidiaries at the dates of deregistration/disposal were as follows:

*Consideration received:*

	RMB'000
Cash received . . . . .	-

*Analysis of assets and liabilities over which control were lost:*

	RMB'000
<b>Assets:</b>	
Right-of-use assets . . . . .	714
Trade and other receivables and prepayments . . . . .	40
<b>Liability:</b>	
Trade and other payables . . . . .	(62)
Lease liabilities . . . . .	(913)
<b>Net liability deregistrated/disposed of . . . . .</b>	<b>(221)</b>

	RMB'000
Gain or loss on deregistration of subsidiaries:	
Consideration received . . . . .	-
Net liability deregistrated/disposed of . . . . .	221
Derecognized of goodwill arising from acquisition of the subsidiaries . . . . .	(655)
<b>Loss on deregistration/disposed . . . . .</b>	<b>(434)</b>

*Net cash inflow arising on deregistration:*

	RMB'000
Cash consideration . . . . .	-
Less: cash and cash equivalents deregistrated/disposed of . . . . .	-
	-

## 33. OPERATING LEASE ARRANGEMENT

## The Group as lessor

The Group accounts for the headlease and the sublease as two separate contracts when acts as an intermediate lessor. The subleases are classified as operating leases by reference to the right-of-use assets arising from the headlease, which have committed lessees for the next 1 to 6 years.

Undiscounted lease payments receivable on leases are as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year . . . . .	815	1,023	2,766	2,544	2,626
In the second year . . . . .	1,023	2,766	2,110	1,131	1,164
In the third year . . . . .	2,766	2,110	690	519	237
In the fourth year . . . . .	2,110	690	232	65	65
In the fifth year . . . . .	690	232	–	49	33
After five years . . . . .	232	–	–	–	–
	<u>7,636</u>	<u>6,821</u>	<u>5,798</u>	<u>4,308</u>	<u>4,125</u>

## 34. FINANCIAL INSTRUMENTS

## 34.1 Financial instruments by categories

## The Group

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>					
Financial assets at amortized cost . .	67,473	199,768	369,606	1,729,602	1,679,564
Financial assets at FVTPL . . . . .	<u>81,882</u>	<u>43,267</u>	<u>321,480</u>	<u>–</u>	<u>38,790</u>
<b>Financial liabilities</b>					
Financial liabilities at amortized cost . . . . .	126,385	154,000	325,714	391,627	560,857
Financial liabilities at FVTPL . . . . .	<u>213,198</u>	<u>763,883</u>	<u>2,343,474</u>	<u>4,650,950</u>	<u>4,931,565</u>

## The Company

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>					
Financial assets at amortized cost . .	<u>231</u>	<u>225</u>	<u>204</u>	<u>1,468,872</u>	<u>1,456,359</u>
<b>Financial liabilities</b>					
Financial liabilities at amortized cost . . . . .	96	99	3,247	33,387	46,601
Financial liabilities at FVTPL . . . . .	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,650,950</u>	<u>4,931,565</u>

### 34.2 Financial risk management

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the directors of the Company.

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, cash and cash equivalents, amounts due from related parties, lease liabilities, trade and other payables, amounts due to related parties and financial liabilities at FVTPL. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### (a) Market risk

##### Foreign exchange risk

The functional currency of the Group's entities is RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of the Group's entities. In addition, the Company has intra-group balances with a subsidiary denominated in foreign currency which also expose the Group to foreign currency risk.

During the three years ended December 31, 2020, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant. The directors of the Company consider that any reasonable changes in foreign exchange rates of other currencies against the functional currency would not result in a significant change in the Group's results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective subsidiaries' functional currency were considered to be not significant. Accordingly, no sensitivity analysis is presented for foreign exchange risk.

#### The Group

As of December 31, 2021 and March 31, 2022, the Group had the following financial assets and financial liabilities, which were cash and cash equivalents, rental deposits, financial liabilities at FVTPL, lease liabilities, amounts due to related parties and other payables, denominated in currencies other than RMB.

	As of December 31, 2021	As of March 31, 2022
	RMB'000	RMB'000
Assets:		
– HKD . . . . .	2,814	1,756
– USD . . . . .	698,053	184,965
Liabilities:		
– HKD . . . . .	3,770	4,049
– USD . . . . .	4,655,552	4,938,308

#### The Company

As of December 31, 2021 and March 31, 2022, the Company had the following financial assets and financial liabilities, which were cash and cash equivalents, amounts due from related parties, financial liabilities at FVTPL, amounts due to related parties and other payables, denominated in currencies other than RMB.

	As of December 31, 2021	As of March 31, 2022
	RMB'000	RMB'000
Assets:		
– HKD . . . . .	1,625	1,016
– USD . . . . .	1,465,779	1,453,530
Liabilities:		
– HKD . . . . .	93	666
– USD . . . . .	4,655,552	4,938,308

*Sensitivity analysis***The Group**

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusted their transaction at year end for a 5% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, rental deposits, financial liabilities at FVTPL, lease liabilities, amounts due to related parties and other payables. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates.

If 5% weakening/strengthening of USD and HKD against RMB, the Group's post-tax loss for the year ended December 31, 2021 and three months ended March 31, 2022 would decrease/increase by RMB197,923,000 and RMB237,782,000, respectively. This is mainly attributable to the Group's exposure to foreign currencies rates of USD on its financial liabilities at FVTPL as of December 31, 2021 and March 31, 2022.

**The Company**

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusted their transaction at year end for a 5% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, amounts due from related parties, financial liabilities at FVTPL, amounts due to related parties and other payables. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rates.

If 5% weakening/strengthening of USD and HKD against RMB, the Company's post-tax loss for the year ended December 31, 2021 and three months ended March 31, 2022 would decrease/increase by RMB159,412,000 and RMB174,221,000, respectively. This is mainly attributable to the Company's exposure to foreign currencies rates of USD on its financial liabilities at FVTPL as of December 31, 2021 and March 31, 2022.

*Interest rate risk*

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk. The Group's cash flow interest rate risk primarily arose from cash and cash equivalents, details of which have been disclosed in Note 23. The Group's fair value interest risk primarily arises from lease liabilities, details of which have been disclosed in Note 20.

No sensitivity analysis on interest rate risk on bank balance is presented as management consider the sensitivity on interest rate risk on bank balance is insignificant.

*Other price risk*

The Group is exposed to price risk in respect of its financial products issued by banks measured as financial assets at FVTPL and shares with preferred rights/Preferred Shares measured as financial liabilities at FVTPL. The above financial instruments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

Shares with preferred rights/Preferred Shares are affected by changes in the Group's equity value, the sensitivity analysis of which has been disclosed in Note 34.4. The fair value change of financial products issued by banks is not considered to be significant.

*(b) Credit risk and impairment assessment*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's credit risk is mainly associated with cash and cash equivalents, trade and other receivables, financial assets at FVTPL and amounts due from related parties. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's cash and cash equivalents are mainly deposited in state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of default in relation to these financial institutions. The Group considers the instruments have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the Track Record Period. The Group considers that there is no significant credit risk and no material losses due to the default of the other parties.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

The Group also has concentration of credit risk on trade receivables. As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, nil, nil, 14.03%, 20.01% and 10.58% of the total trade receivables were due from the Group's largest customer, and 28.34%, 34.64%, 20.87%, 40.19% and 23.72% of the total trade receivables were due from the Group's top five customers, respectively.

In order to minimize credit risk, the Group has tasked its credit management team to develop and maintain the credit risk grading for the Group's trade receivables and other receivables and to categorize exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The table below set forth how the Group defines the credit risk grading of its counterparties and its accounting policies for recognition of ECL:

Category	Group definition of category	Basis for recognition of ECL	
	Trade receivables, amounts due from related parties of trade nature and other receivables	Trade receivables and amounts due from related parties of trade nature	Other receivables
Performing . . . . .	The counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Lifetime ECL – not credit-impaired	12m ECL
Doubtful . . . . .	There has been a significant increase in credit risk since initial recognition	N/A	Lifetime ECL – not credit-impaired
In default . . . . .	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 has no realistic prospect of recovery	Asset is written off	Asset is written off

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

	Notes	External credit rating	Internal credit rating	12m or Lifetime ECL	Gross carrying amount				
					as of December 31,				As of March 31,
					2018	2019	2020	2021	2022
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000					
<b>Financial assets at amortized cost</b>									
Cash and cash equivalents . . . . .	23	N/A	Performing	12m ECL	46,242	144,691	260,574	1,552,994	1,498,232
Trade receivables . . . . .	22	N/A	(Note)	Lifetime ECL	11,849	23,573	51,480	91,351	90,056
Other receivables . . . . .	22	N/A	Performing	12m ECL	7,537	26,595	50,968	77,152	83,721
Amounts due from related parties of trade nature . . . . .	*	N/A	(Note)	Lifetime ECL	-	-	18	319	308
Amounts due from related parties of non-trade nature . . . . .	36	N/A	Performing	12m ECL	-	-	16	-	-
Rental deposits . . . . .	22	N/A	Performing	12m ECL	2,059	5,344	8,431	9,932	10,509

\* Prepayments to related parties included in the total balance of amounts due from related parties of trade nature, amounting to RMB1,148,000, RMB814,000, RMB275,000, RMB767,000 and RMB892,000 as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, respectively, are not subject to ECL assessment.

*Note:* The directors of the Company estimates the amount of lifetime ECL of trade receivables and amounts due from related parties of trade nature based on provision matrix through grouping of various debtors that have similar loss patterns, after considering aging, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables and amounts due from related parties of trade nature. Estimated loss rates are 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. In addition, trade receivables and amounts due from related parties of trade nature with significant balances or credit-impaired are assessed for ECL individually.

On that basis, the loss allowance as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022 was determined as follows for trade receivables and amounts due from related parties of trade nature which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit impaired). Credit-impaired with gross carrying amounts of RMB831,000 and RMB653,000 as of December 31, 2020 and March 31, 2022 were assessed individually.

*As of December 31, 2018*

Provision on collective basis	Within 1 year	1 to 2 years	2-3 years	Over 3 years	Total
Lifetime expected credit loss rate . . . . .	0.53%	35.21%	73.68%	-	0.85%
Gross carrying amount (RMB'000) . . . . .	11,759	71	19	-	11,849
Loss allowance (RMB'000) . . . . .	(62)	(25)	(14)	-	(101)

*As of December 31, 2019*

Provision on collective basis	Within 1 year	1 to 2 years	2-3 years	Over 3 years	Total
Lifetime expected credit loss rate . . . . .	0.79%	35.29%	74.36%	-	0.94%
Gross carrying amount (RMB'000) . . . . .	23,517	17	39	-	23,573
Loss allowance (RMB'000) . . . . .	(186)	(6)	(29)	-	(221)

*As of December 31, 2020*

Provision on collective basis	Within 1 year	1 to 2 years	2-3 years	Over 3 years	Total
Lifetime expected credit loss rate . . . . .	1.10%	49.71%	81.25%	100.00%	2.04%
Gross carrying amount (RMB'000) . . . . .	50,096	171	16	384	50,667
Loss allowance (RMB'000) . . . . .	(551)	(85)	(13)	(384)	(1,033)

*As of December 31, 2021*

Provision on collective basis	Within 1 year	1 to 2 years	2-3 years	Over 3 years	Total
Lifetime expected credit loss rate . . . . .	0.34%	11.11%	-	-	0.37%
Gross carrying amount (RMB'000) . . . . .	91,418	252	-	-	91,670
Loss allowance (RMB'000) . . . . .	(315)	(28)	-	-	(343)

As of March 31, 2022

Provision on collective basis	Within 1 year	1 to 2 years	2-3 years	Over 3 years	Total
Lifetime expected credit loss rate . . . . .	0.31%	28.60%	63.68%	–	0.64%
Gross carrying amount (RMB'000) . . . . .	88,957	542	212	–	89,711
Loss allowance (RMB'000) . . . . .	(280)	(155)	(135)	–	(570)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and amounts due from related parties of trade nature under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
As of January 1, 2018 . . . . .	–	–	–
Impairment losses recognized . . . . .	101	–	101
As of December 31, 2018 . . . . .	101	–	101
Impairment losses reversed . . . . .	(101)	–	(101)
Impairment losses recognized . . . . .	221	–	221
As of December 31, 2019 . . . . .	221	–	221
Impairment losses reversed . . . . .	(215)	–	(215)
Transfer to credit-impaired . . . . .	(6)	6	–
Impairment losses recognized . . . . .	1,033	825	1,858
As of December 31, 2020 . . . . .	1,033	831	1,864
Impairment losses reversed . . . . .	(1,033)	(831)	(1,864)
Impairment losses recognized . . . . .	343	–	343
As of December 31, 2021 . . . . .	343	–	343
Impairment losses reversed . . . . .	(343)	–	(343)
Impairment losses recognized . . . . .	570	653	1,223
As of March 31, 2022 . . . . .	570	653	1,223

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As of January 1, 2018 . . . . .	–	–	–	–
Impairment losses recognized . . . . .	113	–	–	113
As of December 31, 2018 . . . . .	113	–	–	113
Impairment losses reversed . . . . .	(113)	–	–	(113)
Impairment losses recognized . . . . .	214	–	–	214
As of December 31, 2019 . . . . .	214	–	–	214
Impairment losses recognized . . . . .	1,724	–	–	1,724
Impairment losses reversed . . . . .	(214)	–	–	(214)
Transfer to lifetime ECL . . . . .	(1,707)	–	1,707	–
Written-off . . . . .	–	–	(1,707)	(1,707)
As of December 31, 2020 . . . . .	17	–	–	17
Impairment losses recognized . . . . .	1,803	–	–	1,803
Impairment losses reversed . . . . .	(17)	–	–	(17)
As of December 31, 2021 . . . . .	1,803	–	–	1,803
Impairment losses reversed . . . . .	(1,803)	–	–	(1,803)
Impairment losses recognized . . . . .	2,039	–	–	2,039
As of March 31, 2022 . . . . .	2,039	–	–	2,039

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

### The Company

The Company is mainly exposed to the credit risk of amounts due from subsidiaries. The directors of the Company considers the credit risk of the amounts due from subsidiaries is limited because they continuously monitor the quality and financial conditions of the subsidiaries and the identified credit loss were insignificant during the Track Record Period.

**(c) Liquidity risk**

In the management of the liquidity risk, the Group 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.

The following table details remaining contractual maturity of the Group and the Company's financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities on the earliest date which the Group can be required to pay. The maturity dates are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

**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
<b>As of December 31, 2018</b>							
Trade and other payables . . . . .	–	120,689	120,689	–	–	–	120,689
Amounts due to related parties . . . . .	–	5,696	5,696	–	–	–	5,696
Financial liabilities at FVTPL . . . . .	8%	213,198	108,667	–	–	157,140	265,807
Lease liabilities . . . . .	4.52%-7.26%	63,146	21,253	18,433	28,672	2,301	70,659
		402,729	256,305	18,433	28,672	159,441	462,851
<b>As of December 31, 2019</b>							
Trade and other payables . . . . .	–	139,767	139,767	–	–	–	139,767
Amounts due to related parties . . . . .	–	14,233	14,233	–	–	–	14,233
Financial liabilities at FVTPL . . . . .	8%	763,883	–	–	866,238	–	866,238
Lease liabilities . . . . .	4.01%-5.31%	118,977	45,582	38,348	46,659	3,100	133,689
		1,036,860	199,582	38,348	912,897	3,100	1,153,927
<b>As of December 31, 2020</b>							
Trade and other payables . . . . .	–	280,146	280,146	–	–	–	280,146
Amounts due to related parties . . . . .	–	45,568	45,568	–	–	–	45,568
Financial liabilities at FVTPL . . . . .	8%	2,343,474	–	–	1,933,359	–	1,933,359
Lease liabilities . . . . .	4.38%-6.39%	141,253	62,608	45,047	48,184	2,053	157,892
		2,810,441	388,322	45,047	1,981,543	2,053	2,416,965
<b>As of December 31, 2021</b>							
Trade and other payables . . . . .	–	369,115	369,115	–	–	–	369,115
Amounts due to related parties . . . . .	–	22,512	22,512	–	–	–	22,512
Financial liabilities at FVTPL . . . . .	8%	4,650,950	–	–	3,545,961	–	3,545,961
Lease liabilities . . . . .	3.83%-6.39%	157,012	67,633	51,620	47,570	3,450	170,273
		5,199,589	459,260	51,620	3,593,531	3,450	4,107,861
<b>As of March 31, 2022</b>							
Trade and other payables . . . . .	–	487,923	487,923	–	–	–	487,923
Amounts due to related parties . . . . .	–	72,934	72,934	–	–	–	72,934
Financial liabilities at FVTPL . . . . .	8%	4,931,565	–	3,501,776	–	–	3,501,776
Lease liabilities . . . . .	3.81%-6.39%	153,872	68,784	52,349	41,913	3,152	166,198
		5,646,294	629,641	3,554,125	41,913	3,152	4,228,831

**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
<b>As of December 31, 2021</b>							
Trade and other payable . . . . .	–	6,905	6,905	–	–	–	6,905
Amounts due to related parties . . . . .	–	26,482	26,482	–	–	–	26,482
Financial liabilities at FVTPL . . . . .	8%	4,650,950	–	–	3,545,961	–	3,545,961
		4,684,337	33,387	–	3,545,961	–	3,579,348
<b>As of March 31, 2022</b>							
Trade and other payable . . . . .	–	13,133	13,133	–	–	–	13,133
Amounts due to related parties . . . . .	–	33,468	33,468	–	–	–	33,468
Financial liabilities at FVTPL . . . . .	8%	4,931,565	–	3,501,776	–	–	3,501,776
		4,978,166	46,601	3,501,776	–	–	3,548,377

**34.3 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising of borrowings.



## 34.4 Fair value measurement of financial instruments

*Determination of fair value and fair value hierarchy*

IFRS 13 *Fair Value Measurement* defines fair value as 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. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value.

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

**The Group**

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>As of December 31, 2018</b>				
Assets:				
Financial assets at FVTPL . . . . .	–	–	81,882	81,882
Liabilities:				
Financial liabilities at FVTPL . . . . .	–	–	213,198	213,198
<b>As of December 31, 2019</b>				
Assets:				
Financial assets at FVTPL . . . . .	–	–	43,267	43,267
Liabilities:				
Financial liabilities at FVTPL . . . . .	–	–	763,883	763,883
<b>As of December 31, 2020</b>				
Assets:				
Financial assets at FVTPL . . . . .	–	303,710	17,770	321,480
Liabilities:				
Financial liabilities at FVTPL . . . . .	–	–	2,343,474	2,343,474
<b>As of December 31, 2021</b>				
Liabilities:				
Financial liabilities at FVTPL . . . . .	–	–	4,650,950	4,650,950
<b>As of March 31, 2022</b>				
Assets:				
Financial assets at FVTPL . . . . .	–	30,000	8,790	38,790
Liabilities:				
Financial liabilities at FVTPL . . . . .	–	–	4,931,565	4,931,565

**The Company**

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>As of December 31, 2021</b>				
Liabilities:				
Financial liabilities at FVTPL . . . . .	–	–	4,650,950	4,650,950
<b>As of March 31, 2022</b>				
Liabilities:				
Financial liabilities at FVTPL . . . . .	–	–	4,931,565	4,931,565

The following table gives information about how the fair values of the Group's financial assets are determined (in particular, the valuation techniques and inputs used). The determination of the fair value for shares with preferred rights/Preferred Shares is set out in Note 25.

Financial assets	Fair value as of December 31,				Fair value as of March 31,	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2018	2019	2020	2021	2022				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000				
Financial products issued by banks . . . . .	-	-	303,710	-	30,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Financial products issued by banks . . . . .	81,882	43,267	17,770	-	8,790	Level 3	Discounted cash flow. Future cash flows are estimated based on estimated return.	Estimated return	The higher the estimated return, the higher the fair value, vice versa

During the Track Record Period, the changes in the unobservable input of the financial assets classified within Level 3 as listed in the table above resulted in the following changes in the Group's results:

A 5% decrease/increase in the estimated return rates holding all other variables constant would decrease/increase the carrying amount of financial products issued by banks by RMB4,094,000, RMB2,163,000, RMB889,000, nil and RMB440,000 as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022.

Financial liabilities at FVTPL of shares with preferred rights/Preferred Shares are not traded in an active market, its fair values have been determined by using the discounted cash flow method. Major assumptions used in the valuation for the shares with preferred rights/Preferred Shares are presented in Note 25.

Fair value of the shares with preferred rights/Preferred Shares is affected by changes in the Company's equity value. If the Company's equity value had increased/decreased by 5% with all other variables held constant, the loss before income tax for the years ended December 31, 2018, 2019, 2020 and 2021 and three months ended March 31, 2022 would have been approximately RMB5,077,000, RMB17,958,000, RMB72,656,000, RMB113,331,000 and RMB 13,754,000 higher/lower, respectively.

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting end. During the Track Record Period, there were no transfers among different levels of fair values measurement.

*Reconciliation of Level 3 fair value measurements:***The Group**

	Financial products issued by banks	Shares with preferred rights/ Preferred Shares
	RMB'000	RMB'000
<b>As of January 1, 2018</b> . . . . .	144,970	179,578
Purchase . . . . .	692,179	–
Acquired from acquisitions (Note 31) . . . . .	8,432	–
Redemption . . . . .	(766,523)	–
Changes in fair value . . . . .	2,824	33,620
<b>As of December 31, 2018</b> . . . . .	81,882	213,198
Issue of shares with preferred rights . . . . .	–	400,000
Purchase . . . . .	1,686,673	–
Acquired from acquisitions (Note 31) . . . . .	5,579	–
Redemption . . . . .	(1,733,456)	–
Changes in fair value . . . . .	2,589	150,685
<b>As of December 31, 2019</b> . . . . .	43,267	763,883
Issue of shares with preferred rights . . . . .	–	825,000
Purchase . . . . .	2,314,103	–
Acquired from acquisitions (Note 31) . . . . .	2,225	–
Redemption . . . . .	(2,345,240)	–
Changes in fair value . . . . .	3,415	754,591
<b>As of December 31, 2020</b> . . . . .	17,770	2,343,474
Issue of Preferred Shares . . . . .	–	4,476,585
Redemption of shares with preferred rights . . . . .	–	(3,081,310)
Purchase . . . . .	3,309,100	–
Redemption . . . . .	(3,334,123)	–
Changes in fair value (Note) . . . . .	7,253	912,201
<b>As of December 31, 2021</b> . . . . .	–	4,650,950
Purchase . . . . .	1,444,720	–
Redemption . . . . .	(1,437,871)	–
Changes in fair value (Note) . . . . .	1,941	280,615
<b>As of March 31, 2022</b> . . . . .	8,790	4,931,565

**The Company**

	Preferred Shares
	RMB'000
<b>As of January 1, 2021</b> . . . . .	–
Issue of Preferred Shares . . . . .	4,476,585
Changes in fair value (Note) . . . . .	174,365
<b>As of December 31, 2021</b> . . . . .	4,650,950
Changes in fair value (Note) . . . . .	280,615
<b>As of March 31, 2022</b> . . . . .	4,931,565

*Note:* Change in fair value presented in RMB includes effect of exchange on translation from USD balances.

*Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis*

For the financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

## 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Financial liabilities at FVTPL	Lease liabilities	Dividends payable	Amounts due to related parties	Accrued issue costs*	Other borrowing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities from financing activities as of January 1, 2018 . . . . .	179,578	5,388	-	-	-	-	184,966
Financing cash flows . . . . .	-	(21,894)	-	217	-	-	(21,677)
Additions . . . . .	-	19,486	-	-	-	-	19,486
Finance costs (Note 9) . . . . .	-	3,797	-	-	-	-	3,797
Fair value losses on financial liabilities at FVTPL . . . . .	33,620	-	-	-	-	-	33,620
Acquisition of subsidiaries (Note 31) . . . . .	-	56,369	-	-	-	-	56,369
Liabilities from financing activities as of December 31, 2018 . . . . .	213,198	63,146	-	217	-	-	276,561
Financing cash flows . . . . .	400,000	(41,505)	(4,778)	52	-	-	353,769
Additions . . . . .	-	68,411	-	-	-	-	68,411
Finance costs (Note 9) . . . . .	-	5,571	-	-	-	-	5,571
Fair value losses on financial liabilities at FVTPL . . . . .	150,685	-	-	-	-	-	150,685
Dividends declared . . . . .	-	-	4,778	-	-	-	4,778
Acquisition of subsidiaries (Note 31) . . . . .	-	23,354	-	-	-	-	23,354
Liabilities from financing activities as of December 31, 2019 . . . . .	763,883	118,977	-	269	-	-	883,129
Financing cash flows . . . . .	825,000	(52,911)	(6,330)	28,725	(64)	-	794,420
Additions . . . . .	-	51,936	-	-	738	-	52,674
Finance costs (Note 9) . . . . .	-	6,061	-	-	-	-	6,061
Fair value losses on financial liabilities at FVTPL . . . . .	754,591	-	-	-	-	-	754,591
Dividends declared . . . . .	-	-	7,585	-	-	-	7,585
Acquisition of subsidiaries (Note 31) . . . . .	-	17,732	-	-	-	-	17,732
Disposal of subsidiaries (Note 32) . . . . .	-	(542)	-	-	-	-	(542)
Liabilities from financing activities as of December 31, 2020 . . . . .	2,343,474	141,253	1,255	28,994	674	-	2,515,650
Financing cash flows . . . . .	1,395,275	(82,814)	(1,255)	(28,760)	(4,052)	(7,969)	1,270,425
Additions . . . . .	-	92,380	-	-	5,132	-	97,512
Finance costs (Note 9) . . . . .	-	7,607	-	-	-	10,169	17,776
Exchange adjustment . . . . .	-	-	-	-	-	(2,200)	(2,200)
Fair value losses on financial liabilities at FVTPL . . . . .	912,201	-	-	-	-	-	912,201
Early termination of a lease . . . . .	-	(501)	-	-	-	-	(501)
Dividends declared . . . . .	-	-	10,102	-	-	-	10,102
Disposal of subsidiaries (Note 32) . . . . .	-	(913)	-	-	-	-	(913)
Liabilities from financing activities as of December 31, 2021 . . . . .	4,650,950	157,012	10,102	234	1,754	-	4,820,052
Financing cash flows . . . . .	-	(19,813)	-	(2)	(1,064)	-	(20,879)
Additions . . . . .	-	15,573	-	-	1,913	-	17,486
Finance costs (Note 9) . . . . .	-	1,952	-	-	-	-	1,952
Fair value losses on financial liabilities at FVTPL . . . . .	280,615	-	-	-	-	-	280,615
Early termination of a lease . . . . .	-	(852)	-	-	-	-	(852)
Liabilities from financing activities as of March 31, 2022 . . . . .	4,931,565	153,872	10,102	232	2,603	-	5,098,374

\* The accrued issue costs are included in accrued listing expenses and issue costs as set out in Note 24.

	Financial liabilities at FVTPL	Lease liabilities	Dividends payable	Amounts due to related parties	Accrued issue costs*	Other borrowing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>(Unaudited)</b>							
Liabilities from financing activities as of							
January 1, 2021 . . . . .	2,343,474	141,253	1,255	28,994	674	–	2,515,650
Financing cash flows . . . . .	–	(22,182)	(1,171)	(27,131)	(577)	–	(51,061)
Additions . . . . .	–	14,401	–	–	2,200	–	16,601
Finance costs (Note 9) . . . . .	–	2,040	–	–	–	–	2,040
Fair value losses on financial liabilities at FVTPL . . . . .	669,357	–	–	–	–	–	669,357
Dividends declared . . . . .	–	–	10,102	–	–	–	10,102
Liabilities from financing activities as of							
March 31, 2021 . . . . .	<u>3,012,831</u>	<u>135,512</u>	<u>10,186</u>	<u>1,863</u>	<u>2,297</u>	<u>–</u>	<u>3,162,689</u>

### 36. RELATED PARTY TRANSACTIONS

#### (a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Name of related parties	Relationship
Mr. Yang Wenlong	The Controlling Shareholder
Mr. Yang Yibin	The sons of Controlling Shareholder
Mr. Yang Xiao	
Renhe (Group)	Related companies controlled by the Controlling Shareholder
Renhe (Shenzhen) Dajiankang Intelligent Technology Co., Ltd.* (仁和(深圳)大健康智能科技有限公司)	
Shenzhen Sanpu Natural Cosmetics Co., Ltd.* (深圳市三浦天然化妝品有限公司) (Note ii)	
Shenzhen Shanliang Marketing Co., Ltd.* (深圳市閃亮營銷策劃有限公司)	
Shenzhen Yaodu Bencao Biotechnology Co., Ltd.* (深圳市藥都本草生物科技有限公司) (Note i)	
Zhuhai Hengqin Renhe Health Culture Development Co., Ltd.* (珠海橫琴仁和養生文化發展有限公司)	
Hainan Sanpu Biotechnology Co., Ltd.* (海南三浦生物科技有限公司) (Note ii)	
Jiangxi Sanpu Medical Instrument Co., Ltd.* (江西三浦醫療器械有限公司) (Note ii)	
Jiangxi Yaodu Renhe Technology Co., Ltd.* (江西藥都仁和科技有限公司)	
Zhangshu Mingjia Intellectual Property Consulting Co., Ltd.* (樟樹市銘嘉知識產權諮詢服務有限公司)	
Ding Dang Kuai Yi (Beijing) Technology Co., Ltd.* (叮嚀快醫(北京)科技有限公司)	Related companies controlled by the sons of the Controlling Shareholder
Ding Dang Hao Li (Beijing) Technology Co., Ltd.* (叮嚀好禮(北京)科技有限公司)	
Renhe Pharmacy Co., Ltd. and its subsidiaries	Related company significantly influenced by the Controlling Shareholder
Hongji (Zhuhai) Enterprise Chain Management Center LP* (宏濟(珠海)企業連鎖管理中心(有限合夥))	Non-controlling shareholder with significant influence

Note i: Shenzhen Yaodu Bencao Biotechnology Co., Ltd. was no longer a related party since April 2021 as it was disposed to an independent third party.

Note ii: Shenzhen Sanpu Natural Cosmetics Co., Ltd., Hainan Sanpu Biotechnology Co., Ltd. and Jiangxi Sanpu Medical Instrument Co., Ltd. were acquired by Renhe Pharmacy Co., Ltd. since August 2021.

\* English names are for identification purpose only.

## (b) Transactions with related parties

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Name of related parties	Nature of balances/ transactions	Year ended December 31,				Three months ended March 31,	
		2018	2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Renhe Pharmacy Co., Ltd. and its subsidiaries . . . . .	Product sales	7	38	288	126	1	-
	Purchase of goods	-	3,410	61,974	218,136	32,001	67,000
	Brand usage fee	-	-	3,534	4,497	552	596
Renhe (Group) . . . . .	Product sales	-	-	38	5	-	3
	Brand usage fee	3,146	7,188	8,954	5,178	2,490	418
Shenzhen Sanpu Natural Cosmetics Co., Ltd. . . . .	Product sales	-	-	23	-	-	-
	Purchase of goods	20,162	56,051	65,323	31,291	10,461	-
Ding Dang Hao Li (Beijing) Technology Co., Ltd. . . . .	Product sales	-	14	-	-	-	-
Shenzhen Yaodu Bencao Biotechnology Co., Ltd. . . . .	Purchase of goods	11,718	5,540	10	-	-	-
	Purchase of goods	286	2,311	2,833	1,433	1,434	-
Hainan Sanpu Biotechnology Co., Ltd. . . . .	Purchase of goods	-	-	14,063	3,407	1,574	-
	Purchase of goods	-	-	-	5,253	-	-
Jiangxi Sanpu Medical Instrument Co., Ltd. . . . .	Purchase of goods	-	-	-	5,253	-	-
	Purchase of goods	-	-	-	5,253	-	-
Other related parties . . . . .	Product sales	-	-	18	14	-	-
	Purchase of goods	-	106	35	7	-	-

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

## (c) Balances with related parties:

*Amounts due from related parties***The Group**

Name of related parties	Nature of balances/ transactions	As of December 31,				As of March 31,
		2018	2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Renhe Pharmacy Co., Ltd. and its subsidiaries . . . . .	Trade	71	-	7	1,086	1,192
	Non-trade (note i)	-	-	16	-	-
Renhe (Group) . . . . .	Trade	-	-	-	-	3
Shenzhen Sanpu Natural Cosmetics Co., Ltd. . . . .	Trade	1,009	395	268	-	-
Other related parties . . . . .	Trade	68	419	18	-	5
Total . . . . .		<u>1,148</u>	<u>814</u>	<u>309</u>	<u>1,086</u>	<u>1,200</u>

**The Company**

Name of related parties	Nature of balances/ transactions	As of December 31,				As of March 31,
		2018	2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dingdang Health Technology Group (HK) Limited . . . . .	Non-trade (note ii)	-	-	-	1,279,463	1,270,571
Dingdang Health Limited . . . . .	Non-trade (note iii)	-	-	-	16	16
Total . . . . .		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,279,479</u>	<u>1,270,587</u>

*Notes:*

- i. The maximum amounts outstanding during the two year ended December 31, 2021 from related companies significantly influenced by the Controlling Shareholder were considered to be insignificant. These amounts were non-trade nature, unsecured, interest free and repayable on demand.

- ii. The maximum amounts outstanding during the year ended December 31, 2021 and three months ended March 31, 2022 from Dingdang Health Technology Group (HK) Limited were RMB1,279,463,000 and RMB1,280,823,000. These amounts were non-trade nature, unsecured, interest free and repayable on demand.
- iii. The maximum amounts outstanding during the year ended December 31, 2021 and three months ended March 31, 2022 from Dingdang Health Limited were considered to be insignificant. These amounts were non-trade nature, unsecured, interest free and repayable on demand.

#### Amounts due to related parties

##### The Group

Name of related parties	Nature of balances/ transactions	As of December 31,				As of March 31,
		2018	2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Renhe Pharmacy Co., Ltd. and its subsidiaries . . . . .	Trade (note iii) Non-trade (note i/ii)	7 –	425 14	2,802 6	20,047 2	70,199 10
Renhe (Group) . . . . .	Non-trade (note i/ii)	–	–	–	2,145	2,409
Ding Dang Hao Li (Beijing) Technology Co., Ltd. . . . .	Trade (note iii) Non-trade (note i/ii)	2,936 9	985 52	– –	– –	– –
Shenzhen Sanpu Natural Cosmetics Co., Ltd. . . . .	Trade (note iii)	2,433	12,196	464	–	–
Hainan Sanpu Biotechnology Co., Ltd. . . . .	Trade (note iii)	–	–	12,226	–	–
Shenzhen Yaodu Bencao Biotechnology Co., Ltd. . . . .	Trade (note iii)	103	236	979	–	–
Hongji (Zhuhai) Enterprise Chain Management Center LP . . . . .	Loans (note i)	–	–	28,380	–	–
Other related parties . . . . .	Trade (note iii) Loans (note i) Non-trade (note i/ii)	– 208 –	122 198 5	103 603 5	90 228 –	90 226 –
Total . . . . .		<u>5,696</u>	<u>14,233</u>	<u>45,568</u>	<u>22,512</u>	<u>72,934</u>

#### Notes:

- i. The amount is unsecured, interest free and repayable on demand. In the opinion of the directors, the amounts due to related parties of non-trade nature will be settled before the completion of IPO, except for those payables arising from the normal course of business which will be typically settled periodically.
- ii. The amount primarily included brand usage fee payables, which was recognized as amounts due to related parties of non-trade nature.
- iii. The amounts due to related parties of trade nature were resulting from purchase of goods.

##### The Company

Name of related parties	Nature of balances/ transactions	As of December 31,				As of March 31,
		2018	2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Dingdang Health Technology Group (HK) Limited . . . . .	Non-trade	–	–	–	5,633	6,217
Dingdang Medicine Express Technology . . . . .	Non-trade	–	–	3,155	20,759	27,162
The Controlling Shareholder . . . . .	Non-trade	96	99	92	90	89
Total . . . . .		<u>96</u>	<u>99</u>	<u>3,247</u>	<u>26,482</u>	<u>33,468</u>

The amount is unsecured, interest free and repayable on demand.

**(d) Key management personnel compensation**

The remuneration of directors and other key management personnel is as follows:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and bonuses . . . . .	840	1,474	3,651	6,988	1,022	1,411
Share-based payments . . . . .	–	–	2,706	239,691	478	68,525
Welfare, medical and other benefits . . . . .	159	174	138	259	45	75
	999	1,648	6,495	246,938	1,545	70,011

**37. RETIREMENT BENEFITS SCHEMES**

The employees of the Group in mainland China are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authorities to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of such retirement benefit schemes are disclosed in Note 6.



## 38. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

## 38.1 General information of principal subsidiaries and consolidated affiliated entities

*The Group*

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

Name of subsidiaries/consolidated affiliated entities	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company				As of the date of this report	Principal activities
			December 31,		March 31,			
			2018	2019	2020	2021		
		RMB						
Dingdang Medicine Express Technology . . . . .	Mainland China	RMB52,941,000	100%	100%	100%	100%	100%	Online retail of pharmaceutical and healthcare products
Jiangxi Dingdang E-Commerce . . . . .	Mainland China	RMB27,000,000	100%	100%	100%	100%	100%	Investment holding
Beijing Smart Pharmacy . . . . .	Mainland China	RMB10,000,000	100%	100%	100%	100%	100%	Online and offline retail of pharmaceutical and healthcare products
Shanghai Smart Pharmacy . . . . .	Mainland China	RMB10,000,000/ RMB11,111,000	100%	100%	100%	100%	100%	Online and offline retail of pharmaceutical and healthcare products
Guangdong Smart Pharmacy . . . . .	Mainland China	RMB5,000,000	–	100%	100%	100%	100%	Online and offline retail of pharmaceutical and healthcare products
Guangzhou Smart Pharmacy . . . . .	Mainland China	RMB15,000,000	–	100%	100%	100%	100%	Online and offline retail of pharmaceutical and healthcare products
Tianjin Smart Pharmacy . . . . .	Mainland China	RMB4,250,000/ RMB5,000,000	–	85%	85%	85%	85%	Online and offline retail of pharmaceutical and healthcare products
Chengdu Smart Pharmacy . . . . .	Mainland China	RMB2,000,000	–	100%	100%	100%	100%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Wuhan) Co., Ltd.* (叮噹智慧藥房(武漢)有限公司) . . . . .	Mainland China	RMB8,500,000/ RMB10,000,000	N/A	85%	85%	85%	85%	Online and offline retail of pharmaceutical and healthcare products
Dingdang Smart Pharmacy (Nanjing) Co., Ltd.* (叮噹智慧藥房(南京)有限公司) . . . . .	Mainland China	RMB8,500,000/ RMB10,000,000	N/A	85%	85%	85%	85%	Online and offline retail of pharmaceutical and healthcare products
Hangzhou Smart Pharmacy . . . . .	Mainland China	RMB6,220,000/ RMB10,000,000	–	85%	85%	85%	85%	Online and offline retail of pharmaceutical and healthcare products
Jiangxi Renhetang . . . . .	Mainland China	RMB5,000,000	85%	85%	85%	85%	85%	E-commerce operating company of pharmaceutical and healthcare products
Jiangxi Zhongda . . . . .	Mainland China	RMB3,600,000	100%	100%	100%	100%	100%	E-commerce operating company of pharmaceutical and healthcare products



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.

The statutory financial statements of Dingdang Medicine Express Technology for each of the three years ended December 31, 2018, 2019 and 2020, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC and were audited by Beijing Dongshen Dingli International Certified Public Accountants, Co., Ltd.\* (北京東審鼎立國際會計師事務所有限責任公司), certified public accountants registered in the PRC.

The statutory financial statements of Jiangxi Renhetang were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC. For each of the two years ended December 31, 2018 and 2019, the statutory financial statements were audited by Jiangxi Guochen Certified Public Accountants, Co., Ltd.\* (江西國辰會計師事務所有限責任公司), certified public accountants registered in the PRC. For the year ended December 31, 2020, the statutory financial statements were audited by Beijing Kaiyaguojia Certified Public Accountants LLP.\* (北京凱亞國嘉會計師事務所(普通合夥)), certified public accountants registered in the PRC.

The statutory financial statements of Renhe Yaofangwang for each of the two years ended December 31, 2018 and 2019, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC and were audited by Dahua Certified Public Accountants LLP Jiangxi Branch\* (大華會計師事務所(特殊普通合夥)江西分所) and Beijing Xingshen Certified Public Accountants Co., Ltd.\* (北京興審會計師事務所有限公司), respectively, certified public accountants registered in the PRC. No audited statutory financial statements were available for the year ended December 31, 2020 as there was no requirement to issue audited accounts by the local authorities.

The statutory financial statements of Dingdang Health Technology Group (HK) Limited were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities. For the year ended March 31, 2021, the statutory financial statements were audited by Wiser CPA Limited (聚賢會計師有限公司), certified public accountants registered in the Hong Kong. No audited statutory financial statements were available for other years as there was no requirement to issue audited accounts by the local authorities.

No audited statutory financial statements were available for the rest of the companies of the Group during the Track Record Period as there was no requirement to issue audited accounts by the local authorities.

None of the subsidiaries and consolidated affiliated entities had issued any debt securities, except for Dingdang Medicine Express Technology who had issued shares with preferred rights during the Track Record Period. The details of the shares with preferred rights are set out in Note 25.

### *The Company*

In May 2020, pursuant to a share option resolution and the 2020 RSUs Plan, RMB3,574,000 investment by the Company in Dingdang Medicine Express Technology was recognized as of December 31, 2020 and subsequently increased to RMB327,485,000 and RMB396,904,000 as of December 31, 2021 and March 31, 2022. The details of the share option resolution and RSUs plan are set out in Note 29.

In May 2021, the Company invested RMB1,250,007,000 in Dingdang Health Limited, which was established under the laws of British Virgin Islands as a wholly owned subsidiary of the Company. Meanwhile, the Company recognized a deemed investment of RMB1,736,310,000 in Dingdang Medicine Express Technology upon the completion of the Reorganization step 7 as set out in Note 1.2.

## 38.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarized financial information of Renhe Yaofangwang and its subsidiaries is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Name of subsidiary	Incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Total comprehensive expense allocated to non-controlling interests				Accumulated non-controlling interests		
		December 31,		March 31,	Year ended December 31,		Three months ended March 31,		December 31,		March 31,
		2020	2021	2022	2020	2021	2021	2022	2020	2021	2022
					RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Renhe Yaofangwang and its subsidiaries	Mainland China	48%	48%	48%	N/A	(16,659)	(3,282)	(4,783)	46,930	30,271	25,488

## Renhe Yaofangwang and its subsidiaries:

	As of December 31,		As of March 31,
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Current assets	76,990	184,767	224,729
Non-current assets	204,186	179,134	170,542
Current liabilities	(138,264)	(259,193)	(303,710)
Non-current liabilities	(46,768)	(44,681)	(41,836)
Equity attributable to owners of the Company	50,841	32,794	27,612
Non-controlling interests of Renhe Yaofangwang	46,930	30,271	25,488
Non-controlling interests of Renhe Yaofangwang's subsidiary	(1,627)	(3,038)	(3,375)
	Year ended December 31,	Three months ended March 31,	
	2021	2021	2022
	RMB'000	RMB'000	RMB'000
		(unaudited)	
Revenue and other gains	856,134	158,571	224,898
Expenses	(892,251)	(165,605)	(235,200)
Loss and total comprehensive expense for the year/period	(36,117)	(7,034)	(10,302)
Loss and total comprehensive expense attributable to:			
Owners of the Company	(18,047)	(3,556)	(5,182)
Non-controlling interests of Renhe Yaofangwang	(16,659)	(3,282)	(4,783)
Non-controlling interests of Renhe Yaofangwang's subsidiary	(1,411)	(196)	(337)
Loss and total comprehensive expense for the year/period	(36,117)	(7,034)	(10,302)

## 39. SUBSEQUENT EVENTS

There are no significant subsequent events subsequent to March 31, 2022.

## 40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to March 31, 2022.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the four years ended December 31, 2021 and the three months ended March 31, 2022 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED TANGIBLE ASSETS LESS LIABILITIES OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering (as defined in this prospectus) on the audited consolidated tangible assets less liabilities of the Group attributable to owners of the Company as of March 31, 2022 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated tangible assets less liabilities of the Group as of March 31, 2022 or any future date following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company is based on the audited consolidated tangible assets less liabilities of the Group attributable to owners of the Company as of March 31, 2022 as derived from the Accountants' Report, the text of which is set out in Appendix I to this document, and adjusted as follows:

	Audited consolidated tangible assets less liabilities of the Group attributable to owners of the Company as of March 31, 2022	Estimated net proceeds from Global Offering	Unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company as of March 31, 2022	Unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company as of March 31, 2022 per Share	
	RMB'000 <i>(Note 1)</i>	RMB'000 <i>(Note 2)</i>	RMB'000	RMB <i>(Note 3)</i>	HK\$ <i>(Note 4)</i>
Based on an Offer Price of HK\$12.00 per Offer Share . . . .	(3,316,000)	298,347	(3,017,653)	(4.54)	(5.20)

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*Notes:*

1. The amount is calculated based on the audited consolidated net liabilities of the Group attributable to owners of the Company as of March 31, 2022 amounting to approximately RMB2,941,690,000, with adjustments for other intangible assets and goodwill of the Group attributable to owners of the Company as of March 31, 2022 of RMB118,548,000 and RMB255,762,000 respectively as extracted from the Accountants' Report of the Group set out in Appendix I to this document.
2. The estimated net proceeds from the Global Offering are based on 33,537,000 Offer Shares to be issued at the Offer Price of HK\$12.00 per Offer Share, after deduction of the estimated listing expenses and share issue costs (including underwriting fees and other related expenses) expected to be incurred by the Group subsequent to March 31, 2022 and does not take into account the conversion of 677,142,307 Preferred Shares of the Company and allotment and issuance of any Offer Shares upon the exercise of the Over-allotment Option. For the purpose of calculating the estimated net proceeds from the Global Offering, the translation of HK dollars into Renminbi was made at the exchange rate of HK\$1.00 to RMB0.8733 as disclosed by PBOC rate prevailing on August 23, 2022. No representation is made that HK dollars have been, would have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.
3. The number of shares used for the calculation of unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to the owners of the Company per Share is based on 664,330,590 shares immediately following completion of Global Offering. It does not take into account the conversion of 677,142,307 Preferred Shares of the Company and allotment and issuance of any Offer Shares upon the exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company per Share is converted to HK Dollars at the rate of HK\$1 to RMB0.8733 as disclosed by PBOC rate prevailing on August 23, 2022. No representation is made that the Renminbi have been, would have been or may be converted to HK Dollars, or vice versa, at that rate or at any other rates or at all.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company as of March 31, 2022 to reflect any operating result or other transactions of the Group entered into subsequent to March 31, 2022. In particular, the unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company as shown on the table above have not been taken into account the conversion of 677,142,307 Preferred Shares of the Company.

As of March 31, 2022, the carrying amount of the 677,142,307 Preferred Shares was RMB4,931,565,000 and recognized as financial liabilities. Such Preferred Shares shall automatically be convert without the payment of any additional consideration into ordinary shares upon the completion of the Global Offering.

Had the 677,142,307 Preferred Shares of the Company to be converted been assumed to convert as of March 31, 2022, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2022 per Share would have been calculated based on 1,341,472,897 Shares. The unaudited pro forma adjusted consolidated tangible assets less liabilities of the Group attributable to owners of the Company would have increased from approximately RMB(3,017,653,000) to approximately RMB1,913,912,000 based on an Offer Price of HK\$12.00 per Offer Share. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Offer Share would have increased to RMB1.43 (HK\$1.63), based on the Offer Price of HK\$12.00 per Offer Share.

For the purpose of calculating the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the translation of HK dollars into Renminbi was made at the exchange rate of HK\$1.00 to RMB0.8733 as disclosed by PBOC rate prevailing on August 23, 2022. No representation is made that HK dollars have been, would have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

**B.    REPORTING ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Dingdang Health Technology Group Ltd.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Dingdang Health Technology Group Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated tangible assets less liabilities as of March 31, 2022 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated September 1, 2022 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed initial listing of shares of the Company (the "Global Offering") on the Group's financial position as of March 31, 2022 as if the Global Offering had taken place at March 31, 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the four years ended December 31, 2021 and the three months ended March 31, 2022, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at March 31, 2022 would have been as presented.



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A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
September 1, 2022

## SUMMARY OF THE CONSTITUTION OF THE COMPANY

**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on August 25, 2022 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed “Documents on display”.

**2 Articles of Association**

The Articles of Association of the Company were conditionally adopted on August 25, 2022 and include provisions to the following effect:

**2.1 Directors***(a) Power to allot and issue Shares*

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

*(b) Power to dispose of the assets of the Company or any subsidiary*

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

*(c) Compensation or payment for loss of office*

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

*(d) Loans to Directors*

There are no provisions in the Articles of Association relating to making of loans to Directors.

*(e) Financial assistance to purchase Shares*

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
  - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
  - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

*(g) Remuneration*

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

*(h) Retirement, appointment and removal*

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;
- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

- (iv) the Director is found to be or becomes of unsound mind; or
- (v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

**2.2 *Alteration to constitutional documents***

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

**2.3 *Variation of rights of existing shares or classes of shares***

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

#### *2.4 Alteration of capital*

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

#### *2.5 Special resolution — majority required*

A “special resolution” is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

## 2.6 *Voting rights*

Subject to any rights or restrictions attached to any shares, at any general meeting (a) every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak; (b) on a show of hands every member present in any such manner shall have one vote; and (c) on a poll every member present in such manner shall have one vote for every share of which he is the holder.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

### *2.7 Annual general meetings and extraordinary general meetings*

The Company shall hold a general meeting as its annual general meeting for each financial year, to be held within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. The annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

### *2.8 Accounts and audit*

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.



### *2.9 Auditors*

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

### *2.10 Notice of meetings and business to be conducted thereat*

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

### *2.11 Transfer of shares*

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

#### ***2.12 Power of the Company to purchase its own shares***

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

#### ***2.13 Power of any subsidiary of the Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

#### ***2.14 Dividends and other methods of distribution***

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

### ***2.15 Proxies***

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

#### ***2.16 Calls on shares and forfeiture of shares***

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

***2.17 Inspection of register of members***

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

***2.18 Quorum for meetings and separate class meetings***

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

***2.19 Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

***2.20 Procedure on liquidation***

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

### ***2.21 Untraceable members***

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, given notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

## **SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**

### **1 Introduction**

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### **2 Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 August 2014 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

### 3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.



There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

#### **4 Dividends and Distributions**

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

#### **5 Shareholders' Suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

#### **6 Protection of Minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

#### **7 Disposal of Assets**

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

## **8 Accounting and Auditing Requirements**

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

## **9 Register of Members**

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

## **10 Inspection of Books and Records**

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

## **11 Special Resolutions**

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

## **12 Subsidiary Owning Shares in Parent**

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

### 13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

### 14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

### 15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

### 16 Indemnification

Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**—17 Restructuring**

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

**18 Liquidation**

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

**19 Stamp Duty on Transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**20 Taxation**

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

**21 Exchange Control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**22 General**

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents on display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR GROUP****1. Incorporation**

Our Company was incorporated in the Cayman Islands on August 20, 2014, as an exempted company with limited liability. Our registered office address is at the offices of Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in Appendix III to this prospectus.

Our place of business in Hong Kong is at Room 2609, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 19, 2021 with the Registrar of Companies in Hong Kong. LAM Yiu Por has been appointed as the authorised representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Room 2609, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

As at the date of this prospectus, our Company's head office was located at Building 1, Yard 50, Dengshikou Street, Dongcheng District, Beijing, PRC.

**2. Changes in Share Capital of the Company**

On December 31, 2020, Delight Faith Limited and Go Far Limited transferred 127,500,000 ordinary shares held by each of them to Delight Health Limited and Future Health Limited, respectively.

On April 20, 2021, the Company conducted a share subdivision and the authorized share capital was subdivided from US\$50,000 consisting of 500,000,000 ordinary shares of a par value of US\$0.0001 each to US\$50,000 consisting of 5,000,000,000 ordinary shares of a par value of US\$0.00001 each.

On April 28, 2021, Delight Health Limited and Future Health Limited irrevocably surrendered to the Company for cancellation of 998,237,445 and 1,139,705,885 ordinary Shares of US\$0.00001 par value each for nil consideration. The issued share capital of the Company diminished by US\$21,379.4333 with no change to the authorized share capital. The Company also issued and allotted 11,710,000 ordinary shares to Excel Returns Group Limited.

On May 12, 2021, every ten ordinary shares with a par value of US\$0.00001 each in the Company's issued and unissued share capital were consolidated into one ordinary share with par value of US\$0.0001 each. Immediately following the share consolidation, the authorized share capital of the Company is US\$50,000 divided into 500,000,000 ordinary shares with a par value of US\$0.0001 each. On the same date, the authorized share capital of the Company increased from US\$50,000 divided into 500,000,000 ordinary shares with a par value of US\$0.0001 each, by the creation of an additional 4,500,000,000 ordinary shares with a par value of US\$0.0001 each, to US\$500,000 divided into 5,000,000,000 ordinary shares with a par value US\$0.0001 each.

On May 12, 2021, the Company issued and allotted 249,036,299.5, 121,764,703.5 and 10,589,000 ordinary shares with a par value of US\$0.0001 each to Delight Health Limited, Future Health Limited and Excel Returns Group Limited.

On May 26, 125,000,000 authorised but unissued ordinary shares was re-designated and re-classified as Series A Preferred Shares of par value US\$0.0001 each on a one-for-one basis, 147,058,820 authorised but unissued ordinary shares was re-designated and re-classified as Series B Preferred Shares of par value US\$0.0001 each on a one-for-one basis, 222,709,327 authorised but unissued ordinary shares was re-designated and re-classified as Series B+ Preferred Shares of par value US\$0.0001 each on a one-for-one basis, 182,374,160 authorised but unissued ordinary shares was re-designated and re-classified as Series C Preferred Shares of par value US\$0.0001 each on a one-for-one basis.

On May 26, 2021, the Company issued and allotted 54,400,000 and 21,833,330 ordinary shares with a par value of US\$0.0001 each to Go Prosper Enterprises Corporation and Much Premium Investment Limited, respectively.

On May 26, 2021, the Company issued and allotted 62,500,000, 34,362,755, and 28,137,245 Series A Preferred shares with a par value of US\$0.0001 each to Tongdao Win-win, Ningbo Yuepu, and Qingdao SB, respectively; 29,411,770, 4,042,676, 3,310,264, 68,272,060, 5,257,350, 25,735,290, and 11,029,410 Series B Preferred shares with a par value of US\$0.0001 each to Future Health Limited, Ningbo Yuepu, Qingdao SB, Shanhaiyihao, Shenzhen Zhaoyin Gongying, CICC Qizhi, and Ningbo Qirui, respectively; 3,645,921, 24,295,563, 4,049,261, 17,816,750, 63,168,460, 53,990,140, 13,497,535, 8,098,521, 2,699,507, and 26,995,070 Series B+ Preferred shares with a par value of US\$0.0001 each to Qingdao SB, Shanhaiyihao, Shenzhen SBCVC, Huifenghechang, Ningbo Aowen, Z-Park Longmen, High Innovation Haiying, Ningbo Qiling, Nanjing Zhaoyin Gongying, and TK Dingdang Limited, respectively.

On May 27, 2021, the Company issued and allotted 82,897,346, 13,263,575, 1,657,947, 1,657,947, and 8,289,735 Series C Preferred shares with a par value of US\$0.0001 each to TPG Asia VII, Worldwide Healthcare Trust, OrbiMed New Horizons, OrbiMed Genesis, and Redview Capital, respectively.

On May 28, 2021, the Company issued and allotted 16,579,469, 8,289,735, 4,144,867, 8,289,735, 4,144,867, 4,144,867, and 4,144,867 Series C Preferred shares with a par value of US\$0.0001 each to Valliance, Travis, Tasly, Yingke Innovation Fund, Simag, Marble, and Aqua, respectively.

On May 31, 2021, the Company issued and allotted 8,289,735, 8,289,735, 7,933,275, and 356,458 Series C Preferred shares with a par value of US\$0.0001 each to Summer Eminence, EMINENT, YANGTZE, and TD HK, respectively.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

### **3. Changes in the Share capital of our Subsidiaries and the Consolidated Affiliated Entities**

A summary of the corporate information and the particulars of our subsidiaries are set out in Appendix I to this prospectus.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this Prospectus:

On April 19, 2021, Dingdang Beijing was incorporated as a limited liability company in the PRC with the registered capital of RMB280 million.

On August 18, 2020, Nie Qinqi (聶勤麒) transferred 100% of its equity interest in Beijing Dingdang Zhihui Yihai Pharmacy Co., Ltd. (北京叮嚀智慧怡海大藥房有限公司) to Dingdang Smart Pharmacy (Beijing) Co., Ltd. (叮嚀智慧藥房(北京)有限公司).

On July 5, 2020, Ye Jianhua (葉建華) transferred 51% of its equity interest in Beijing Dingdang Zhihui Xiaoying Pharmacy Co., Ltd. (北京叮嚕智慧小營大藥房) to Zhao Xueqin (趙學勤).

On September 2020, registered capital of Dingdang Smart Pharmacy (Guangzhou) Co., Ltd. (叮嚕智慧藥房(廣州)有限公司) was increased from RMB5 million to RMB15 million.

On July 22, 2020, the equity interests in Dingdang Smart Pharmacy (Henan) Co., Ltd. (叮嚕智慧藥房(河南)有限公司) held by Wang Xiaojun (王小軍) and Wang Di (王迪) were wholly transferred to Henan Yingkang Jianye Hospital Management Co., Ltd. (河南英康健業醫院管理有限公司) and Li Fei (李菲). Upon completion of the transfer, Dingdang Smart Pharmacy (Henan) Co., Ltd. is held by Henan Yingkang Jianye Hospital Management Co., Ltd. and Li Fei as to 70% and 30%, respectively. On November 18, 2020, the 70% equity interests in Dingdang Smart Pharmacy (Henan) Co., Ltd. held by Henan Yingkang Jianye Hospital Management Co., Ltd. were transferred to Jiangxi Dingdang E-commerce.

On October 20, 2020, Jiangxi Dingdang Delivery Co., Ltd. (江西叮嚕配送有限公司) was incorporated as a limited liability company in the PRC with the registered capital of RMB2 million.

On September 22, 2020, the equity interests in Jiangxi Dingdangyun held by Wang Jiyun (王繼雲), Liu Jinghua (劉京華), Lin Hai (林海), and Yu Qinglong were wholly transferred to WFOE. Upon the completion of the transfer, Jiangxi Dingdangyun was held by Luo Meng and WFOE as to 25% and 75%, respectively. On April 29, 2021, WFOE transferred 75% of its equity interest in Jiangxi Dingdangyun to Dingdang Beijing.

On September 21, 2020, Jiangxi Health Pharmacy was incorporated as a limited liability company in the PRC with the registered capital of RMB2 million. On October 26, 2020, Jiangxi Dingdang E-commerce transferred 70% of its equity interests in Jiangxi Health Pharmacy to Jiangxi Dingdangyun. On April 29, 2021, Jiangxi Dingdangyun transferred 70% of its equity interests in Jiangxi Health Pharmacy to Dingdang Medicine Express Technology.

On April 29, 2021, Dingdang Medicine Express Technology transferred 85% of its equity interest in Jiangxi Renhetang to Dingdang Beijing.

On March 18, 2020, Dingdang Youpin was incorporated as a limited liability company in the PRC with the registered capital of RMB5 million. On September 8, 2020, Yang Xiao transferred 70% of its equity interests in Dingdang Youpin to Dingdang Medicine Express Technology.

On July 17, 2020, Zhangshu Youpin Pharmacy Co., Ltd. (樟樹市優品大藥房有限公司) was incorporated as a limited liability company in the PRC with the registered capital of RMB1 million.

On September 9, 2020, Xu Jiping (徐吉平) transferred 30% of its equity interests in Dingdang Good Health to Zhang Zhe (張喆).

On August 13, 2020, Dingdang Lexiang was incorporated as a limited liability company in the PRC with the registered capital of RMB2 million.

On March 17, 2021, Dingdang Smart Pharmacy (Chongqing) Co., Ltd. (叮嚕智慧藥房(重慶)有限公司) was incorporated as a limited liability company in the PRC with the registered capital of RMB2 million.

On March 12, 2021, Dingdang Smart Pharmacy (Fuzhou) Co., Ltd. (叮嚕智慧藥房(福州)有限公司) was incorporated as a limited liability company in the PRC with the registered capital of RMB2 million.



On March 26, 2021, Jinglelife International Health Stock Corporation Limited was incorporated as a limited liability company in Hong Kong.

On May 25, 2021, Dingdang Kuaiyao (Beijing) E-Commerce Co., Ltd. was incorporated as a limited liability company in the PRC with the registered capital of RMB1 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries and the Consolidated Affiliated Entities of our Company within the two years immediately preceding the date of this prospectus.

#### 4. Resolutions of the Shareholders of Our Company dated August 25, 2022

On August 25, 2022, resolutions of the Company were passed by the Shareholders that, among other things, conditional upon (i) the satisfaction (or, if applicable, waiver) of the conditions set out in “Structure of the Global Offering — Conditions of the Global Offering”, (ii) the Offer Price being fixed at HK\$12.00 per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%), and (iii) the Listing taking place no later than September 15, 2022, and pursuant to the terms set out therein:

- (a) the Company approved and adopted the Memorandum of Association and Articles of Association with effect conditional and immediately upon the Listing;
- (b) each of the issued and unissued Preferred Shares in the share capital of the Company be re-designated and re-classified as an ordinary share of a par value of US\$0.0001 each on a one-to-one basis, and immediately upon the completion of re-designation, the share capital of the Company becomes US\$500,000 divided into 5,000,000,000 ordinary shares of a par value US\$0.0001 each;
- (c) the Offer Price under the Global Offering is determined at HK\$12.00 per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%);
- (d) the Global Offering and the grant of the Over-allotment Option were approved and any executive Director of our Company from time to time or (if applicable), any of his/their duly authorized attorney (the “**Authorized Signatory**”) were authorized to allot and issue the Shares pursuant to the Global Offering and the exercise of the Over-allotment Option;
- (e) the Listing, which shall and will take place no later than September 15, 2022, was approved, and any Authorized Signatory would be authorized to implement the Listing;
- (f) subject to the “lock-up” provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate would be granted to the Directors to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue; (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares; and (iii) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:
  - (A) 20% of the total number of Shares in issue immediately following the completion of the Global Offering; and

- (B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below,

such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual general meeting the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting (the “**Relevant Period**”); and

- (g) a general unconditional mandate would be granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose) not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering but excluding (where applicable) any Shares which may be issued pursuant to the exercise of the Over-allotment Option of the Company in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (i) the conclusion of the next annual meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum of Association and Articles of Association or any applicable laws to be held; and (iii) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholder(s) in general meeting; and
- (h) the general unconditional mandate as mentioned in paragraph (f) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (g) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

## 5. Repurchase of our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Prospectus concerning the repurchase of our own securities.

### *(a) Provision of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

#### *(i) Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on August 25, 2022, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

*(ii) Source of Funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Memorandum of Association and Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Memorandum and Articles of Association and subject to the Cayman Companies Act.

*(iii) Trading Restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(iv) Status of Repurchased Shares*

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase, the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Companies Act.

*(v) Suspension of Repurchase*

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

*(vi) Reporting Requirements*

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

*(vii) Core Connected Persons*

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

*(b) Reasons for Repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

*(c) Funding of Repurchases*

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Memorandum of Association and Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

*(d) General*

The exercise in full of the Repurchase Mandate, on the basis of 1,341,472,897 Shares in issue immediately following the completion of the Global Offering, but the Over-allotment Option is not exercised, could accordingly result in up to approximately 134,147,289 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than the highest of (i) 25% of the Company's total issued share capital; (ii) such percentage of Shares held by the public after completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and (iii) such percentage of Shares held by the public after the full or partial exercise of the Over-allotment Option could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) a joinder agreement dated September 11, 2020 entered into between Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司) and Dingdang Medicine Express Technology Group Ltd. (叮噹快藥科技集團有限公司) ("**Dingdang Medicine Express Technology**"), pursuant to which Taikang Life Insurance Co., Ltd. (泰康人壽保險有限責任公司) agreed to subscribe for the increased registered capital of Dingdang Medicine Express Technology in a total amount of RMB2,699,507 for a consideration of RMB100,000,000;
- (b) an equity transfer agreement dated November 30, 2020 entered into among Dingdang Medicine Express Technology, Renhe Pharmacy Co., Ltd. (仁和藥業股份有限公司) and Renhe Yaofangwang (Beijing) Medicine Technology Co., Ltd. (仁和藥房網(北京)醫藥科技有限公司) ("**Yaofangwang**"), pursuant to which Renhe Pharmacy Co., Ltd. (仁和藥業股份有限公司) agreed to sell, and Dingdang Medicine Express Technology agreed to acquire 45% equity interest of Yaofangwang at a cash consideration of RMB188,820,000;
- (c) an equity transfer agreement dated December 1, 2020 entered into among Dingdang Medicine Express Technology, Hongji (Zhuhai) Enterprise Chain Management Center (Limited Partnership) (宏濟(珠海)企業連鎖管理中心(有限合夥)) ("**Hongji Zhuhai**") and Yaofangwang, pursuant to which Hongji Zhuhai agreed to sell, and Dingdang Medicine Express Technology agreed to acquire 7% equity interest of Yaofangwang at a cash consideration of RMB29,372,000;

- (d) a series C preferred share purchase agreement dated May 21, 2021 entered into among our Company, DINGDANG HEALTH LIMITED, Dingdang Health Technology Group (HK) Limited, Dingdang Kuaiyao (Beijing) Technology Development Co., Ltd. (叮噹快藥(北京)技術開發有限公司) (“WFOE”), Dingdang (Beijing) Health Management Co., Ltd. (叮噹(北京)健康管理有限公司) (“Dingdang Beijing”), Dingdang Medicine Express Technology, Yang Wenlong (楊文龍), Delight Faith Limited, Go Far Limited, Delight Health Limited, Future Health Limited, GO PROSPER ENTERPRISES CORPORATION, MUCH PREMIUM INVESTMENT LIMITED, EXCEL RETURNS GROUP LIMITED, and TPG Asia VII SF Pte. Ltd. pursuant to which our Company agreed to issue and sell, and TPG Asia VII SF Pte. Ltd. agreed to subscribe for a total of 82,897,346 Series C Preferred Shares at a subscription price of US\$100,000,000 (the “**Series C Share Purchase Agreement**”);
- (e) a shareholders agreement dated May 21, 2021 entered into among our Company, DINGDANG HEALTH LIMITED, Dingdang Health Technology Group (HK) Limited, WFOE, Dingdang Beijing, Dingdang Medicine Express Technology, Yang Wenlong (楊文龍), Delight Faith Limited, Go Far Limited, Delight Health Limited, Future Health Limited, GO PROSPER ENTERPRISES CORPORATION, MUCH PREMIUM INVESTMENT LIMITED, EXCEL RETURNS GROUP LIMITED, Tongdao Win-win (Zhuhai) Investment Consulting Partnership (Limited Partnership) (同道共贏(珠海)投資諮詢合夥企業(有限合夥)), Ningbo Meishan Bonded Port Yuepu Investment Partnership (Limited Partnership) (寧波梅山保稅港區悅璞投資合夥企業(有限合夥)), Qingdao SB Hechuang No. 1 Equity Investment Fund Partnership (Limited Partnership) (青島軟銀合創一號股權投資基金合夥企業(有限合夥)), Tianjin Shanhaiyihao Business Management Consulting Partnership (Limited Partnership) (天津山海壹號企業管理諮詢合夥企業(有限合夥)), Shenzhen Zhaoyin Gongying Equity Investment Limited Partnership (深圳市招銀共贏股權投資合夥企業(有限合夥)), CICC Qizhi (Shanghai) Equity Investment Center (Limited Partnership) (中金祺智(上海)股權投資中心(有限合夥)), Ningbo Meishan Bonded Port Area Qirui Equity Investment Center (Limited Partnership) (寧波梅山保稅港區祺睿股權投資中心(有限合夥)), Xiamen Huifenghechang Investment Partnership (Limited Partnership) (廈門惠風和暢投資合夥企業(有限合夥)), Ningbo Meishan Bonded Port Area Aowen Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區奧聞投資管理合夥企業(有限合夥)), Beijing Z-Park Longmen Fund Investment Center (Limited Partnership) (北京中關村龍門基金投資中心(有限合夥)), Hunan High Innovation Haiying, Healthcare Industry Investment LP. (湖南高創海盈醫療健康產業投資合夥企業(有限合夥)), Ningbo Meishan Bonded Port Area Qiling Equity Investment Center (Limited Partnership) (寧波梅山保稅港區祺瓚股權投資中心(有限合夥)), Shenzhen SBCVC Growth Equity Investment Fund Partnership (Limited Partnership) (深圳欣創成長股權投資基金合夥企業(有限合夥)), Nanjing Zhaoyin Gongying Equity Investment Partnership (南京市招銀共贏股權投資合夥企業(有限合夥)), TK Dingdang Limited and TPG Asia VII SF Pte. Ltd. (the “**Series C Shareholders Agreement**”);
- (f) an accession agreement dated May 25, 2021 entered into between TD Capital (Hong Kong) Management Company Limited and our Company, pursuant to which our Company agreed to issue and sell and TD Capital (Hong Kong) Management Company Limited agreed to subscribe for a total of 356,458 Series C Preferred Shares in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (g) a deed of adherence dated May 25, 2021 entered into between TD Capital (Hong Kong) Management Company Limited and our Company, pursuant to which TD Capital (Hong Kong) Management Company Limited shall be deemed as an original party to the Series C Shareholders Agreement;

- (h) an accession agreement dated May 25, 2021 entered into between Worldwide Healthcare Trust PLC and our Company, pursuant to which our Company agreed to issue and sell and Worldwide Healthcare Trust PLC agreed to subscribe for a total of 13,263,575 Series C Preferred Shares with the consideration of US\$16,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (i) a deed of adherence dated May 25, 2021 entered into between Worldwide Healthcare Trust PLC and our Company, pursuant to which Worldwide Healthcare Trust PLC shall be deemed as an original party to the Series C Shareholders Agreement;
- (j) an accession agreement dated May 25, 2021 entered into between OrbiMed Genesis Master Fund, L.P. and our Company, pursuant to which our Company agreed to issue and sell and OrbiMed Genesis Master Fund, L.P. agreed to subscribe for a total of 1,657,947 Series C Preferred Shares with the consideration of US\$2,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (k) a deed of adherence dated May 25, 2021 entered into between OrbiMed Genesis Master Fund, L.P. and our Company, pursuant to which OrbiMed Genesis Master Fund, L.P. shall be deemed as an original party to the Series C Shareholders Agreement;
- (l) an accession agreement dated May 25, 2021 entered into between OrbiMed New Horizons Master Fund, L.P. and our Company, pursuant to which our Company agreed to issue and sell and OrbiMed New Horizons Master Fund, L.P. agreed to subscribe for a total of 1,657,947 Series C Preferred Shares with the consideration of US\$2,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (m) a deed of adherence dated May 25, 2021 entered into between OrbiMed New Horizons Master Fund, L.P. and our Company, pursuant to which OrbiMed New Horizons Master Fund, L.P. shall be deemed as an original party to the Series C Shareholders Agreement;
- (n) an accession agreement dated May 25, 2021 entered into between Redview Capital Investment X Limited and our Company, pursuant to which our Company agreed to issue and sell and Redview Capital Investment X Limited agreed to subscribe for a total of 16,579,469 Series C Preferred Shares with the consideration of US\$20,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (o) a deed of adherence dated May 25, 2021 entered into between Redview Capital Investment X Limited and our Company, pursuant to which Redview Capital Investment X Limited shall be deemed as an original party to the Series C Shareholders Agreement;
- (p) an accession agreement dated May 25, 2021 entered into between Travis Global Limited and our Company, pursuant to which our Company agreed to issue and sell and Travis Global Limited agreed to subscribe for a total of 8,289,735 Series C Preferred Shares with the consideration of US\$10,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (q) a deed of adherence dated May 25, 2021 entered into between Travis Global Limited and our Company, pursuant to which Travis Global Limited shall be deemed as an original party to the Series C Shareholders Agreement;
- (r) an accession agreement dated May 25, 2021 entered into between The Valliance Fund and our Company, pursuant to which our Company agreed to issue and sell and The Valliance Fund agreed to subscribe for a total of 8,289,735 Series C Preferred Shares with the consideration of US\$10,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;



- (s) a deed of adherence dated May 25, 2021 entered into between The Valliance Fund and our Company, pursuant to which The Valliance Fund shall be deemed as an original party to the Series C Shareholders Agreement;
- (t) an accession agreement dated May 25, 2021 entered into between Summer Eminence Holdings Limited and our Company, pursuant to which our Company agreed to issue and sell and Summer Eminence Holdings Limited agreed to subscribe for a total of 8,289,735 Series C Preferred Shares with the consideration of US\$10,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (u) a deed of adherence dated May 25, 2021 entered into between Summer Eminence Holdings Limited and our Company, pursuant to which Summer Eminence Holdings Limited shall be deemed as an original party to the Series C Shareholders Agreement;
- (v) an accession agreement dated May 25, 2021 entered into between Yingke Innovation Fund LP and our Company, pursuant to which our Company agreed to issue and sell and Yingke Innovation Fund LP agreed to subscribe for a total of 8,289,735 Series C Preferred Shares with the consideration of US\$10,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (w) a deed of adherence dated May 25, 2021 entered into between Yingke Innovation Fund LP and our Company, pursuant to which Yingke Innovation Fund LP shall be deemed as an original party to the Series C Shareholders Agreement;
- (x) an accession agreement dated May 25, 2021 entered into between YANGTZE LOGISTICS LIMITED and our Company, pursuant to which our Company agreed to issue and sell and YANGTZE LOGISTICS LIMITED agreed to subscribe for a total of 8,289,735 Series C Preferred Shares with the consideration of US\$10,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (y) a deed of adherence dated May 25, 2021 entered into between YANGTZE LOGISTICS LIMITED and our Company, pursuant to which YANGTZE LOGISTICS LIMITED shall be deemed as an original party to the Series C Shareholders Agreement;
- (z) an accession agreement dated May 25, 2021 entered into between Eminent Talent Limited and our Company, pursuant to which our Company agreed to issue and sell and Eminent Talent Limited agreed to subscribe for a total of 7,933,275 Series C Preferred Shares with the consideration of US\$9,570,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (aa) a deed of adherence dated May 25, 2021 entered into between Eminent Talent Limited and our Company, pursuant to which Eminent Talent Limited shall be deemed as an original party to the Series C Shareholders Agreement;
- (bb) an accession agreement dated May 25, 2021 entered into between Marble Router Limited and our Company, pursuant to which our Company agreed to issue and sell and Marble Router Limited agreed to subscribe for a total of 4,144,867 Series C Preferred Shares with the consideration of US\$5,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (cc) a deed of adherence dated May 25, 2021 entered into between Marble Router Limited and our Company, pursuant to which Marble Router Limited shall be deemed as an original party to the Series C Shareholders Agreement;

- (dd) an accession agreement dated May 25, 2021 entered into between Simag Investment Limited and our Company, pursuant to which our Company agreed to issue and sell and Simag Investment Limited agreed to subscribe for a total of 4,144,867 Series C Preferred Shares with the consideration of US\$5,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (ee) a deed of adherence dated May 25, 2021 entered into between Simag Investment Limited and our Company, pursuant to which Simag Investment Limited shall be deemed as an original party to the Series C Shareholders Agreement;
- (ff) an accession agreement dated May 25, 2021 entered into between Aqua Tech Investment Limited and our Company, pursuant to which our Company agreed to issue and sell and Aqua Tech Investment Limited agreed to subscribe for a total of 4,144,867 Series C Preferred Shares with the consideration of US\$5,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (gg) a deed of adherence dated May 25, 2021 entered into between Aqua Tech Investment Limited and our Company, pursuant to which Aqua Tech Investment Limited shall be deemed as an original party to the Series C Shareholders Agreement;
- (hh) an accession agreement dated May 25, 2021 entered into between Tasly International Capital Limited and our Company, pursuant to which our Company agreed to issue and sell and Tasly International Capital Limited agreed to subscribe for a total of 4,144,867 Series C Preferred Shares with the consideration of US\$5,000,000 in accordance with the terms and conditions set forth in the Series C Share Purchase Agreement;
- (ii) a deed of adherence dated May 25, 2021 entered into between Tasly International Capital Limited and our Company, pursuant to which Tasly International Capital Limited shall be deemed as an original party to the Series C Shareholders Agreement;
- (jj) an exclusive business cooperation agreement dated May 25, 2021 entered into between WFOE and Dingdang Medicine Express Technology, pursuant to which Dingdang Medicine Express Technology agreed to engage WFOE as its exclusive provider of business support, technical services and consultation services in return for service fees;
- (kk) an exclusive purchase option agreement dated May 25, 2021 entered into among WFOE, Yang Wenlong (楊文龍) and Dingdang Medicine Express Technology, pursuant to which WFOE was granted an irrevocable and exclusive right to require Yang Wenlong to transfer any or all his equity interests in Dingdang Medicine Express Technology to WFOE and/or a party designated by WFOE, at any time and from time to time, for considerations equivalent to the proportionate registered capital amount of the equity interests to be transferred;
- (ll) an exclusive purchase option agreement dated May 25, 2021 entered into among WFOE, Zhuhai Dingdang No. 1 Enterprise Management Consulting Center (Limited Partnership) (珠海叮噹一號企業管理諮詢中心(有限合夥)) (“**Dingdang No. 1**”) and Dingdang Medicine Express Technology, pursuant to which WFOE was granted an irrevocable and exclusive right to require Dingdang No. 1 to transfer any or all its equity interests in Dingdang Medicine Express Technology to WFOE and/or a party designated by WFOE, at any time and from time to time, for considerations equivalent to the proportionate registered capital amount of the equity interests to be transferred;

- (mm) an exclusive purchase option agreement dated May 25, 2021 entered into among WFOE, Zhuhai Dingdang No. 2 Enterprise Management Consulting Center (Limited Partnership) (珠海叮噹二號企業管理諮詢中心(有限合夥)) (“**Dingdang No. 2**”) and Dingdang Medicine Express Technology, pursuant to which WFOE was granted an irrevocable and exclusive right to require Dingdang No. 2 to transfer any or all its equity interests in Dingdang Medicine Express Technology to WFOE and/or a party designated by WFOE, at any time and from time to time, for considerations equivalent to the proportionate registered capital amount of the equity interests to be transferred;
- (nn) an exclusive purchase option agreement dated May 25, 2021 entered into among WFOE, Zhuhai Dingdang No. 3 Enterprise Management Consulting Center (Limited Partnership) (珠海叮噹三號企業管理諮詢中心(有限合夥)) (“**Dingdang No. 3**”) and Dingdang Medicine Express Technology, pursuant to which WFOE was granted an irrevocable and exclusive right to require Dingdang No. 3 to transfer any or all its equity interests in Dingdang Medicine Express Technology to WFOE and/or a party designated by WFOE, at any time and from time to time, for considerations equivalent to the proportionate registered capital amount of the equity interests to be transferred;
- (oo) an exclusive purchase option agreement dated May 25, 2021 entered into among WFOE, Zhuhai Dingdang No. 4 Investment Center (Limited Partnership) (珠海叮噹四號投資中心(有限合夥)) (“**Dingdang No. 4**”) and Dingdang Medicine Express Technology, pursuant to which WFOE was granted an irrevocable and exclusive right to require Dingdang No. 4 to transfer any or all its equity interests in Dingdang Medicine Express Technology to WFOE and/or a party designated by WFOE, at any time and from time to time, for considerations equivalent to the proportionate registered capital amount of the equity interests to be transferred;
- (pp) a loan agreement dated May 25, 2021 entered into between WFOE and Yang Wenlong (楊文龍), pursuant to which WFOE agreed to provide Yang Wenlong (楊文龍) with a loan equivalent to RMB12,941,177, with a term of 20 years from the date of signing of the agreement and subject to extension by mutual consent;
- (qq) a loan agreement dated May 25, 2021 entered into between WFOE and Dingdang No. 1, pursuant to which WFOE agreed to provide Dingdang No. 1 with a loan equivalent to RMB5,000,000, with a term of 20 years from the date of signing of the agreement and subject to extension by mutual consent;
- (rr) a loan agreement dated May 25, 2021 entered into between WFOE and Dingdang No. 2, pursuant to which WFOE agreed to provide Dingdang No. 2 with a loan equivalent to RMB5,000,000, with a term of 20 years from the date of signing of the agreement and subject to extension by mutual consent;
- (ss) a loan agreement dated May 25, 2021 entered into between WFOE and Dingdang No. 3, pursuant to which WFOE agreed to provide Dingdang No. 3 with a loan equivalent to RMB10,000,000, with a term of 20 years from the date of signing of the agreement and subject to extension by mutual consent;
- (tt) a loan agreement dated May 25, 2021 entered into between WFOE and Dingdang No. 4, pursuant to which WFOE agreed to provide Dingdang No. 4 with a loan equivalent to RMB20,000,000, with a term of 20 years from the date of signing of the agreement and subject to extension by mutual consent;

- (uu) an equity pledge agreement dated May 25, 2021 entered into among WFOE, Yang Wenlong (楊文龍), and Dingdang Medicine Express Technology, pursuant to which Yang Wenlong (楊文龍) agreed to pledge all his equity interests in Dingdang Medicine Express Technology to WFOE;
- (vv) an equity pledge agreement dated May 25, 2021 entered into among WFOE, Dingdang No. 1, and Dingdang Medicine Express Technology, pursuant to which Dingdang No. 1 agreed to pledge all its equity interests in Dingdang Medicine Express Technology to WFOE;
- (ww) an equity pledge agreement dated May 25, 2021 entered into among WFOE, Dingdang No. 2, and Dingdang Medicine Express Technology, pursuant to which Dingdang No. 2 agreed to pledge all its equity interests in Dingdang Medicine Express Technology to WFOE;
- (xx) an equity pledge agreement dated May 25, 2021 entered into among WFOE, Dingdang No. 3, and Dingdang Medicine Express Technology, pursuant to which Dingdang No. 3 agreed to pledge all its equity interests in Dingdang Medicine Express Technology to WFOE;
- (yy) an equity pledge agreement dated May 25, 2021 entered into among WFOE, Dingdang No. 4, and Dingdang Medicine Express Technology, pursuant to which Dingdang No. 4 agreed to pledge all its equity interests in Dingdang Medicine Express Technology to WFOE;
- (zz) a proxy agreement dated May 25, 2021 executed by Yang Wenlong (楊文龍), pursuant to which Yang Wenlong (楊文龍) agreed to, among other things, irrevocably and exclusively appoint WFOE or the entities or persons designated by WFOE as his attorneys-in-fact to exercise on his behalf, any and all right that he has in respect of his equity interests in Dingdang Medicine Express Technology;
- (aaa) a proxy agreement dated May 25, 2021 executed by Dingdang No. 1, pursuant to which Dingdang No. 1 agreed to, among other things, irrevocably and exclusively appoint WFOE or the entities or persons designated by WFOE as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Dingdang Medicine Express Technology;
- (bbb) a proxy agreement dated May 25, 2021 executed by Dingdang No. 2, pursuant to which Dingdang No. 2 agreed to, among other things, irrevocably and exclusively appoint WFOE or the entities or persons designated by WFOE as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Dingdang Medicine Express Technology;
- (ccc) a proxy agreement dated May 25, 2021 executed by Dingdang No. 3, pursuant to which Dingdang No. 3 agreed to, among other things, irrevocably and exclusively appoint WFOE or the entities or persons designated by WFOE as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Dingdang Medicine Express Technology;
- (ddd) a proxy agreement dated May 25, 2021 executed by Dingdang No. 4, pursuant to which Dingdang No. 4 agreed to, among other things, irrevocably and exclusively appoint WFOE or the entities or persons designated by WFOE as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Dingdang Medicine Express Technology;

- (eee) the cornerstone investment agreement dated August 29, 2022 entered into between our Company, 陽光人壽保險股份有限公司 Sunshine Life Insurance Corporation Limited (“**Sunshine Insurance**”), China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited, pursuant to which Sunshine Insurance agreed to subscribe for such number of Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of USD25,000,000 (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy);
- (fff) the cornerstone investment agreement dated August 30, 2022 entered into between our Company, Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Great Bay Investment SP (“**Harvest**”), China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited, pursuant to which Harvest agreed to subscribe for such number of Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of USD10,000,000 (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy);
- (ggg) the cornerstone investment agreement dated August 29, 2022 entered into between our Company, Jumpcan International Co., Ltd. (“**Jumpcan**”), China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited, pursuant to which Jumpcan agreed to subscribe for such number of Shares of the Company at the Offer Price in an aggregate of such amount of Hong Kong dollar equivalent of USD3,000,000 (excluding brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the FRC transaction levy); and
- (hhh) the Hong Kong Underwriting Agreement.

## 2. Intellectual Property Rights

### (a) Trademarks

#### (i) Trademarks Registered in the PRC

As at the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be or may be material to our business:



No.	Trademarks	Owner	Registration number	Type	Term of trademark right
1.	叮当快药	Dingdang Medicine Express Technology	15539407	35	April 7, 2016 to April 6, 2026
2.	叮当快药	Dingdang Medicine Express Technology	15539417	44	March 7, 2016 to March 6, 2026
3.	叮当送药	Dingdang Medicine Express Technology	15633657	35	April 7, 2016 to April 6, 2026
4.	叮当送药	Dingdang Medicine Express Technology	15634621	44	February 14, 2016 to February 13, 2026

No.	Trademarks	Owner	Registration number	Type	Term of trademark right
5.		Dingdang Medicine Express Technology	16711752	35	August 28, 2016 August 27, 2026
6.		Dingdang Medicine Express Technology	18148543	35	February 14, 2018 to February 13, 2028
7.		Dingdang Medicine Express Technology	22415339	9	January 28, 2019 to January 27, 2029
8.		Dingdang Medicine Express Technology	22416197	29	April 7, 2018 to April 6, 2028
9.		Dingdang Medicine Express Technology	22416484	31	April 7, 2018 to April 6, 2028
10.		Dingdang Medicine Express Technology	22416837	39	February 7, 2018 to February 6, 2028
11.		Dingdang Medicine Express Technology	22416996	40	April 7, 2018 to April 6, 2028
12.		Dingdang Medicine Express Technology	22455645	35	April 21, 2018 to April 20, 2028
13.		Dingdang Medicine Express Technology	22455684	44	April 7, 2018 to April 6, 2028
14.		Dingdang Medicine Express Technology	22455724	44	February 7, 2018 to February 6, 2028
15.		Dingdang Medicine Express Technology	23326767	35	November 28, 2018 to November 27, 2028
16.		Dingdang Medicine Express Technology	26354564	39	September 7, 2018 to September 6, 2028
17.		Dingdang Medicine Express Technology	26372358	44	January 14, 2021 to January 13, 2031
18.		Dingdang Medicine Express Technology	35557017	5	January 28, 2020 to January 27, 2030
19.		Dingdang Medicine Express Technology	35559251	9	February 21, 2020 to February 20, 2030

No.	Trademarks	Owner	Registration number	Type	Term of trademark right
20.		Dingdang Medicine Express Technology	35560693	30	December 14, 2020 to December 13, 2030
21.		Dingdang Medicine Express Technology	35567434	29	November 14, 2020 to November 13, 2030
22.	叮当快药	Dingdang Medicine Express Technology	37236718A	9	May 21, 2020 to May 20, 2030
23.		Dingdang Medicine Express Technology	38665904A	20	August 28, 2020 to August 27, 2030
24.	叮当到家	Dingdang Medicine Express Technology	41291681	44	October 14, 2020 to October 13, 2030
25.	叮当好健康	Dingdang Medicine Express Technology	47975915	30	March 7, 2021 to March 6, 2031
26.	叮当好健康	Dingdang Medicine Express Technology	47975938	35	March 7, 2021 to March 6, 2031
27.	叮当好健康	Dingdang Medicine Express Technology	47983451	29	March 7, 2021 to March 6, 2031
28.	叮当好健康	Dingdang Medicine Express Technology	47969866	44	March 7, 2021 to March 6, 2031
29.	叮当好健康	Dingdang Medicine Express Technology	47989630	32	March 7, 2021 to March 6, 2031
30.	叮当好健康	Dingdang Medicine Express Technology	47991505	3	March 7, 2021 to March 6, 2031
31.		Yaofangwang	6312354	9	March 28, 2020 to March 27, 2030
32.		Yaofangwang	6312353	10	October 7, 2020 to October 6, 2030
33.		Yaofangwang	6312352	30	June 7, 2020 to June 6, 2030

*(ii) Trademark Registered in Hong Kong*

As at the Latest Practicable Date, we had registered the following trademark in Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class	Registration Number	Expiry Date
1.		Dingdang Health Technology Group (HK) Limited	3, 5, 9, 10, 29, 30, 31, 32, 35	305467771	December 28, 2030
2.		Dingdang Health Technology Group (HK) Limited	9, 35, 44, 45	305529646	February 5, 2031

*(c) Copyrights*

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

*(i) Software Copyrights*

No.	Software Name	Owner	Registration number	Development completion date	Initial publish date
1.	Mobile client of Dingdang Medicine Express (short name: Dingdang Medicine Express) 1.0.0	Dingdang Medicine Express Technology	2015SR055180	February 6, 2015	February 6, 2015
2.	E-zoning software of Dingdang Medicine Express (IOS version) V3.0	Dingdang Medicine Express Technology	2016SR272184	September 25, 2015	September 25, 2015
3.	E-zoning software of Dingdang Medicine Express V2.0	Dingdang Medicine Express Technology	2016SR272925	January 1, 2015	January 1, 2015
4.	Mobile client software of Dingdang Medicine Express (Android version) V2.0	Dingdang Medicine Express Technology	2016SR272927	January 1, 2015	January 1, 2015
5.	Mobile client software of Dingdang Medicine Express (IOS version) V2.0	Dingdang Medicine Express Technology	2016SR272929	January 1, 2015	January 1, 2015
6.	Mobile client software of Dingdang Medicine Express (Android version) V3.0	Dingdang Medicine Express Technology	2016SR272933	September 25, 2015	September 25, 2015



<u>No.</u>	<u>Software Name</u>	<u>Owner</u>	<u>Registration number</u>	<u>Development completion date</u>	<u>Initial publish date</u>
7.	Mobile client software of Dingdang Medicine Express (IOS version) V4.0	Dingdang Medicine Express Technology	2017SR118202	May 20, 2016	May 23, 2016
8.	Joint procurement platform of Dingdang Medicine Express (short name: Joint procurement platform) V1.0.0	Dingdang Medicine Express Technology	2017SR118207	October 28, 2016	November 3, 2016
9.	Mobile client software of Dingdang Medicine Express (Android version) V4.0	Dingdang Medicine Express Technology	2017SR464481	May 20, 2016	May 23, 2016
10.	Seven plate software of Dingdang Medicine Express (H5 version) V1.0.0	Dingdang Medicine Express Technology	2018SR441792	March 13, 2017	June 15, 2017
11.	H5 client system of Dingdang Medicine Express V3.0.0	Dingdang Medicine Express Technology	2018SR443522	October 10, 2017	December 10, 2017
12.	WeChat applet mobile client software of Dingdang Medicine Express (IOS version) V1.0.0	Dingdang Medicine Express Technology	2018SR443791	November 8, 2017	January 8, 2018
13.	Dispatching center mobile client software of Dingdang Medicine Express (Android version) V3.0.0	Dingdang Medicine Express Technology	2018SR443345	January 15, 2018	March 1, 2018
14.	Dispatching center mobile client software of Dingdang Medicine Express (IOS version) V3.0.0	Dingdang Medicine Express Technology	2018SR443347	January 15, 2018	March 1, 2018
15.	ACT system of Dingdang Medicine Express V1.0	Dingdang Medicine Express Technology	2020SR1899762	December 12, 2017	December 13, 2017
16.	BI reporting system of Dingdang Medicine Express V3.0	Dingdang Medicine Express Technology	2020SR1877153	June 30, 2020	July 1, 2020
17.	CMS system of Dingdang Medicine Express V1.0	Dingdang Medicine Express Technology	2020SR1877195	April 9, 2015	April 10, 2015
18.	POP management system of Dingdang Medicine Express V1.0	Dingdang Medicine Express Technology	2020SR1877159	October 30, 2020	November 2, 2020
19.	TOP system of Dingdang Medicine Express V5.0	Dingdang Medicine Express Technology	2020SR1877246	October 30, 2020	November 2, 2020

<b>No.</b>	<b>Software Name</b>	<b>Owner</b>	<b>Registration number</b>	<b>Development completion date</b>	<b>Initial publish date</b>
20.	Micro mall system of Dingdang Medicine Express V1.0	Dingdang Medicine Express Technology	2020SR1877143	January 2, 2015	January 5, 2015
21.	Mobile client APP of Dingdang Compass V2.0	Dingdang Medicine Express Technology	2020SR1669648	October 16, 2019	Unpublished
22.	Mobile client APP of Dingdang Medicine Express (iOS) V5.0	Dingdang Medicine Express Technology	2020SR1669588	September 12, 2018	September 13, 2018
23.	Mobile client APP of Dingdang Medicine Express (Android) V5.0	Dingdang Medicine Express Technology	2020SR1669645	September 12, 2018	September 13, 2018
24.	Real-time monitoring of large screen system of Dingdang Medicine Express V1.0	Dingdang Medicine Express Technology	2020SR1669644	March 20, 2019	Unpublished
25.	Three-party platform docking system of Dingdang Medicine Express V4.0	Dingdang Medicine Express Technology	2020SR1669621	November 21, 2019	Unpublished
26.	Delivery APP of Dingdang Medicine Express (iOS) V3.0	Dingdang Medicine Express Technology	2020SR1668665	March 10, 2017	Unpublished
27.	Delivery APP of Dingdang Medicine Express (Android) V3.0	Dingdang Medicine Express Technology	2020SR1668664	March 10, 2017	Unpublished
28.	Customer service management system of Dingdang Medicine Express V4.0	Dingdang Medicine Express Technology	2020SR1668671	February 6, 2015	Unpublished
29.	Picking App of Dingdang Medicine Express (iOS) V4.0	Dingdang Medicine Express Technology	2020SR1669670	April 17, 2018	Unpublished
30.	Picking App of Dingdang Medicine Express (Android) V4.0	Dingdang Medicine Express Technology	2020SR1669671	April 17, 2018	Unpublished
31.	E-zoning system of Dingdang Medicine Express (short name: E-zoning) V2.0	Dingdang Smart Pharmacy (Guangdong) Co., Ltd.	2017SR081502	February 1, 2015	May 28, 2015
32.	Mobile client APP of Dingdang Kuaiyi (IOS version) (short name: Dingdang Kuaiyi) V1.0	Hainan Internet Hospital	2020SR0389930	April 16, 2019	Unpublished

No.	Software Name	Owner	Registration number	Development completion date	Initial publish date
33.	Mobile client APP of Dingdang Kuaiyi (Android version) (short name: Dingdang Kuaiyi) V1.0.0	Hainan Internet Hospital	2020SR0389933	April 16, 2019	Unpublished
34.	Dingdang Kuaiyi (Hainan) Internet Hospital APP (Android version) (short name: Dingdang Kuaiyi (Hainan)) V1.0.0	Hainan Internet Hospital	2020SR0010041	August 20, 2019	Unpublished
35.	Dingdang Kuaiyi (Hainan) Internet Hospital APP (IOS version) (short name: Dingdang Kuaiyi (Hainan)) V1.0.0	Hainan Internet Hospital	2020SR0010047	August 20, 2019	Unpublished
36.	Operation management system of Dingdang Kuaiyi V1.0	Hainan Dingdang Kuaiyi	2020SR1823598	August 31, 2020	Unpublished

*(ii) Other Copyrights*

No.	Copyright	Owner	Registration number	Development completion date	Initial publish date
1.	Dingdang Kuaiyao Xiaoge (叮嗒快藥小哥)	Dingdang Medicine Express Technology	Guozuodengzi-2016-F-00271239	July 12, 2015	July 12, 2015

*(c) Patents*

As at the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent name	Owner	Patent type	Patent number	Application date	Announcement date
1.	Drug delivery box	Dingdang Medicine Express Technology	Appearance design	ZL 202030652574.3	October 30, 2020	April 6, 2021
2.	Bike bracket for delivery	Dingdang Medicine Express Technology	Appearance design	ZL 202030652560.1	October 30, 2020	March 30, 2021
3.	Bike bracket for delivery	Dingdang Medicine Express Technology	Appearance design	ZL 202030654309.9	October 30, 2020	March 30, 2021
4.	Bike bracket for delivery	Dingdang Medicine Express Technology	Appearance design	ZL 202030652565.4	October 30, 2020	March 26, 2021

### 3. Domain Names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain	Registrant of domain	Registration date of domain	Expiry date of domain
1.	ddky.com	Dingdang Medicine Express Technology	January 2, 2003	January 2, 2024
2.	ddy.com	Dingdang Medicine Express Technology	July 19, 2003	July 19, 2023
3.	ddsy.com	Dingdang Medicine Express Technology	February 23, 2005	February 23, 2023
4.	yaofang.com	Yaofangwang	August 9, 2001	August 9, 2025
5.	yaofang.cn	Yaofangwang	April 22, 2003	April 22, 2025
6.	ddshyf.com	Dingdang Smart Pharmacy (Shanghai) Co., Ltd.	August 29, 2016	August 29, 2022
7.	ysbxdyf.cn	Dingdang Smart Pharmacy (Beijing) Co., Ltd.	February 2, 2015	February 2, 2023
8.	ysbxdyf.com	Dingdang Smart Pharmacy (Beijing) Co., Ltd.	February 2, 2015	February 2, 2023
9.	ddy.com	Dingdang Smart Pharmacy (Beijing) Co., Ltd.	February 27, 2010	February 27, 2023
10.	ddgdyf.com	Dingdang Smart Pharmacy (Guangdong) Co., Ltd.	August 15, 2016	August 15, 2022
11.	njddyf.com	Dingdang Smart Pharmacy (Nanjing) Co., Ltd.	October 17, 2019	October 17, 2024
12.	ddhnyf.com	Henan Dingdang Smart Pharmacy Co., Ltd.	November 13, 2020	November 13, 2025
13.	ddss.com	Hainan Internet Hospital	April 14, 2001	April 14, 2023

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS****1. Particulars of Directors' Service Contracts and Appointment Letters***(a) Executive Directors*

Each of our executive Directors have entered into a service contract with us pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from June 17, 2021 or until the third annual general meeting of our Company since the Listing Date (whichever ends earlier). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management — Remuneration of the Directors and Senior Management".

*(b) Non-executive Directors and independent non-executive Directors*

Each of the non-executive Directors has entered into an appointment letter with our Company on August 26, 2022. The initial term for their appointment letters shall commence from June 17, 2021 and shall continue for three years after or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with our Company on August 26, 2022. The initial term for their appointment letters shall be three years from the date of this Prospectus or until the third annual general meeting of the Company since the Listing Date, whichever ends earlier, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

**2. Remuneration of Directors**

- (a) Save as disclosed above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).
- (b) During the four years ended December 31, 2018, 2019, 2020, 2021 and three months ended March 31, 2022, the aggregate amount of fees, salaries, allowances, retirement benefits scheme contributions and other benefits of our Directors were approximately RMB1.0 million, RMB1.6 million, RMB6.5 million, RMB243.9 million, and RMB69.3 million respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix I to this prospectus.
- (c) Under the arrangement currently in force, the Company expects that the total remuneration (without taking into account the year-end bonuses and Employee Incentive Scheme) to be paid to our Directors and by the Company for the year ending 2022 amounted to approximately RMB5 million.

- (d) No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.
- (e) Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

### 3. Disclosure of Interests

(a) *Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering*

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) *Interest in Shares*

Name of Director or chief executive	Nature of interest	Number and class of securities <sup>(1)</sup>	Approximate percentage of interest in our Company immediately before the Global Offering	Approximate percentage of interest in our Company immediately after the Global Offering (assuming the Over-allotment Option is not exercised)
Yang Wenlong <sup>(2)</sup>	Beneficial owner, interest in controlled corporation, interest through voting rights entrustment arrangement, interest held jointly with other persons	660,205,360	50.48%	49.21%
Xu Ning <sup>(3)</sup>	Beneficial Owner	5,000,000	0.38%	0.37%
Yu Lei <sup>(4)</sup>	Beneficial Owner	10,000,000	0.76%	0.75%
Yu Qinglong <sup>(5)</sup>	Beneficial Owner	8,000,000	0.61%	0.60%

*Notes:*

- (1) Series A Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares and Series C Preferred Shares will be re-designated to ordinary shares immediately before Listing.

- (2) As at the Latest Practicable Date, Mr. Yang was indirectly interested in a total of 660,205,360 Shares of our Company, representing approximately 50.48% of the Company's total issued Shares, including (i) 288,472,555 Shares being held through Delight Faith Limited and its subsidiaries, (ii) 295,499,475 Shares being held through Go Far Limited and its subsidiaries, and (iii) 76,233,330 Shares being held or controlled through Voting Rights Entrustment Arrangements with Go Prosper Enterprises Corporation, and Much Premium Investment Limited.
- (3) Mr. Xu Ning is interested in the 5,000,000 Restricted Shares granted to him under the Restricted Share Scheme.
- (4) Mr. Yu Lei is interested in the 10,000,000 Restricted Shares granted to him under the Restricted Share Scheme.
- (5) Mr. Yu Qinglong is interested in the 8,000,000 Restricted Shares granted to him under the Restricted Share Scheme.

(ii) *Interest in associated corporations*

Name	Position in our Group	Name of associated corporations	Percentage Shareholding in our Associated Corporations
Yang Wenlong <sup>(1)</sup>	Executive Director, Chairman of the Board and President	Dingdang Medicine Express Technology	24.44% (Beneficial owner)
			37.78% (Interest in controlled entities)
			37.78% (Interest through voting rights entrustment arrangement)

*Note:*

- (1) As of Latest Practicable Date, Mr. Yang Wenlong controls 100% of the equity interest in Dingdang Medicine Express Technology, including (i) directly holds 24.44% of the equity interest, (ii) indirectly controls 37.78% of the equity interest through Dingdang No. 4, and (iii) indirectly controls 37.78% of the equity interests through Dingdang No. 1, Dingdang No. 2 and Dingdang No. 3, as all the limited partners of Dingdang No. 1, Dingdang No. 2 and Dingdang No. 3 have authorized Mr. Yang Wenlong to exercise the voting rights in directly held by them in Dingdang Medicine Express Technology.

Save as set out above, the Directors are not aware of any of our Directors or chief executives who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), has any interests and/or short positions in the Shares, underlying shares and debentures of our Company's associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

*(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO*

For information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please refer to “Substantial Shareholders”.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

#### 4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the Directors or any experts named in the paragraph headed “E. Other Information — 4. Consents of Experts” below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors or any experts named in the paragraph headed “E. Other Information — 4. Consents of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors or any of experts named in the paragraph headed “E. Other Information — 4. Consents of Experts” below has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (d) taking no account of any Shares which may be taken up under the Global Offering, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (e) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon; and



- (f) so far as is known to our Directors, none of our Directors, their respective close associates or our Shareholders who are interested in more than 5% of the share capital of our Group has any interests in the five largest customers or the Renhe of our Group.

#### D. ESOP PLANS

In order to provide incentives and rewards to members of the Board, employees and consultants of our Group, the Company adopted a series of employee incentive schemes, including Pre-IPO Share Option Scheme, Restricted Share Scheme and RSU Scheme on May 1, 2020 and the Restricted Share Agreement on May 31, 2021 (collectively, the “**ESOP Plans**”).

The ESOP Plans were adopted by the Company as a continuation and restructuring of the employee share incentive scheme originally adopted by Dingdang Medicine Express Technology in September 2016 (the “**2016 ESOP Plan**”), which was established to recognize and reward the contribution of the participants to the growth and development of Dingdang Medicine Express Technology. The 2016 ESOP Plan was terminated as a result of the adoption of the ESOP Plans.

#### SHARE INCENTIVE SCHEMES

In order to provide incentives and rewards to members of the Board, employees and consultants of our Group, the Company adopted the Pre-IPO Share Option Scheme, the RSU Scheme and the Restricted Share Scheme (collectively, “**Share Incentive Schemes**”) on May 1, 2020, which shall continue in effect for a term of ten (10) years since the adoption. The total number of Shares issued or issuable pursuant to the Share Incentive Schemes shall not be more than 87,993,330 Shares, representing approximately 6.56% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

As of the Latest Practicable Date, the total 87,993,330 Shares under the Share Incentive Schemes have been issued in full, consisting of:

- (i) 11,760,000 Shares issued to Excel Returns Group Limited subject to the Pre-IPO Share Option Scheme and the RSU Scheme, representing approximately 0.88% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), among which the corresponding options (the “**Option(s)**”) to subscribe for 11,480,000 Shares have been granted to 96 grantees (the “**Grantee(s)**”) under the Pre-IPO Share Option Scheme. No further Option will be granted by the Company under the Pre-IPO Share Option Scheme after the Listing. In the event where any Option was subsequently terminated or forfeited, the underlying Shares of which will be available for future grant in the form of restricted share unit (“**RSU**”) in accordance with the terms of the RSU Scheme, subject to the then applicable Listing Rules in effect (including Chapter 14A of the Listing Rules and the new requirements under Chapter 17 of the Listing Rules which will take effect on January 1, 2023) from time to time; and
- (ii) 76,233,330 Shares (“**Restricted Shares**”), representing approximately 5.68% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), issued and vested to the 17 participants of the 2016 ESOP Plan through Go Prosper Enterprise Corporation and Much Premium Investment Limited.

No further Shares will be issued pursuant to the Share Incentive Schemes. As such, the exercise of Options or the vesting of any RSUs under the Share Incentive Schemes will not incur any dilution effect on the shareholding structure of the Company.

For the 11,760,000 Shares subject to the Pre-IPO Share Option Scheme and the RSU Scheme issued to Excel Returns Group Limited, each of Mr. Yang Wenlong and Excel Returns Group Limited hereby undertakes that, upon listing, he/it will not exercise voting rights attached to any Shares held by it in relation to Options or RSUs which have not been exercised or vested. For the avoidance of double, in the event where such underlying Shares are vested upon the exercise of the Options granted under the Pre-IPO Share Option Scheme and/or the vesting of RSUs pursuant to the RSU Scheme, the grantee shall irrevocably delegate the voting rights attached to the Shares owned by them pursuant to the exercise of Options or vesting of RSUs to Mr. Yang Wenlong or such other person as designated by Mr. Yang Wenlong.

The Share Incentive Schemes shall be administrated by a committee comprising of Mr. Yang Wenlong and the Director or senior management designated by Mr. Yang Wenlong (the “**Administrator**”).

### **1. Purpose of the Share Incentive Schemes**

Share Incentive Schemes are intended to promote the success and enhance the value of our Company by linking the personal interests of the eligible participants to those of the Company’s shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to the Shareholders. It is further intended to provide flexibility to our Company in the ability to motivate, attract and retain the services of eligible participants.

### **2. Who may join**

Persons eligible to participate in the Share Incentive Schemes include members of the Board, employees and consultants of the Group and its affiliates, as determined by the Administrator (the “**Eligible Participants**”).

### **3. Pre-IPO Share Option Scheme**

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme. The terms of our Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as our Pre-IPO Share Option Scheme will not involve the grant of Options by us to subscribe for new Shares of the Company.

#### **(a). Grant of Options**

An offer shall be deemed to have been accepted when the document in writing for each grant of Options under the Pre-IPO Share Option Scheme to a Grantee (the “**Pre-IPO Grant Letter**”) is duly signed by the relevant Grantee. Nil consideration is required to be paid by the Grantee for the grant of any Options under the Pre-IPO Share Option Scheme.

#### **(b). Exercise Price**

The exercise price of the Options (“**Exercise Price**”) shall be determined by the Administrator and set forth in the Pre-IPO Grant Letter, subject to the requirements of applicable laws. The Exercise Price may be amended or adjusted in the absolute discretion of the Administrator (subject to applicable laws and regulations), the determination of which shall be final, binding and conclusive. For the avoidance of doubt, to the extent not prohibited by applicable laws or regulations, a downward adjustment of the Exercise Price shall be effective without the approval of the Shareholders or the approval of the affected Pre-IPO Eligible Participants.

*(c). Transferability of Options*

Except as otherwise provided by the Administrator, no Option shall be assigned, transferred or otherwise disposed of by a Grantee other than by will or the laws of descent and distribution. No right or interest of a Grantee in any Option may be pledged, encumbered, or hypothecated to or in favour of any party other than the Company or its subsidiaries, or shall be subject to any lien, obligation, or liability of such Grantee to any other party other than the Company or its subsidiaries.

Subject to applicable laws, the Administrator by express provision in the Pre-IPO Grant Letter or an amendment thereto may permit an Option to be transferred to, exercised by and paid to certain persons or entities related to the Grantee, including, without limitation, members of the Grantee's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Grantee's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Administrator, pursuant to such conditions and procedures as the Administrator may establish. Any permitted transfer shall be subject to the condition that the Administrator receives evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with the Grantee's termination of employment or service with the Company or its subsidiaries to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities. Subject to above, the Grantee shall give the Company prompt notice of any disposition of Shares acquired by exercise of Options.

*(d). Exercise of Options*

The Administrator shall determine the time or times at which an Option may be exercised in whole or in part, provided that the term of any Option granted under the Pre-IPO Share Option Scheme shall not exceed ten years, subject to amendment, modification or termination.

A Grantee may exercise his or her Option in whole or in part at any time or times which may be specified by the Administrator in the Pre-IPO Grant Letter, subject to the performance targets and other vesting schedule as specified in the Pre-IPO Grant Letter and applicable laws and regulations. The vesting period shall commence on the date of the Listing.

The Grantee should submit application for exercise of Options (the "**Exercise Application**") (in such form as specified in the Pre-IPO Grant Letter) to the Company, stating that the Options are thereby exercised, the number of Shares in respect of which it is exercised, the exercise price and personal information of the Grantee, accompanied by evidence of meeting the conditions of exercise of Options mentioned above. The Company shall review the Exercise Application at the set time each year and issue notice of exercise of Options (the "**Exercise Notice**") as approved by the Administrator. Within 90 days of the date of the Exercise Notice (the "**Exercise Period**"), the Grantee shall pay in full of the exercise price of the Shares for which the Option is being exercised and complete other exercise procedures as required by the Company. The Administrator shall determine the methods by which the Exercise Price may be paid, subject to the requirements of applicable laws. Payment of any Exercise Price may also be made through cashless exercise at the election of the Administrator. The Grantee shall exercise the Option within the Exercise Period and any vested options which have not been exercised within the Exercised Period shall lapse automatically, unless otherwise agreed in writing by the Company.

The Grantees, upon exercising the Options, shall irrevocably delegate the voting rights attached to the Shares owned or to be owned by them pursuant to the exercise of Options to Mr. Yang Wenlong or such other person as designated by Mr. Yang Wenlong. Therefore, such Shares are subject to lock-up period applicable to Mr. Yang Wenlong following the Listing under applicable laws and regulations.

*(e). Ranking of Shares*

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to any Options that have not been exercised. Shares allotted on the exercise of any Options will be subject to all provisions of the Articles of Association of the Company and will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

*(f). Effect of Alterations to Capital*

In the event of any share dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its Shareholders, or any other change affecting the Shares or the price of a Share, the Administrator shall make such proportionate adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of Shares that may be issued under the Pre-IPO Share Option Scheme; (b) the terms and conditions of any outstanding Options (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the number of Shares covered by an Option or exercise price per Share for any outstanding Options under the Pre-IPO Share Option Scheme, subject to applicable laws and regulations.

*(g). Termination of the Pre-IPO Share Option Scheme*

The Pre-IPO Share Option Scheme will terminate upon occurrence of the change of control of our Company or any merger and division (including being acquired) of the Company. In such circumstances, the Options granted will be dealt with according to the transaction documents as entered into by and among the Company and other parties with respect to the above circumstances.

At any time and from time to time, the Administrator may terminate the Pre-IPO Share Option Scheme; provided, however, to the extent necessary to comply with applicable laws, any Shareholders' agreement, the Articles of Association and any other agreements by and among the Company and the Shareholders in relation to the Pre-IPO Share Option Scheme, the Company shall obtain the Shareholder or Board approval of terminating the Pre-IPO Share Option Scheme in such a manner and to such a degree as required.

*(h). Alteration of the Pre-IPO Share Option Scheme*

At any time and from time to time, the Administrator may amend or modify the Pre-IPO Share Option Scheme; provided, however, to the extent necessary to comply with applicable laws, any Shareholders' agreement, the Articles of Association and any other agreements by and among the Company and the Shareholders in relation to the Pre-IPO Share Option Scheme, the Company shall obtain the Shareholder or Board approval of any amendment of the Pre-IPO Share Option Scheme in such a manner and to such a degree as required. For the avoidance of doubt, both Board approval and Shareholders' approval will be required for any amendment to the Pre-IPO Share Option Scheme that increases the number of Shares available under the Pre-IPO Share Option Scheme (other than any adjustment as provided by paragraph (h) above).

(i). *Termination of Option*

An Option shall lapse forthwith and not be exercisable (to the extent not already vested or vested but not already exercised) with immediate effect or after such period the Administrator may determine, upon the occurrence of any of the following:

- (i). the expiry of the Exercise Period;
- (ii). ten years from the date the Option is granted;
- (iii). the termination of employment or engagement of the Grantee due to the fault of the Grantee, including, among others, breach of the Pre-IPO Grant Letter, employment agreement or cooperation agreement between the Grantee and the Company and/or its affiliates, the Articles of Association and policies of the Company and/or its affiliates, non-performance or improper performance (which further includes breach of professional ethics, disclosure of trade secrets of the Company and/or its affiliates, violation of non-competition rules, misconduct and gross negligence) seriously impairing of the Company's interests or reputation or causing other direct or indirect economic losses to the Company, termination of partnerships without the consent of the Company and/or its affiliates, breach of the laws and regulations of the PRC, in such case, the Grantee shall, where applicable, (i) unconditionally transfer the Shares owned by him or her pursuant to the exercise of the Options to the entity as designated by the Administrator, being Excel Returns Group Limited, at a price specified in the Pre-IPO Grant Letter, the underlying Shares of which will be again available for future grant of Options under the Pre-IPO Share Option Scheme; (ii) transfer any cash dividends and interests (if any) obtained or should be obtained by the Grantee based on the Shares owned by the Grantee pursuant to the exercise of the Options to the entity as designated by the Administrator, being Excel Returns Group Limited; (iii) transfer the proceeds from the transfer of Shares owned by the Grantee pursuant to the exercise of the Options to the Administrator or his designated entity, being Excel Returns Group Limited, if the Grantee has disposed such Shares;
- (iv). the termination of employment or engagement of the Grantee not at the fault of the Grantee before Listing or within one year from the Listing Date, including (i) the termination of employment or engagement of the Grantee in advance as agreed between the Company and/or its affiliates and the Grantee or upon expiration of the employment or engagement without renewal; (ii) retirement of the Grantee without continuing serving as employee or consultant of the Company, unless the Company decides otherwise; and (iii) the Grantee dies or is declared dead, or loses the ability to work, or is determined as a person with no or limited capacity for civil conduct, in such case, the Administrator or his designated entity, being Excel Returns Group Limited, is entitled to repurchase the Shares owned by the Grantee pursuant to the exercise of the Options at a price specified in the Pre-IPO Grant Letter and the underlying Shares of which will become available for future grant.

In the case of the termination of employment or engagement of the Grantee not at the fault of the Grantee on and after one year from the Listing Date, the Grantee (or his/her heirs or guardians) can continue to hold the Shares owned by the Grantee pursuant to the exercise of the Options, and shall exercise the then vested Options within six months from the date of the termination of employment or engagement of the Grantee, otherwise the then vested Options will lapse forthwith.

**(j). Alteration of Options**

In the case that the Grantee is demoted for being incompetent or failing the assessment, changes to part-time positions, or takes too much leaves, the Company is entitled to reduce the number of Shares underlying the unexercised Options granted to such Grantee or adjust the vesting schedule or exercise procedures applicable to such Grantee, subject to the Administrator's review and approval.

In the case that the Grantee is a consultant of the Company and/or subsidiaries, the Grantee's holding of the Shares may or the Company reasonably believes that the Grantee's holding of the Shares of the Company may adversely affect the Global Offering, the Company are entitled to require the Grantee to enter into employment agreement with the Company and/or subsidiaries or repurchase, by itself or entities designated by it, the Shares held by such Grantee at a price specified in the Pre-IPO Grant Letter.

**(k) Outstanding Options**

As of the Latest Practicable Date, the Company had granted Options under the Pre-IPO Share Option Scheme to an aggregate of 96 Grantees to subscribe for a total of 11,480,000 Shares, being the aggregated number of Shares that may be issued upon exercise of all Options granted as of the Latest Practicable Date under the Pre-IPO Share Option. All of the Grantees are employees within the Group. As of the Latest Practicable Date, no Options were granted to any Directors, members of the senior management of the Company or the connected persons of our Group under the Pre-IPO Share Option Scheme.

Details of the Options granted to the Grantees as of the Latest Practicable Date are set out below:

No.	Range of Shares underlying Options granted under the Pre-IPO Share Option Scheme	Total number of Grantees	Total number of Shares underlying outstanding Options	Exercise Price	Dates of grant	Exercise Period	Approximate percentage of equity interest in the Company underlying outstanding Options immediately following completion of the Global Offer (assuming the Over-allotment Option is not exercised)
				(RMB)			
1.	1 to 99,999	61	3,160,000	0.1	May 30, 2020	10 years from grant date	0.236%
2.	100,000 to 199,999	15	1,980,000	0.1	May 30, 2020	10 years from grant date	0.148%
3.	200,000 to 299,999	11	2,500,000	0.1	May 30, 2020	10 years from grant date	0.186%
4.	300,000 or more	9	3,840,000	0.1	May 30, 2020	10 years from grant date	0.286%

As at the Latest Practicable Date, none of the Options has been exercised. No further Option will be granted by the Company under the Pre-IPO Share Option Scheme after the Listing.

*(l) Waiver and Exemption*

Our Company has applied for and has been granted: (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) a certificate of exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance. See “Waiver from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance”.

**4. RSU Scheme**

The following is a summary of the principal terms of the RSU Scheme. The terms of our RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules which are currently in effect.

*(a) Grant of RSUs*

Subject to the provisions of the RSU Scheme, the Administrator may, from time to time, select from among all eligible participants, those to whom grant RSU shall be granted (the “**RSU Participants**”) and shall determine the amount of RSUs to be granted.

Each award of RSU shall be evidenced by a RSU award agreement, which shall specify any vesting conditions, the number of RSUs granted, and such other terms and conditions as the Administrator, in its sole discretion, shall determine.

*(b) Vesting Schedule*

The Administrator, in its discretion, may set performance targets or other vesting criteria which, depending on the extent to which they are met, will determine the number or value of RSUs that will be vested.

*(c) Form and Timing of Payment of Restricted Share Units.*

At the time of grant, the Administrator shall specify the date or dates the RSUs shall become fully vested. Upon vesting, the Administrator, in its sole discretion, may pay RSUs in the form of cash, Shares, other form of settlement as determined by the Company or in a combination thereof.

*(d) Forfeiture/Repurchase*

Except as otherwise determined by the Administrator at the time of the grant of the RSUs or thereafter, upon termination of employment or service of the RSU Participants, RSUs that are at that time unvested shall be forfeited, and the Company has the right, but not obligation to repurchase the RSUs at the time vested in accordance with the RSU award agreement; provided, however, the Administrator may (a) provide in any RSU award agreement that restrictions or forfeiture and repurchase conditions relating to RSUs will be waived in whole or in part in the event of terminations resulting from specified causes, and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to RSUs.

Underlying Shares subject to any RSUs which are forfeited to the Company due to failure to vest will become available for future grant under the RSU Scheme.

*(e) Limits on Transfer*

Except as otherwise provided by the Administrator, no RSU shall be assigned, transferred or otherwise disposed of by a RSU Participant other than by will or the laws of descent and distribution. Subject to Applicable Laws, the Administrator by express provision in the RSU award agreement or an amendment thereto may permit a RSU to be transferred to, exercised by and paid to certain persons or entities related to the RSU Participant, including, without limitation, members of the RSU Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the RSU Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Administrator, pursuant to such conditions and procedures as the Administrator may establish.

*(f) Amendment, Modification and Termination*

In the event of any share dividend, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the Shares or the price of a Share, the Administrator shall make such proportionate adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of Shares that may be issued under the RSU Scheme; (b) the terms and conditions of any outstanding RSUs (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the number of Shares covered by an RSU or exercise price per Share for any outstanding RSUs under the RSU Scheme, subject to applicable laws and regulations.

At any time and from time to time, the Administrator may terminate, amend or modify the RSU Scheme; provided, however, to the extent necessary to comply with applicable laws, any Shareholders Agreement, the Articles of Association and any other agreements by and among the Company and the Company's Shareholders in relation to the RSU Scheme, the Company shall obtain the Shareholder or Board approval of any amendment in such a manner and to such a degree as required.

As of the Latest Practicable Date, no RSU has been granted under the RSU Scheme. For the avoidance of doubt, the Company will comply with then applicable Listing Rules in effect (including Chapter 14A of the Listing Rules and the new requirements under Chapter 17 of the Listing Rules which will take effect on January 1, 2023) when granting RSUs to eligible participants from time to time.

## 5. Restricted Share Scheme

The following is a summary of the principal terms of the Restricted Share Scheme of the Company, which is a continuation and restructuring of the 2016 ESOP Plan. Pursuant to the Restricted Share Scheme, a total of 76,233,330 Shares ("**Restricted Shares**"), representing approximately 5.68% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) have been issued to the 17 participants ("**Restricted Share Scheme Participants**") of the 2016 ESOP Plan through Go Prosper Enterprise Corporation and Much Premium Investment Limited (the "**Restricted Share Scheme Platform**"), all of which have been vested as of the Latest Practicable Date.



Details of the Restricted Shares granted to the Directors of the Company or our subsidiaries, who are connected persons of the Company, as of the Latest Practicable Date are set out below:

<u>Name</u>	<u>Address</u>	<u>Relationship with the Company</u>	<u>Total Number of Restricted Shares</u>	<u>Grant Date</u>
XU Ning (徐寧) . . . . .	No. 1005, Gate 1, Building 6 Jiao Dao Kou Dong Da Street Dongcheng District Beijing PRC	Executive Director and Vice President	5,000,000	September 13, 2016
YU Lei (俞雷) . . . . .	No. 608, Building 6, Yuxin Garden, Xisanqi East Road, Haidian District, Beijing, PRC	Executive Director and Vice President	10,000,000	September 13, 2016
YU Qinglong (于慶龍) . . . . .	Room 405, North Tower, Ya An International Apartment No. 2 Jinbao Street Dongcheng District Beijing PRC	Executive Director and Chief Technology Officer	8,000,000	September 13, 2016
XIONG Zhonghua (熊忠華) . . . . .	Room 201, Unit 4, Building 7, Nanli East District, Xihua City, Dongcheng District, Beijing	Directors and chief executive of our subsidiaries	10,916,665	September 13, 2016
HUA Chunguo (化春國) . . . . .	34C, Building 9 Dachong City Garden No. 12 Kefa Road Nanshan District Shenzhen Guangdong Province PRC	Directors and chief executive of our subsidiaries	5,000,000	September 13, 2016
Feng Gang (馮綱) . . . . .	Room 202, Floor 2, No. 10, Lane 199, Qizhen Road, Dachang Town, Baoshan District, Shanghai, PRC	Directors and chief executive of our subsidiaries	7,000,000	September 13, 2016

The Restricted Share Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Restricted Share Scheme does not involve the grant of Options by our Company to subscribe for new Shares.

**(a). Purpose**

The purpose of Restricted Share Scheme was to recognize and reward the contribution of the Restricted Share Scheme Participants to the growth and development of our Group.

**(b). Restrictions**

- (i). the cash dividend payable to the Restricted Share Scheme Participants shall be withheld and managed by the Restricted Share Scheme Platform and shall be paid to the Restricted Share Scheme Participants in accordance with the schedules as specified in the document in writing for each grant of Restricted Shares under the Restricted Share Scheme to the Restricted Share Scheme Participants (the “**Restricted Share Grant Letter**”); and
- (ii). in the event of any share dividend, share split, share consolidation, share capital increase or reduction, the number of Restricted Shares held by the Restricted Share Scheme Participants will be adjusted accordingly.

*(c). Lock-up Arrangement*

The Restricted Share Scheme Participants, after being granted the Restricted Shares (including before and after the Restricted Shares are released from the transfer restrictions), shall irrevocably delegate the voting rights attached to the Restricted Shares to Mr. Yang Wenlong or such other person as designated by Mr. Yang Wenlong. Therefore, such Shares are subject to lock-up period applicable to Mr. Yang Wenlong following the Listing under applicable laws and regulations.

In compliance with applicable laws and regulations, the Restricted Share Scheme Participants are subject to lock-up arrangements with respect to transfer of Restricted Shares as specified in the Restricted Share Grant Letter, and the Company and its actual controller may adjust the lock-up arrangement when it deems necessary.

When the Restricted Shares are released from the lock-up arrangement, the transfer of the Restricted Shares can be realized in any of the following ways:

- (i). the Company, through the Restricted Share Scheme Platform, sells the Restricted Shares through the open market and the proceeds therefrom will be used to repurchase the Shares in the Restricted Share Scheme Platform held by the Restricted Share Scheme Participants;
- (ii). the entity designated by the Administrator repurchases the Shares in the Restricted Share Scheme Platform held by the Restricted Share Scheme Participants at a price of the corresponding Restricted Shares.

*(d). Repurchase Rights*

In any event as set forth below, the actual controller of the Company and/or the entities designated by the actual controller shall be entitled to repurchase from the Restricted Share Participants certain number of Restricted Shares:

- (i). the termination of employment of the Restricted Share Scheme Participants due to the fault of the Restricted Share Scheme Participants;
- (ii). termination of employment not at the fault of the Restricted Share Scheme Participants within 12 months from the Listing Date;
- (iii). termination of employment not at the fault of the Restricted Share Scheme Participants after 12 months but within 24 months from the Listing Date;
- (iv). termination of employment not at the fault of the Restricted Share Scheme Participants after 24 months but within 36 months from the Listing Date;
- (v). in the case that the Restricted Share Scheme Participant is demoted for being incompetent or failing the assessment, changes to part-time positions, or takes too much leaves;

*(e). Termination of Restricted Share Scheme*

The Restricted Share Scheme will terminate upon occurrence of the change of control of our Company or any merger and division (including being acquired) of the Company.

At any time and from time to time, the Administrator may terminate the Restricted Share Scheme; provided, however, to the extent necessary to comply with applicable laws, any Shareholders' agreement, the Articles of Association and any other agreements by and among the Company and the Shareholders in relation to the Restricted Share Scheme, the Company shall obtain the Shareholder or Board approval of terminating the Restricted Share Scheme in such a manner and to such a degree as required.

## RESTRICTED SHARE AGREEMENT

The following is a summary of the principal terms of the Restricted Share Agreement entered into by the Company, Mr. Yang Wenlong and Future Health Limited, a company held as to 60% of its equity interests by Mr. Yang Wenlong on May 31, 2021 (the "**Date of Grant**") which has been approved by the Shareholders of the Company on May 25, 2021. Pursuant to the Restricted Share Agreement, 130,793,590 ordinary Shares, representing 9.75% of the total issued share capital of the Company immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) (the "**Founder Incentive Shares**"), were issued to Future Health Limited.

The Restricted Share Agreement is not subject to the provisions of Chapter 17 of the Listing Rules as the Restricted Share Agreement does not involve the grant of options by our Company to subscribe for new Shares.

*(a). Purpose*

The purpose of the Restricted Share Agreement was to recognize and reward the contribution of Mr. Yang Wenlong to the growth and development of our Group.

*(b). Vesting Schedule*

Provided that Mr. Yang Wenlong remains as an employee of the Company at such time:

- 20% of the Founder Incentive Shares will be released of all the Special Restrictions (as defined below) upon the expiration of the lock-up period applicable to the Mr. Yang Wenlong after Listing under the Listing Rules.
- 40% of the Founder Incentive Shares will be released of the Special Restrictions in equal tranches on each of the first four anniversaries of the Date of Grant.
- 40% of the Founder Incentive Shares will be released of the Special Restrictions in equal tranches over four years (each such a year, the "Restricted Calculation Year") if Mr. Yang Wenlong meets the performance targets as specified in the Restricted Share Agreement on the performance testing date, which is the date the Board approves the final audited financial statements, for such Restricted Calculation Year.

The Founder Incentive Shares so released are hereinafter referred to as "Released Founder Incentive Shares" and the Founder Incentive Shares that have not yet been vested are hereinafter referred to as "Unreleased Founder Incentive Shares".

(c). *Transfer Restrictions*

Mr. Yang Wenlong may not sell, transfer, pledge or otherwise dispose of, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale of, any Founder Incentive Shares during the period from the Date of Grant until the later of four (4) years after the Date of Grant or the expiration of the lock-up period applicable to Mr. Yang Wenlong after the Qualified IPO (the “**Restricted Period**”). The Founder Incentive Shares are also restricted in the sense that they may be repurchased by the Company.

(d). *Repurchase Rights*

In the case of termination of employment of Mr. Yang Wenlong with the Company (the “**Termination**”), the Unreleased Founder Incentive Shares will be repurchased by the Company at nil price (together with the Transfer Restrictions, the “**Special Restrictions**”).

In the events set forth below, notwithstanding the release of the Special Restrictions, until the later of four years after the Date of Grant or the expiration of the lock-up period applicable to Mr. Yang Wenlong after Listing under the Listing Rules, the Company shall be entitled to repurchase Released Founder Incentive Shares:

- (i). at nil price following a Bad Leaver Termination, including (1) Termination for Cause by the Company; (2) Termination by Mr. Yang Wenlong other than for Good Reason or death, disability or mutually agreed retirement; (3) violation of restrictive covenants including non-compete, non-solicitation, confidentiality, and non-disparagement by Mr. Yang Wenlong; or
- (ii). at fair market value following a Termination that is not a Bad Leaver Termination.

“Cause” includes, (i) a material breach by Mr. Yang Wenlong of his employment or similar agreement with the Company (“**Service Agreements**”), (ii) the failure by Mr. Yang Wenlong to reasonably and substantially perform his duties to the Company under the Service Agreements, which failure is materially damaging to the financial or business operation condition of the Company; (iii) fraud or willful misconduct of Mr. Yang Wenlong which is injurious to the Company or (iv) the commission by Mr. Yang Wenlong of a felony or other serious crime involving moral turpitude.

“Good Reason” includes, subject to the Company’s right to cure within 30 days subsequent to the occurrence of events below, (i) a material diminution in Mr. Yang Wenlong’s duties and/or responsibilities other than a change that results from the Company becoming part of a larger organization, (ii) a material reduction in the base salary of Mr. Yang Wenlong, (iii) a relocation of 75 miles or more of the principal base of operation of Mr. Yang Wenlong or (iv) other material breach by the Company of any employment or similar agreement with Mr. Yang Wenlong.

## E. OTHER INFORMATION

### 1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

### 2. Litigation

Save as disclosed in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

### 3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

CICC Qizhi, Ningbo Qirui and Ningbo Qiling are the Pre-IPO Investors of the Company, which are ultimately controlled by CICC Capital Management Co., Ltd, a wholly-owned subsidiary of China International Capital Corporation Limited, a company whose shares are listed on the Stock Exchange (stock code: 3908). For details, please refer to the section headed “History, Reorganization and Corporate Structure — Information about the Pre-IPO Investors” in this document. China International Capital Corporation Limited is the holding company of China International Capital Corporation Hong Kong Securities Limited, one of our Joint Sponsors. Accordingly, CICC Qizhi, Ningbo Qirui and Ningbo Qiling and CICC Capital Management Co., Ltd are regarded as members of the sponsor group (as defined under Rule 3A.01(9) of the Listing Rules) of China International Capital Corporation Hong Kong Securities Limited. CICC Qizhi, Ningbo Qirui and Ningbo Qiling will hold approximately 1.92%, 0.82% and 0.60% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Overallotment Option is not exercised), respectively. As the shareholdings of CICC Qizhi, Ningbo Qirui and Ningbo Qiling in the Company will be below the threshold under Rule 3A.07(1) nor do they give rise to any circumstances under 3A.07, China International Capital Corporation Hong Kong Securities Limited is of the view that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

CMB International Capital Limited, being one of the Joint Sponsors, is a wholly-owned subsidiary of CMB International Capital Corporation Limited (招銀國際金融有限公司). Tianjin Shanhaiyihao Business Management Consulting Partnership (Limited Partnership) (天津山海壹號企業管理諮詢合夥企業(有限合夥)) (“**Shanhaiyihao**”) and Nanjing Zhaoyingongying, being the subsidiaries of CMB International Capital Corporation Limited, are regarded as members of the sponsor group (as defined under Rule 3A.01(9) of the Listing Rules) of CMB International Capital Limited. Shanhaiyihao and Nanjing Zhaoyingongying will hold approximately 6.90% and 0.20% of the total issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), respectively. In addition, Ms. Lian Suping, a senior specialist of CMB International Capital Corporation Limited, is a non-executive Director of our Company. In view of the above, CMB International Capital Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Joint Sponsors, pursuant to which our Company agreed to pay each Joint Sponsor a fee of USD500,000 to act as a sponsor to our Company in the Global Offering.

#### 4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and/or the references to their names included herein in the form and context in which they are respectively included.

<u>Name</u>	<u>Qualification</u>
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFC
CMB International Capital Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFC
Deloitte Touche Tohmatsu	Certified Public Accountants
Jingtian & Gongcheng	Qualified PRC Legal Advisors
Maples and Calder (Hong Kong) LLP	Cayman Islands attorneys-at-law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

#### 5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

#### 6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

#### 7. Compliance Advisor

Our Company have appointed Maxa Capital Limited as its compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

**8. Preliminary Expenses**

As of Latest Practicable Date, our Company did not incur any material preliminary listing expense of the Global Offering.

**9. No Material Adverse Change**

The Directors confirm that there has been no material adverse change in our financial or trading position since March 31, 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

**10. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no Share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
  - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.
- (b) Save as disclosed in this prospectus:
  - (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
  - (ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
  - (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.
  - (iv) Save as disclosed in the paragraph headed “B. Further Information about our Business — 1. Summary of Material Contracts” in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
  - (v) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

- (vi) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.
- (vii) There has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months.
- (viii) Our Company has no outstanding convertible debt securities or debentures.
- (ix) There is no arrangement under which future dividends are waived or agreed to be waived.



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## APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY

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### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) A copy of the **GREEN** Application Form;
- (b) A copy of each of the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 4. Consents of Experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus.

### DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our website at <https://www.ddjkjt.com> during a period of 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of our Company;
- (b) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group issued by Deloitte Touche Tohmatsu, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the audited consolidated financial statements of our Company for the four financial years ended December 2018, 2019, 2020, 2021 and three months ended March 31, 2022;
- (d) the PRC legal opinions issued by Jingtian & Gongcheng, our legal advisor on PRC law, in respect of certain general corporate matters and property interests of our Group;
- (e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands law, summarizing certain aspects of the Cayman Islands companies law referred to in Appendix III to this prospectus;
- (f) the Cayman Companies Act;
- (g) the written consents referred to under the paragraph headed “Statutory and General Information — E. Other Information — 4. Consents of Experts” in Appendix IV to this prospectus;
- (h) the material contracts referred to in “Statutory and General Information — C. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this prospectus;

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**APPENDIX V      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE ON DISPLAY**

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- (i) the service contracts and the letters of appointment with our Directors referred to in “Statutory and General Information — D. Further Information about Our Directors — 1. Particulars of Directors’ Service Contracts and Appointment Letters” in Appendix IV to this prospectus;
- (j) the report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set forth in the section headed “Industry Overview” in this prospectus; and
- (k) the terms of the ESOP Plans.

**DOCUMENT AVAILABLE FOR INSPECTION**

A copy of a full list of Grantees under the Pre-IPO Share Option Scheme, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Clifford Chance at 27/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus.

