***The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in the Accountant's Report in Appendix I to this prospectus and in particular, "Business."***

***This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.***

***We have prepared our consolidated financial statements in accordance with HKFRSs. Our fiscal year ends on December 31 and for the purpose of this section, unless the context otherwise requires, references to 2018, 2019 and 2020 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.***

## OVERVIEW

We are the largest online professional physician platform in China in terms of registered physician users as of December 31, 2020, according to the Frost & Sullivan Report. We have focused on using technology to support physicians' clinical decision making for over 20 years. Our self-developed *Medlive* (醫脈通) platform is widely recognized by physicians in China as the most popular professional medical platform, which enables us to become the platform of choice in precision digital healthcare marketing for pharmaceutical and medical device companies in China. As of December 31, 2020, our *Medlive* platform, available through our website, desktop application and mobile application, had approximately 3.5 million registered users, around 2.4 million of whom were licensed physicians, representing approximately 58% of all licensed physicians in China as of the same date, according to the Frost & Sullivan Report. In the fourth quarter of 2020, the average MAUs on our platform exceeded 1.0 million. In the same period, the average monthly views of articles and videos by registered users on our platform were over 134 million. Articles and videos on our platform include, among others, clinical guides and guidelines, research articles, drug references, clinical developments, as well as customized content.

Leveraging our large number of physician users and their high level of engagement, our *Medlive* platform allows platform participants to gather, learn and connect. Our platform participants include physicians, pharmaceutical and medical device companies and patients. We extensively leverage our proprietary technology, content generation capabilities and our understanding of medical information science to provide different services and solutions to each group of platform participants.

Our solutions address vast and rapidly expanding markets. With pharmaceutical and medical device companies moving their marketing efforts online, the market of digital healthcare marketing services in China grew from RMB4.4 billion in 2018 to RMB15.2 billion in 2020, at a CAGR of 85.8%, and is expected to reach RMB111.0 billion in 2025, with a CAGR of 48.8% from 2020 to 2025, according to the Frost & Sullivan Report. In addition, physicians are spending more time on professional physician platforms for medical information and clinical decision support. The digital medical information market in China increased from RMB23.6 million in 2018 to RMB114.2 million in 2020, at a CAGR of 120.1%, and is expected to reach RMB3.0 billion in 2025, with a CAGR of 92.7% from 2020 to 2025, according to the Frost & Sullivan Report. Our solutions for patients address a fast growing digital chronic disease management market in China, which increased from RMB77.9 billion in 2018 to RMB139.7 billion in 2020, at a CAGR of 33.9%, and is expected to reach RMB507.1 billion in 2025, with a CAGR of 29.4% from 2020 to 2025, according to the Frost & Sullivan Report.

We delivered strong financial performance during the Track Record Period. Our revenue increased from RMB83.5 million in 2018 to RMB121.6 million in 2019 and further increased to RMB213.5 million in 2020, at a CAGR of 59.9% from 2018 to 2020. Our net profit increased from RMB14.2 million in 2018 to RMB31.3 million in 2019 and further increased to RMB85.2 million in 2020, at a CAGR of 145.0% from 2018 to 2020.

## BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from January 1, 2020 and Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of our historical financial information throughout the Track Record Period.

Our historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. The preparation of the historical financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 3 to the Accountants' Report included in Appendix I to this prospectus.

## MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations have been, and are expected to continue to be, materially affected by a number of key factors, including the following:

### Economic and Industry Trends in China

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

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

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

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

Our long-term success depends on our ability to retain our existing users and attract new users, especially physician users in specialties of interest to the pharmaceutical and medical device companies we serve, to our platform. Our large physician user base and user data have helped us develop insights into the background and preferences of physicians and make us the platform of choice for pharmaceutical and medical device companies in precision digital healthcare marketing. We plan to extend our reach to physicians who work in rural areas and community hospitals in China, to attract, engage and retain additional physician users.

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

**Ability to Retain Existing Healthcare Customers and Acquire New Healthcare Customers**

Pharmaceutical and medical device companies have increasing budgets for digital healthcare marketing to get their products in front of physicians and patients. The growth in our healthcare customer base is a key driver of our revenue growth. We have amassed a large and diversified healthcare customer base. In 2020, our healthcare customers include (i) 18 of the top 20 multi-national pharmaceutical companies by revenue in the world (ii) over 20 leading China-based pharmaceutical companies, and (iii) leading multi-national and China-based medical device companies. We have fostered loyalty of existing customers by delivering superior return on their spending for our precision marketing solutions. We benefit from our large physician user base, deep understanding of the healthcare industry, sophisticated data analytics, and technological solutions, which will enable us to further strengthen our relationships with existing customers. We also seek to generate additional revenue from existing customers through efforts such as cross-selling additional solutions and enriching our solution offerings.

We aim to acquire and retain new customers and continue to diversify our customer base. We have identified significant demand for digital marketing from medical device companies, domestic pharmaceutical companies and biotechnology companies, particularly those focused on developing innovative therapeutics. We will continue to invest in developing and offering more solutions, as well as adding new features to our existing solutions to address these potential customers' needs more effectively.

**Ability to Expand Our Solution Offerings**

We currently offer three categories of solutions, namely (i) precision marketing and corporate solutions, which include precision marketing solutions and corporate solutions, (ii) medical knowledge solutions and (iii) intelligent patient management solutions. Our revenue grew significantly during the Track Record Period primarily due to our deeper penetration in these verticals and the expansion of our solution offerings. Our future success is significantly dependent on our ability to further penetrate the verticals in which we operate by further expanding the scope of our solution offerings and by improving the quality and efficiency of our existing solutions. Historically, our revenue was primarily derived from precision marketing and corporate solutions. We launched our Internet hospital in 2021, which represents a major step forward in the application of our intelligent patient management solutions. We believe there are significant opportunities to grow our revenue from intelligent patient management solutions by leveraging our large physician network and integrating our Internet hospital services with our other service offerings, such as chronic disease management services, to create more synergies.

**Our Ability to Effectively Invest in Technology**

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

**Impact of COVID-19 on our Operations**

We primarily generate revenues from our online professional physician platform. As most of our solutions are delivered through our platform, we have not experienced significant difficulties or failed to discharge obligations under our existing contracts due to disruptions related to the outbreak of COVID-19. We also have not experienced material disruptions in services from our service providers due to COVID-19. As a result, COVID-19 has not caused material adverse impact on our results of operations, financial condition or our development plans.

In response to intensifying efforts to contain the spread of COVID-19, the Chinese government took a number of actions, which included compulsory quarantine arrangements, travel restrictions, remote work arrangements and public activities restrictions, among others, during the COVID-19 outbreak. COVID-19 also resulted in temporary closure of many corporate offices and other types of workplaces across China. Our headquarters in Beijing were closed for a period of three weeks in the first quarter of 2020 as a result of the outbreak. In addition, due to the travel restrictions and social distancing measures imposed, some of our in-person communications, such as consulting and content development meetings with our healthcare customers, were affected during the COVID-19 outbreak. We took a series of measures in response to the outbreak, including, among others, remote working arrangements for our employees to ensure the smooth operations of our platform during the COVID-19 outbreak and facilitating the vaccination of our employees. There have been no confirmed cases of COVID-19 among our employees. We also have business continuity and pandemic plans in place, which include remote working arrangements for the majority of our workforce, and we do not currently anticipate significant challenges to our ability to maintain the operations of our platform in light of the measures under such plans.

Although China eased domestic travel restrictions and social distancing measures by the end of June 2020, the spread of 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 and financial condition in the future will depend on the future developments of the outbreak, which are highly uncertain and cannot be predicted.

According to the Frost & Sullivan Report, the digital marketing spending by pharmaceutical and medical device companies in China, which is our primary revenue source, will continue to increase at a high speed in 2021 as pharmaceutical and medical device companies seek greater efficiency in marketing activities, taking into account any potential impact of COVID-19 outbreak. According to the Frost & Sullivan Report, the COVID-19 outbreak catalyzed and accelerated the digitalization of healthcare services. Digital healthcare marketing, particularly precision digital healthcare marketing, is more widely recognized by pharmaceutical and medical device companies as a cost-efficient way to conduct healthcare marketing in China, which is expected to cause a fundamental shift to more digital healthcare marketing by pharmaceutical and medical device companies in the future.

## OUR OPERATING MODEL

Our profitability improved during the Track Record Period. Our ability to maintain profitability in the future will depend primarily on our ability to generate sufficient revenue and to manage our cost of sales and operating expenses.

We derive most of our revenue from precision marketing solutions, which offer digital healthcare marketing services to pharmaceutical and medical device companies. As a result, our ability to increase our revenue largely depends on our ability to retain existing healthcare customers and attract new healthcare customers and our ability to generate sufficient revenue through sale of our precision marketing solutions. Our revenue from precision marketing is tied directly to our ability to maintain a large and engaged physician user base. As our registered physician users accounted for 58% of all licensed physicians in China as of December 31, 2020, increasing user engagement is particularly important for us to maintain and grow our revenue. A continued increase in the engagement of our physician users will lead to increase in the potential clicks from physician users on customized content, which will in turn drive the growth of our revenue.

Our overall strategy for attracting and retaining physicians and driving their engagement is to offer high quality medical knowledge content, which is non-sponsored, editorial content, to satisfy physicians' needs for continuing medical education and clinical decision support. To that end, we have taken the following steps: (i) we have accumulated a vast library of trustworthy, high quality medical knowledge content, most of which we offer free of charge; (ii) we are developing more comprehensive clinical decision support tools, such as *Disease Knowledge Database*, that can be used by physicians at the point of care; (iii) we continue to enhance the quality and breadth of the content available on our platform by strengthening our in-house content development capacities and collaboration with KOLs; and (iv) we continue to refine our technology to deliver personalized and curated content to physicians and help them discover desired content.

Our profitability also depends on our ability to manage our cost of sales and expenses. We believe our business model is highly scalable and has significant operating leverage and economies of scale.

Our gross margin improved during the Track Record Period primarily due to our increased economies of scale and a higher level of user engagement. Content related costs have been and are expected to continue to be a large component of our cost of sales. Although we expect such costs to increase in absolute amounts as our business expands, we seek to reduce such costs as a percentage of our revenue through the following steps: (i) we are investing in our in-house content development capabilities and plan to move more content development in-house; (ii) we relocated a portion of our workforce to lower-tier cities, which resulted in a decrease in average salary; and (iii) we will outsource content development in a cost-effective manner to provide scalability to facilitate the growth of our business.

As a percentage of our revenue, our administrative expenses decreased while selling and distribution expenses increased during the Track Record Period. Although we expect such expenses to increase in absolute amounts as our business expands, we seek to reduce such expenses as percentages of our revenue through economies of scale. Employee benefit expenses have been and are expected to continue to be a large component of our expenses. We aim to improve the efficiency of our workforce and thus enjoy higher operating leverage. We believe our platform has network effects, which enable us to promote our brand efficiently. However, as we operate in intensely competitive markets, we need to continue to conduct promotion activities to further expand our user base and drive user engagement.

## CRITICAL 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 industry practices and expectations 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 2 and 3 to the Accountant's Report in Appendix I to this prospectus.

**Revenue Recognition**

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

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

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform our services;

- our performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or services.

We derive revenue from rendering of services of precision marketing and corporate solutions, medical knowledge solutions and intelligent patient management solutions.

***Precision Marketing and Corporate Solutions***

We are engaged in providing precision marketing and corporate solutions which include precision marketing solutions and corporate solutions to pharmaceutical and medical device companies, hospitals and research institutions, and contract research organizations.

(i) Precision marketing solutions mainly include precision digital detailing service (including online meeting delivery), digital marketing consulting service, digital content creation service, medical conference service, application software development service and other relevant services.

For precision digital detailing service, digital marketing consulting service, and digital content creation service, we agree the sales price for each service with the customers upfront and bills to the customers based on the actual service rendered and completed. Revenue is generally recognized at a point in time when the services are rendered and accepted by the customers.

For application software development service, the software developed is customized for each customer, therefore our performance does not create an asset with an alternative use to us and we have an enforceable right to payment from the customer for our performance completed to date according to the contracts. As a result, revenue from application software development service is recognized over time.

Input method is used to measure progress towards complete satisfaction of the service, because we have an enforceable right to payment from the customer for our performance completed to date according to the contracts. The input method recognizes revenue on the basis of the labor hours expended relative to the total expected labor hours to complete satisfaction of the service.

We have adopted internal policies and standard procedures related to labor time records designed to ensure the accuracy of the records of actual labor hours expended for our projects. During the implementation phase of a project, our employees are required to fill in their actual working hours, along with the respective project identification codes and narratives of the work performed, in the project management system on a daily basis. Our project managers are responsible for assigning tasks to the relevant departments and reviewing the reasonableness of time records in the project management system based on the assigned tasks. We conduct spot-check inspections on the time records from time to time. We may take disciplinary actions against employees who do not keep proper records of their working hours or project managers who fail to review the time records.

For certain application software development service, we also provide related maintenance service for a specific period (normally one year after the customer's acceptance) after sale as stipulated in the same contract. The maintenance service is provided to maintain the effectiveness of the application software and therefore is accounted for as a separate performance obligation. Revenue from provision of maintenance service is recognized over the service period.

(ii) Corporate solutions mainly include provision of application software development service, digital market research service and other relevant services.

For application software development service, revenue is recognized over time, using an input method to measure progress towards complete satisfaction of the service.

Digital market research service is generally delivered in the form of medical technical survey report or samples. The contract usually contains multiple deliverable units and each of the deliverable units is with individual selling price specified within the contract. We recognized revenue at the point of time when the deliverable units are delivered to the customers.

***Medical Knowledge Solutions***

Medical knowledge solutions involve provision of professional medical information covering continuing medical education and clinical decision support, including licensing software to physicians and other registered users, including other healthcare professionals.

Revenue from software licensing service is recognized over the estimated lifespans of the software, which are determined based on the expected usage periods, because there is an explicit or implicit obligation of ours to update the software content and allow users to gain access to it.

***Intelligent patient management solutions***

Intelligent patient management solutions involve provision of patient education services to patients, pharmaceutical companies and non-profit organizations with medical focus, including medical conference service, application software development, patient consultation service and other relevant services.

For the delivery of conference service, the revenue is recognized at a point in time when the conference is completed.

For revenue from application software development service, revenue is recognized over time, using an input method to measure progress towards complete satisfaction of the service.

Revenue from patient consultation service is recognized over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by us.

**Contract Assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If we perform our obligations by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment.

**Contract Liabilities**

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract, which means transferring control of the related goods or services to the customer.

**Provision for Expected Credit Losses on Trade Receivables and Contract Assets**

We use a provision matrix to calculate expected credit losses ("**ECLs**") for trade receivables and contract assets. The provision rates are based on ageing period and days past due for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on our historical expected default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical expected default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical expected default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customers' actual default in the future. The information about the ECLs on our trade receivables and contract assets is disclosed in Notes 15 and 16 to the Accountants' Report included 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, we use an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that we would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR 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 IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

## CERTAIN OPERATING DATA

The following tables present certain of our operating data as of the dates and for the periods indicated:

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Number of registered users *(in millions)* . . | 2.5 | 3.0 | 3.5 |
| Number of registered physician users *(in millions)* . . . . . . . . . . . . . . . . . . . . . . . . | 2.0 | 2.2 | 2.4 |

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| **Precision Marketing and Corporate Solutions:** | | | |
| Number of healthcare customers[(1)] | 42 | 61 | 81 |
| Number of healthcare products[(2)] | 99 | 144 | 191 |
| Engaged targeted physicians *(in thousands)* | 228.3 | 295.2 | 403.2 |
| Paid clicks *(in millions)* | 1.6 | 2.7 | 4.8 |
| **Medical Knowledge Solutions:** | | | |
| Paying users *(in thousands)* | 14.1 | 88.0 | 159.3 |

*Notes:*

(1) Represents the number of healthcare customers who used our precision marketing and corporate solutions during the period.

(2) Represents the number of healthcare products that were marketed using our precision marketing and corporate solutions during the period.

## SUMMARY OF FINANCIAL RESULTS

The following table sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenues for the periods indicated:

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | (in thousands, except percentages) | | | | | |
| **Revenue** | **83,463** | **100.0** | **121,569** | **100.0** | **213,529** | **100.0** |
| Cost of sales | (33,573) | (40.2) | (44,379) | (36.5) | (57,293) | (26.8) |
| Gross profit | 49,890 | 59.8 | 77,190 | 63.5 | 156,236 | 73.2 |
| Other income and gains | 99 | 0.1 | 96 | 0.1 | 1,543 | 0.7 |
| Selling and distribution expenses | (7,080) | (8.5) | (8,588) | (7.1) | (20,037) | (9.4) |
| Administrative expenses | (26,375) | (31.6) | (31,391) | (25.8) | (32,640) | (15.3) |
| Other expenses | (75) | (0.1) | (13) | — | (45) | — |
| Finance costs | (439) | (0.5) | (296) | (0.2) | (209) | (0.1) |
| **Profit before tax** | **16,020** | **19.2** | **36,998** | **30.4** | **104,848** | **49.1** |
| Income tax expense | (1,831) | (2.2) | (5,728) | (4.7) | (19,651) | (9.2) |
| **Profit for the year** | **14,189** | **17.0** | **31,270** | **25.7** | **85,197** | **39.9** |

## DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

### Revenues

During the Track Record Period, we generated revenues from three solution categories, namely (i) precision marketing and corporate solutions, which include precision marketing solutions and corporate solutions, (ii) medical knowledge solutions and (iii) intelligent patient management solutions. The following table sets forth our revenue breakdown by solution category both in absolute amounts and as percentages of our total revenues for the periods presented:

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | (in thousands, except percentages) | | | | | |
| **Revenue:** | | | | | | |
| Precision marketing and corporate solutions: | | | | | | |
| Precision marketing solutions | 53,137 | 63.7 | 78,317 | 64.4 | 156,781 | 73.4 |
| Corporate solutions | 24,923 | 29.8 | 32,823 | 27.0 | 35,045 | 16.4 |
| Medical knowledge solutions | 1,349 | 1.6 | 5,311 | 4.4 | 9,113 | 4.3 |
| Intelligent patient management solutions | 4,054 | 4.9 | 5,118 | 4.2 | 12,590 | 5.9 |
| **Total** | **83,463** | **100.0** | **121,569** | **100.0** | **213,529** | **100.0** |

#### ***Precision Marketing and Corporate Solutions***

*Precision Marketing Solutions*

Revenue from precision marketing solutions is primarily derived from fees paid by our healthcare customers for our digital detailing, digital marketing consulting and digital content creation services.

*Corporate Solutions*

Revenue from corporate solutions is primarily derived from fees paid by our healthcare customers for our digital market research, EDC and CDMS solutions, RWS support solutions, patient recruitment service and related application software development service.

***Medical Knowledge Solutions***

Revenue from medical knowledge solutions is primarily derived from provision of professional medical information covering continuing medical education and clinical decision support, including licensing software to physicians, other registered users, including other healthcare professionals, and pharmaceutical companies.

***Intelligent Patient Management Solutions***

Revenue from intelligent patient management solutions historically was primarily derived from fees paid by non-profit organizations with medical focus and pharmaceutical companies for provision of patient education services to patients and non-profit organizations, including content development, application software development and other related services, during the Track Record Period. We start to generate revenue from commissions on fees paid by patients for online consultation services and prescription services on our Internet hospital in 2021.

**Cost of Sales**

Our cost of sales consists of (i) employee benefit expenses relating to salaries and benefits for employees involved in operating our platform and developing content, (ii) content development cost primarily relating to fees paid to content contributors and service fees paid to content production service providers, (iii) technology service fees relating to cloud content delivery network and telecommunication services as well as licensing fees relating to MR-kun and external medical literature database and (iv) other expenses primarily relating to consulting fees, equipment rental expenses, travel and transportation expenses.

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

| | **For the Year Ended December 31,** | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | | **2019** | | **2020** | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | (in thousands, except percentages) | | | | | |
| **Cost of sales:** | | | | | | |
| Employee benefit expenses . | 20,006 | 24.0 | 22,943 | 18.9 | 22,997 | 10.8 |
| Content development cost . . | 7,284 | 8.7 | 13,373 | 11.0 | 23,935 | 11.2 |
| Technology service fee . . . . | 5,065 | 6.1 | 6,244 | 5.1 | 9,153 | 4.3 |
| Others . . . . . . . . . . . . . . . . . | 1,218 | 1.5 | 1,819 | 1.5 | 1,208 | 0.6 |
| **Total** . . . . . . . . . . . . . . . . . | **33,573** | **40.2** | **44,379** | **36.5** | **57,293** | **26.8** |

Our employee benefit expenses as a percentage of our revenue decreased during the Track Record Period, primarily due to improved efficiency of our workforce and effectiveness of our platform infrastructure. Decrease in such percentage in 2020 was also attributable to relocation of a portion of our workforce to lower-tier cities, which resulted in a decrease in average salary. Our content development cost as a percentage of our revenue increased from 2018 to 2019, as we outsourced more content development to meet the increased demand from our customers. Such percentage remained relatively stable in 2020 compared to 2019. Outsourced content development provides scalability to facilitate the growth of our business. However, we generally incur higher costs for outsourced content development, as compared to in-house content development, due to the markups charged by external content production service providers in addition to their costs. We also incur content development cost relating to fees paid to content contributors for expert views and opinions, which supplement our in-house content development capabilities.

Content related costs accounted for a large component of our cost of sales during the Track Record Period, which included (i) content development cost primarily relating to fees paid to content contributors and service fees paid to content production service providers, (ii) employee benefit expenses relating to salaries and benefits for employees involved in developing content and (iii) licensing fees relating to external medical literature database.

The following table sets forth a breakdown of our content related costs by nature both in absolute amounts and as percentages of our revenues for the periods indicated:

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | (in thousands, except percentages) | | | | | |
| **Content related costs:** | | | | | | |
| ***Content development cost:***[1] | | | | | | |
| Fees paid to content contributors. . . . . . . . . . . | 704 | 0.8 | 1,556 | 1.3 | 7,658 | 3.6 |
| Service fees paid to content production service providers . . . . . . . . . . . . | 6,580 | 7.9 | 11,817 | 9.7 | 16,277 | 7.6 |
| ***Employee benefit expenses***[2]. . | 3,687 | 4.4 | 6,494 | 5.3 | 10,075 | 4.7 |
| ***Licensing fee relating to external medical literature database***[3]. . . . . . . . . . . . . | 39 | — | 472 | 0.4 | 495 | 0.2 |
| **Total** . . . . . . . . . . . . . . . . . . | **11,010** | **13.2** | **20,339** | **16.7** | **34,505** | **16.2** |

*Notes:*

(1) The following table sets forth a breakdown of our content development cost by solution category:

| | Precision Marketing and Corporate Solutions | | | Medical Knowledge Solutions | | | Intelligent Patient Management Solutions | | |
|---|---|---|---|---|---|---|---|---|---|
| | **For the Year Ended December 31,** | | | | | | | | |
| | **2018** | **2019** | **2020** | **2018** | **2019** | **2020** | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | | | | | | | |
| **Content development cost:** | | | | | | | | | |
| Fees paid to content contributors | 704 | 1,556 | 7,658 | — | — | — | — | — | — |
| Service fees paid to content production service providers | 6,319 | 11,465 | 14,321 | 40 | 40 | 422 | 221 | 312 | 1,534 |
| **Total** | **7,023** | **13,021** | **21,979** | **40** | **40** | **422** | **221** | **312** | **1,534** |

(2) Our content team is responsible for developing content for all solution categories, and we do not divide members of our content team by solution category. As a result, it is not practicable for us to allocate our employee benefit expenses by solution category in a reasonable way.

(3) Licensing fee is incurred to license medical knowledge content from external medical literature database for our medical knowledge solutions.

Fees paid to content contributors relate to expert consultation fees to KOLs we collaborate with to development content. KOLs' expert views and opinions supplement our in-house content development capabilities. Fees paid to content contributors increased both as an absolute amount and as a percentage of our revenue in 2019, as we increased collaboration with KOLs on streaming programs. Fees for streaming programs are typically more expensive than other types of collaboration, such as interviews and commentaries. Such fees increased further in 2020, as COVID-19 pandemic boosted demand for streaming programs. Service fees paid to content production service providers primarily relate to outsourced content development. Such fees increased both as an absolute amount and as a percentage of our revenue in 2019, as we conducted more livestreams of physical events, such as medical conferences, which resulted in higher production cost associated with outsourced video production services. Such fees decreased as a percentage of our revenue in 2020, due to a decrease in livestreams of physical events as a result of the impact of COVID-19 pandemic. Employee benefit expenses increased both as an absolute amount and as a percentage of our revenue in 2019, as we conducted more livestreams of physical events, such as medical conferences, which resulted in higher in-house production cost. Such expenses decreased as a percentage of our revenue in 2020 due to (i) a decrease in livestreams of physical events as a result of the impact of COVID-19 pandemic, partially offset by an increase in streaming programs, and (ii) relocation of a portion of our workforce to lower-tier cities, which resulted in a decrease in average salary.

The cost of sales relating to precision marketing solutions primarily consists of (i) employee benefit expenses primarily relating to salaries and benefits for employees involved in developing customized content, (ii) content development cost relating to fees paid to content contributors and service fees paid to content production service providers for developing customized content, and (iii) technology service fee relating to cloud content delivery network and telecommunication services incurred primarily for the purpose of delivering customized content to physicians as well as licensing fee relating to MR-kun. The cost of sales relating to corporate solutions primarily consists of (i) employee benefit expenses primarily relating to salaries and benefits for employees involved in developing and maintaining operating system for our SaaS services, and (ii) content development cost primarily relating to fees paid to survey participants in connection with developing digital market research content. The cost of sales relating to medical knowledge solutions primarily consists of (i) employee benefit expenses primarily relating to salaries and benefits for employees involved in developing medical knowledge content, (ii) content development cost relating to service fees paid to content production service providers for developing medical knowledge content, and (iii) technology service fee relating to cloud content delivery network and telecommunication services as well as licensing fee relating to external medical literature database. The cost of sales relating to intelligent patient management solutions primarily consists of (i) employee benefit expenses primarily relating to salaries and benefits for employees involved in developing web modules for our customers and developing patient education content, and (ii) content development cost relating to service fees paid to content production service providers for developing patient education content.

The following table sets forth a breakdown of our cost of sales by solution category both in absolute amounts and as percentages of our revenues for the periods indicated:

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | (in thousands, except percentages) | | | | | |
| **Cost of sales:** | | | | | | |
| Precision marketing and corporate solutions: | | | | | | |
| Precision marketing solutions | 17,598 | 21.1 | 24,191 | 19.9 | 35,975 | 16.8 |
| Corporate solutions | 10,759 | 12.9 | 14,587 | 12.0 | 14,685 | 6.9 |
| Medical knowledge solutions | 1,288 | 1.5 | 2,519 | 2.1 | 2,232 | 1.0 |
| Intelligent patient management solutions | 3,928 | 4.7 | 3,082 | 2.5 | 4,401 | 2.1 |
| **Total** | **33,573** | **40.2** | **44,379** | **36.5** | **57,293** | **26.8** |

### Gross Profit and Gross Margin

The following table sets forth our gross profit by solution category both in absolute amounts and as percentages of respective revenues, or gross margin, for the periods indicated:

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | (in thousands, except percentages) | | | | | |
| **Gross profit and gross margin:** | | | | | | |
| Precision marketing and corporate solutions: | | | | | | |
| Precision marketing solutions | 35,539 | 66.9 | 54,126 | 69.1 | 120,806 | 77.1 |
| Corporate solutions | 14,164 | 56.8 | 18,236 | 55.6 | 20,360 | 58.1 |
| Medical knowledge solutions | 61 | 4.5 | 2,792 | 52.6 | 6,881 | 75.5 |
| Intelligent patient management solutions | 126 | 3.1 | 2,036 | 39.8 | 8,189 | 65.0 |
| **Total** | **49,890** | **59.8** | **77,190** | **63.5** | **156,236** | **73.2** |

Our gross profit increased during the Track Record Period as a result of revenue growth and margin expansion for each of our solution categories.

Gross margins for precision marketing solutions increased during the Track Record Period, primarily due to our increased economies of scale and a higher level of user engagement. We achieved increased economies of scale during the Track Record Period. As more physicians join our platform and their engagement increases, our entire platform benefits from better data insights and stronger network effects, which allow for faster, more accurate and more cost-efficient delivery of our solutions. This, in turn, attracts more pharmaceutical and medical device companies. Such increased effectiveness of our platform infrastructure coupled with better efficiency of our workforce contributed to our improved operating leverage. In addition, we were able to drive user engagement during the Track Record Period through our continued efforts to enhance the quality and breadth of professional medical information on our platform. Furthermore, our growing physician user base enables physicians on our platform to share knowledge with, and seek support from, a larger number of professional peers, which further increased the level of user engagement on our platform during the Track Record Period. The increase in gross margin for precision marketing solutions in 2020 was also attributable to relocation of a portion of our workforce to lower-tier cities, which resulted in a decrease in average salary.

Gross margins for corporate solutions remained relatively stable in the Track Record Period.

Gross margins for medical knowledge solutions improved during the Track Record Period due to increases in revenues resulting from increased paying users and decreases in cost of sales as our platform achieved greater scale. Our improved service offerings, including up-to-date, personalized medical information, attracted more physicians to our platform and incentivized more physicians to pay for our medical information during the Track Record Period. The increase in gross margin for our medical knowledge solutions in 2020 was also attributable to a decrease in the costs for developing and managing our mobile applications and content related to medical knowledge solutions, as we completed major upgrades of our medical knowledge content in 2019. Gross margin for our medical knowledge solutions increased in 2019, as cost of sales for such solutions increased at a lower rate than revenue as a result of the rapid expansion of our paying users, as well as our greater scale.

Gross margins for intelligent patient management solutions improved during the Track Record Period due to our increased economies of scale. We achieved increased economies of scale during the Track Record Period. As more physicians join our platform and their engagement increases, our entire platform benefits from better data insights and stronger network effects, which allow for faster, more accurate and more cost-efficient delivery of our solutions. This, in turn, attracts more patients to our platform. Gross margin for our intelligent patient management solutions increased in 2020 due to improved operating leverage on higher revenue driven by increased economies of scale. Our revenue increased in 2020 compared to 2019, as our customers purchased more of our solutions to develop patient education content. Benefiting from our patient education system, we were able to develop content for more diseases and provide enhanced patient education modules (including streaming module that has better margin) in a more cost-efficient manner. Gross margin for our intelligent patient management solutions increased in 2019 due to higher revenue and decreased cost of sales as a result of reduced employee benefit expenses. We incurred more employee benefit expenses for developing a patient education system in 2018 to drive the growth of our intelligent patient management solutions, which expenses decreased in 2019. Our revenue increased in 2019 compared to 2018, as our customers purchased more of our solutions to develop patient education content. Benefiting from our patient education system, we were able to develop content for more diseases and provide patient education modules in a more cost-efficient manner.

### Other Income and Gains

Other income and gains primarily consist of (i) bank interest income, (ii) investment income from financial assets at fair value through profit or loss and (iii) gain on lease modifications.

### Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) expenses for promotion activities to drive user growth and engagement, (ii) employee benefit expenses relating to salaries and benefits for employees in selling and distribution functions and (iii) other expenses primarily relating to business development expenses.

Our selling and distribution expenses increased significantly in 2020 primarily due to our increased expenses for promotion activities to drive user growth and engagement. We expect our selling and distribution expenses to remain substantial in absolute amounts as we need to continue to conduct promotion activities to further expand our user base and drive user engagement.

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

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | (in thousands, except percentages) | | | | | |
| **Selling and distribution expenses:** | | | | | | |
| Promotion expenses | 3,137 | 3.8 | 3,818 | 3.1 | 13,354 | 6.3 |
| Employee benefit expenses | 3,414 | 4.1 | 4,291 | 3.6 | 6,227 | 2.9 |
| Others | 529 | 0.6 | 479 | 0.4 | 456 | 0.2 |
| **Total** | **7,080** | **8.5** | **8,588** | **7.1** | **20,037** | **9.4** |

### Administrative Expenses

Our administrative expenses primarily consist of (i) research and development costs primarily relating to salaries and benefits for employees in research and development functions, (ii) employee benefit expenses relating to salaries and benefits for employees in management as well as general and administrative functions, (iii) depreciation of assets, which includes depreciation of right-of-use assets relating to our leases and depreciation of property, plant and equipment, (iv) taxes and surcharges, (v) maintenance expenses primarily relating to technology and telecommunication service fees, as well as service fees for outsourced administrative services, (vi) impairment/(reversal of impairment) of trade receivables, and (vii) other expenses primarily relating to rent, travel and transportation expenses and general office expenses.

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

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | % | *RMB* | % | *RMB* | % |
| | (in thousands, except percentages) | | | | | |
| Research and development costs | 12,151 | 14.5 | 14,992 | 12.4 | 15,701 | 7.4 |
| Employee benefit expenses | 5,264 | 6.3 | 5,963 | 4.9 | 6,661 | 3.1 |
| Depreciation of assets | 4,355 | 5.2 | 4,675 | 3.8 | 5,316 | 2.5 |
| Maintenance expenses | 2,099 | 2.5 | 2,112 | 1.7 | 1,770 | 0.8 |
| Taxes and surcharges | 496 | 0.6 | 661 | 0.5 | 1,546 | 0.7 |
| Impairment/(reversal of impairment) of trade receivables, net | 215 | 0.3 | 724 | 0.6 | (510) | (0.2) |
| Others | 1,795 | 2.2 | 2,264 | 1.9 | 2,156 | 1.0 |
| **Total** | **26,375** | **31.6** | **31,391** | **25.8** | **32,640** | **15.3** |

### Finance Costs

Our finance costs consist of finance costs allocated from lease payments. Finance costs are charged to profit or loss over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

### Taxation

We had income tax expenses of RMB1.8 million, RMB5.7 million, RMB19.7 million in 2018, 2019 and 2020, respectively. As of the Latest Practicable Date, we did not have any disputes with any tax authority.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. During the Track Record Period, only income tax in China has been provided. Our effective tax rate was 11.4%, 15.5% and 18.7% for 2018, 2019 and 2020, respectively. Effective tax rate is obtained by dividing the income tax expenses by profit before tax. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, Hong Kong and China.

***Cayman Islands***

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Act and are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

***Hong Kong***

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at a rate of 16.5% for any taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million. During the Track Record Period, no Hong Kong profit tax on our subsidiary incorporated in Hong Kong has been provided because there was no assessable profits arising in Hong Kong during the Track Record Period.

***China***

Under the PRC Enterprise Income Tax Law effective from January 1, 2008, our PRC subsidiaries, and controlled affiliated entity and its subsidiary are subject to the statutory rate of 25%, subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy.

Enterprises that qualify as "high and new technology enterprises" under the relevant EIT laws and regulations are entitled to a preferential rate of 15% for three years. In 2018, Jinye Tiancheng was qualified as a "high and new technology enterprise" under the relevant PRC laws and regulations, which will expire in 2021. Accordingly, Jinye Tiancheng was entitled to a preferential income tax rate of 15% during the Track Record Period. This status is subject to a requirement that Jinye Tiancheng re-applies for the "high and new technology enterprise" status every three years.

Our remaining PRC entities were subject to enterprise income tax at a rate of 25% in 2018, 2019 and 2020. Pursuant to the Enterprise Income Tax Law and the Enterprise Income Tax Implementation Regulations of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors which are non-resident enterprises as defined under the laws from China. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied. During the Track Record Period, we did not pay any dividends or have any profit distribution plan.

## PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

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

***Revenue***

Our revenues increased by 75.6% from RMB121.6 million in 2019 to RMB213.5 million in 2020, primarily due to the revenue increase from our precision marketing solutions.

*Precision Marketing and Corporate Solutions*

Precision Marketing Solutions

Revenue from precision marketing solutions increased by 100.2% from RMB78.3 million in 2019 to RMB156.8 million in 2020, primarily due to an expansion of our healthcare customer base from 61 in 2019 to 81 in 2020, and an increase of number of healthcare products marketed using our precision marketing and corporate solutions from 144 in 2019 to 191 in 2020, resulting from user growth and increased user engagement. The high quality and breadth of content available on our platform attracted additional physicians to our platform and increased the level of user engagement in 2020, which in turn increased the attractiveness of our platform to pharmaceutical and medical device companies. The number of registered physician users increased from 2.2 million in 2019 to 2.4 million in 2020.

Corporate Solutions

Revenue from corporate solutions increased by 6.8% from RMB32.8 million in 2019 to RMB35.0 million in 2020, primarily due to an expansion of our healthcare customer base from 61 in 2019 to 81 in 2020.

*Medical Knowledge Solutions*

Revenue from medical knowledge solutions increased by 71.6% from RMB5.3 million in 2019 to RMB9.1 million in 2020, primarily due to an increase of paying users from 88.0 thousand in 2019 to 159.3 thousand in 2020, as a result of the expansion of our user base and the superior user experience we offer.

*Intelligent Patient Management Solutions*

Revenue from intelligent patient management solutions increased by 146.0% from RMB5.1 million in 2019 to RMB12.6 million in 2020, as our solutions covered more diseases and offered superior user experience.

***Cost of Sales***

Our cost of sales increased by 29.1% from RMB44.4 million in 2019 to RMB57.3 million in 2020, which reflected the growth of our business. The increase in our cost of sales was primarily due to an increase in our content development costs from RMB13.4 million in 2019 to RMB23.9 million in 2020 as a result of the business expansion of precision marketing solutions.

*Precision Marketing and Corporate Solutions*

Precision Marketing Solutions

Cost of sales related to precision marketing solutions increased by 48.7% from RMB24.2 million in 2019 to RMB36.0 million in 2020, primarily due to an increase in our content development costs as a result of the increase in number of healthcare products marketed using our precision marketing solutions as described above.

Corporate Solutions

Cost of sales related to corporate solutions remained relatively stable in 2020. We recorded cost of sales related to corporate solutions of RMB14.6 million and RMB14.7 million in 2019 and 2020, respectively.

*Medical Knowledge Solutions*

Cost of sales related to medical knowledge solutions decreased by 11.4% from RMB2.5 million in 2019 to RMB2.2 million in 2020, primarily due to a decrease in the costs for developing and managing our mobile applications and content related to medical knowledge solutions as we completed major upgrades of our medical knowledge content in 2019.

*Intelligent Patient Management Solutions*

Cost of sales related to intelligent patient management solutions increased by 42.8% from RMB3.1 million in 2019 to RMB4.4 million in 2020, primarily due to an increase in our content development costs related to intelligent patient management solutions to cover more diseases and offer superior user experience.

***Gross Profit***

As a result of the foregoing, our overall gross profit in 2019 and 2020 were RMB77.2 million and RMB156.2 million, respectively, and our overall gross margin was 63.5% and 73.2%, respectively. The increase of our overall gross margin was a result of margin expansion for each of our solution categories.

*Precision Marketing and Corporate Solutions*

Precision Marketing Solutions

Gross margin for our precision marketing solutions increased from 69.1% in 2019 to 77.1% in 2020, as cost of sales increased at a lower rate than revenue, which was primarily due to our increased economies of scale and a higher level of user engagement.

Corporate Solutions

Gross margin for our corporate solutions was 58.1% in 2020, which was relatively stable compared to 55.6% in 2019.

*Medical Knowledge Solutions*

Gross margin for our medical knowledge solutions increased from 52.6% in 2019 to 75.5% in 2020 due to the increase in revenue and decrease in the cost of sales as described above.

*Intelligent Patient Management Solutions*

Gross margin for our intelligent patient management solutions increased from 39.8% in 2019 to 65.0% in 2020, primarily due to our increased economies of scale.

***Other Income and Gains***

Our other income increased by 1,507.3% from RMB0.1 million in 2019 to RMB1.5 million in 2020, primarily due to (i) the increase in bank interest income from RMB0.1 million in 2019 to RMB0.4 million in 2020 as a result of an increase in bank balances, (ii) the recognition of investment income from financial assets at fair value through profit or loss, which were structured deposit products, in the amount of RMB0.6 million in 2020, and (iii) the recognition of gain on lease modifications in the amount of RMB0.5 million in 2020 resulting from early termination of a lease due to change in lessor.

***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 133.3% from RMB8.6 million in 2019 to RMB20.0 million in 2020, primarily due to (i) a significant increase in promotion expenses from RMB3.8 million in 2019 to RMB13.4 million in 2020, which was in turn primarily due to an increased level of promotion activities to drive user growth and engagement in 2020, and (ii) an increase in employee benefit expenses from RMB4.3 million in 2019 to RMB6.2 million in 2020, primarily resulting from increased headcount of our sales staff.

Selling and distribution expenses as a percentage of revenue increased from 7.1% in 2019 to 9.4% in 2020, primarily due to the significant increase in promotion expenses as described above.

***Administrative Expenses***

Our administrative expenses increased by 4.0% from RMB31.4 million in 2019 to RMB32.6 million in 2020, primarily due to (i) an increase in employee benefit expenses from RMB6.0 million in 2019 to RMB6.7 million in 2020, primarily resulting from increased headcount of our employees in general and administrative functions and (ii) an increase in research and development costs from RMB15.0 million in 2019 to RMB15.7 million in 2020, primarily resulting from increased headcount of our research and development staff, partially offset by a decrease in impairment of trade receivables. We recognized impairment of trade receivables in the amount of RMB0.7 million in 2019 and reversal of impairment of trade receivables in the amount of RMB0.5 million in 2020, as we collected trade receivables more effectively in 2020.

Administrative expenses as a percentage of revenue declined from 25.8% in 2019 to 15.3% in 2020 as our revenue grew at a much faster rate, resulting from increased economies of scale and improved operational efficiency.

*Finance Costs*

Our finance costs decreased by 29.4% from RMB0.3 million in 2019 to RMB0.2 million in 2020, primarily due to a decrease in rent, as we replaced a lease in 2020.

*Profit before Tax*

As a result of the foregoing, our profit before tax increased by 183.4% from RMB37.0 million in 2019 to RMB104.8 million in 2020.

*Income Tax Expense*

Our income tax expense increased by 243.1% from RMB5.7 million in 2019 to RMB19.7 million in 2020 due to an increase in our current tax, resulting from the increase in our profit before tax and an increase in deferred tax expenses. Our effective tax rate increased from 15.5% in 2019 to 18.7% in 2020, which was primarily due to an increase in profit from entities subject to the statutory tax rate.

*Profit for the Year*

As a result of the foregoing, our profit increased by 172.5% from RMB31.3 million in 2019 to RMB85.2 million in 2020.

**Year Ended December 31, 2019 Compared to Year Ended December 31, 2018**

*Revenue*

Our revenues increased by 45.7% from RMB83.5 million in 2018 to RMB121.6 million in 2019, primarily due to the revenue increase from our precision marketing solutions.

*Precision Marketing and Corporate Solutions*

Precision Marketing Solutions

Revenue from precision marketing solutions increased by 47.4% from RMB53.1 million in 2018 to RMB78.3 million in 2019, primarily due to an expansion of our healthcare customer base from 42 in 2018 to 61 in 2019, and an increase of number of healthcare products marketed using our precision marketing and corporate solutions from 99 in 2018 to 144 in 2019, resulting from user growth and increased user engagement. The high quality and breadth of content available on our platform attracted additional physicians to our platform and increased the level of user engagement in 2019, which in turn increased the attractiveness of our platform to pharmaceutical and medical device companies. The number of registered physician users increased from 2.0 million as of December 31, 2018 to 2.2 million as of December 31, 2019.

Corporate Solutions

Revenue from corporate solutions increased by 31.7% from RMB24.9 million in 2018 to RMB32.8 million in 2019, primarily due to an expansion of our healthcare customer base from 42 in 2018 to 61 in 2019.

*Medical Knowledge Solutions*

Revenue from medical knowledge solutions increased by 293.7% from RMB1.3 million in 2018 to RMB5.3 million in 2019, primarily due to an increase of paying users from 14.1 thousand in 2018 to 88.0 thousand in 2019, as a result of the expansion of our user base and the superior user experience we offer.

*Intelligent Patient Management Solutions*

Revenue from intelligent patient management solutions increased by 26.2% from RMB4.1 million in 2018 to RMB5.1 million in 2019, as our solutions covered more diseases and offered superior user experience.

***Cost of Sales***

Our cost of sales increased by 32.2% from RMB33.6 million in 2018 to RMB44.4 million in 2019, which reflected the growth of our business. The increase in our cost of sales was primarily due to (i) an increase in our content development costs from RMB7.3 million in 2018 to RMB13.4 million in 2019, primarily resulting from the business expansion of precision marketing solutions, (ii) an increase in employee benefit expenses from RMB20.0 million to RMB22.9 million, primarily resulting from increased headcount for employees involved in operating our platform and developing content, and (iii) an increase in technology service fees from RMB5.1 million to RMB6.2 million, primarily resulting from our business expansion.

*Precision Marketing and Corporate Solutions*

Precision Marketing Solutions

Cost of sales related to precision marketing solutions increased by 37.5% from RMB17.6 million in 2018 to RMB24.2 million in 2019, primarily due to an increase in our content development costs as a result of the increase in number of healthcare products marketed using our precision marketing solutions as described above.

Corporate Solutions

Cost of sales related to corporate solutions increased by 35.6% from RMB10.8 million in 2018 to RMB14.6 million in 2019 commensurate with the revenue growth of our corporate solutions.

*Medical Knowledge Solutions*

Cost of sales related to medical knowledge solutions increased by 95.6% from RMB1.3 million in 2018 to RMB2.5 million in 2019, primarily due to the increase in the costs for developing and managing our mobile applications and content related to medical knowledge solutions, particularly major upgrades of our medical knowledge content in 2019.

*Intelligent Patient Management Solutions*

Cost of sales related to intelligent patient management solutions decreased by 21.5% from RMB3.9 million in 2018 to RMB3.1 million in 2019, primarily due to a decrease in our employee benefit expenses. We incurred more employee benefit expenses for developing a patient education system in 2018 to drive the growth of our intelligent patient management solutions, which expenses decreased in 2019.

***Gross Profit***

As a result of the foregoing, our overall gross profit in 2018 and 2019 were RMB49.9 million and RMB77.2 million, respectively, and our overall gross margin was 59.8% and 63.5%, respectively. The increase of our overall gross margin was a result of margin expansion for our precision marketing solutions, medical knowledge solutions and intelligent patient management solutions.

*Precision Marketing and Corporate Solutions*

Precision Marketing Solutions

Gross margin for our precision marketing solutions increased from 66.9% in 2018 to 69.1% in 2019, as cost of sales increased at a lower rate than revenue, which was primarily due to our increased economies of scale and a higher level of user engagement.

Corporate Solutions

Gross margin for our corporate solutions was 55.6% in 2019, which was relatively stable compared to 56.8% in 2018.

*Medical Knowledge Solutions*

Gross margin for our medical knowledge solutions increased from 4.5% in 2018 to 52.6% in 2019, as cost of sales increased at a lower rate than revenue, as a result of the rapid expansion of our paying users, as well as our greater scale.

*Intelligent Patient Management Solutions*

Gross margin for our intelligent patient management solutions increased from 3.1% in 2018 to 39.8% in 2019, primarily due to our increased economies of scale.

***Selling and Distribution Expenses***

Our selling and distribution expenses increased by 21.3% from RMB7.1 million in 2018 to RMB8.6 million in 2019, primarily due to (i) an increase in promotion expenses from RMB3.1 million in 2018 to RMB3.8 million in 2019, which was in turn primarily due to an increased level of promotion activities to drive user growth and engagement in 2019, and (ii) an increase in employee benefit expenses from RMB3.4 million in 2018 to RMB4.3 million in 2019, primarily resulting from an increase in performance-based salary for our employees in selling and distribution functions.

Selling and distribution expenses as a percentage of revenue decreased from 8.5% in 2018 to 7.1% in 2019 as our revenue grew at a much faster rate resulting from increased economies of scale and improved operational efficiency.

***Administrative Expenses***

Our administrative expenses increased by 19.0% from RMB26.4 million in 2018 to RMB31.4 million in 2019, primarily due to (i) an increase in employee benefit expenses from RMB5.3 million in 2018 to RMB6.0 million in 2019, primarily resulting from an increase in average salary for our employees in general and administrative functions, (ii) an increase in research and development costs from RMB12.2 million in 2018 to RMB15.0 million in 2019, primarily resulting from increased headcount of our research and development staff and grant of performance-based bonus, (iii) an increase in depreciation of assets from RMB4.4 million in 2018 to RMB4.7 million in 2019, resulting from spending on office renovation and IT equipment to support our business expansion, (iv) an increase in impairment of trade receivables from RMB0.2 million in 2018 to RMB0.7 million due to an increase in our trade receivables resulting from the growth of our business.

Administrative expenses as a percentage of revenue declined from 31.6% in 2018 to 25.8% in 2019 as our revenue grew at a much faster rate resulting from increased economies of scale and improved operational efficiency.

***Finance Costs***

Our finance costs decreased by 32.6% from RMB0.4 million in 2018 to RMB0.3 million in 2019, as lease liabilities decreased over the period of our leases.

***Profit before Tax***

As a result of the foregoing, our profit before tax increased by 130.9% from RMB16.0 million in 2018 to RMB37.0 million in 2019.

***Income Tax Expense***

Our income tax expense increased by 212.8% from RMB1.8 million in 2018 to RMB5.7 million in 2019, primarily due to an increase in our current tax resulting from the increase in our profit before tax. Our effective tax rate increased from 11.4% in 2018 to 15.5% in 2019, which was primarily due to an increase in profit from entities subject to the statutory tax rate.

***Profit for the Year***

As a result of the foregoing, our profit increased by 120.4% from RMB14.2 million in 2018 to RMB31.3 million in 2019.

## DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

### Current Assets/Liabilities

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

| | As of December 31, | | | As of April 30, |
|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** |
| | | | | (Unaudited) |
| | (in thousands of RMB) | | | |
| **Current assets** | | | | |
| Trade receivables | 26,024 | 35,643 | 42,480 | 34,219 |
| Contract assets | 11,133 | 23,282 | 15,761 | 15,295 |
| Prepayments, other receivables and other assets | 2,799 | 3,225 | 3,026 | 7,177 |
| Cash and cash equivalents | 16,530 | 38,883 | 147,095 | 172,554 |
| **Total current assets** | **56,486** | **101,033** | **208,362** | **229,245** |

| | As of December 31, | | | As of April 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | | | | (Unaudited) |
| | (in thousands of RMB) | | | |
| **Current liabilities** | | | | |
| Trade payables . . . . . . . . . . . . . . . . . . | 2,454 | 2,634 | 6,265 | 8,484 |
| Other payables and accruals . . . . . . . . | 23,663 | 32,422 | 45,231 | 44,823 |
| Lease liabilities . . . . . . . . . . . . . . . . . . | 3,036 | 3,016 | 2,591 | 2,618 |
| Tax payable . . . . . . . . . . . . . . . . . . . . | 1,186 | 6,919 | 9,991 | 5,481 |
| Due to a shareholder . . . . . . . . . . . . . | — | — | — | 6,467 |
| **Total current liabilities** . . . . . . . . . . . | **30,339** | **44,991** | **64,078** | **67,873** |
| **Net current assets** . . . . . . . . . . . . . . . | **26,147** | **56,042** | **144,284** | **161,372** |

As of December 31, 2018 and 2019 and 2020 and April 30, 2021, we had net current assets of RMB26.1 million, RMB56.0 million, RMB144.3 million and RMB161.4 million, respectively. Our net current assets position as of each of these dates was primarily attributable to our large balance of cash and cash equivalents, trade receivables and contract assets, partially offset by our other payables and accruals, tax payable, lease liabilities, and trade payables. The amount of RMB6.5 million due to a shareholder as of April 30, 2021 was related to the interest free loan from Tiantian, which is non-trade in nature. We plan to allocate HK$7.8 million out of the gross proceeds from the Global Offering to repay such loan, which becomes due and payable upon our Listing. We used the loan proceeds to pay for certain of our listing expenses payable to our professional service providers located outside of the PRC.

***Trade Receivables***

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

| | As of December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (in thousands of RMB) | | |
| Trade receivables . . . . . . . . . . . . . . . . . . . . | 26,345 | 36,688 | 43,015 |
| Impairment . . . . . . . . . . . . . . . . . . . . . . . . . | (321) | (1,045) | (535) |
| **Total** . . . . . . . . . . . . . . . . . . . . . . . . . . . . | **26,024** | **35,643** | **42,480** |

Our trade receivables increased by 37.0% from RMB26.0 million as of December 31, 2018 to RMB35.6 million as of December 31, 2019 and further increased by 19.2% to RMB42.5 million as of December 31, 2020. The increase was primarily due to the significant growth of our business, especially the growth of our precision marketing solutions. Impairment of trade receivables increased from RMB0.3 million as of December 31, 2018 to RMB1.0 million as of December 31, 2019, primarily due to (i) the increase in trade receivables and (ii) the management's assessment of credit risk exposure at the end of the period. Impairment of trade receivables decreased from RMB1.0 million as of December 31, 2019 to RMB0.5 million as of December 31, 2020, primarily due to more efficient collection of trade receivables.

RMB39.5 million, or 91.8%, of our trade receivables before deduction of loss allowance as of December 31, 2020 had been settled as of April 30, 2021.

The following table sets forth our trade receivables turnover days for the Track Record Period:

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | | (days) | |
| Trade receivables turnover days . . . . . . . . . | 123.1 | 93.3 | 67.2 |

*Note:*

(1) Trade receivables turnover days for a period are calculated using the average of open balance and closing balance of the trade receivables before deduction of loss allowance for such period divided by revenue for the relevant period and multiplied by 360 days.

Our trade receivables turnover days were 123.1 days, 93.3 days and 67.2 days in 2018, 2019 and 2020, respectively. The decrease was primarily due to more efficient collection of trade receivables. In addition, the decrease in trade receivables turnover days in 2020 was also due to a higher mix of projects with shorter settlement periods, which reduced our average settlement period.

The following table sets forth an aged analysis of our trade receivables, based on the invoice dates and net of loss allowance, as at the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (in thousands of RMB) | | |
| Within 6 months | 24,659 | 33,248 | 42,179 |
| 6 to 12 months | 1,056 | 1,860 | 152 |
| 1 to 2 years | 198 | 479 | 136 |
| 2 to 3 years | 111 | 56 | 13 |
| **Total** | **26,024** | **35,643** | **42,480** |

***Contract Assets***

Our contract assets represent our right to consideration in exchange for goods or services transferred to the customer before the customer pays the consideration or before payment is due. Our contract assets increased by 109.1% from RMB11.1 million as of December 31, 2018 to RMB23.3 million as of December 31, 2019, which was primarily due to the significant growth of sales from our precision marketing and corporate solutions. Our contract assets decreased by 32.3% from RMB23.3 million as of December 31, 2019 to RMB15.8 million as of December 31, 2020 due to shorter average fulfillment periods.

RMB8.2 million, or 52.3%, of our contract assets as of December 31, 2020 had been settled as of April 30, 2021. The remaining portion of the contract assets as of December 31, 2020 had not been settled as of April 30, 2021, due to longer fulfillment periods in respect of the unsettled amount. Contract assets are subject to impairment assessment. As of the date of this prospectus, we do not expect material settlement risks with respect to the remaining portion of the contract assets as of December 31, 2020.

The following table sets forth a breakdown of our contract assets by solution category as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (in thousands of RMB) | | |
| **Contract assets arising from:** | | | |
| Precision marketing and corporate solutions . . . . . . . . . . . . . . . . . . . . . . . . | 10,740 | 22,288 | 15,239 |
| Intelligent patient management solutions . . . | 393 | 994 | 522 |
| **Total** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . | **11,133** | **23,282** | **15,761** |

The following table sets forth our trade receivables and contract assets turnover days for the Track Record Period:

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (days) | | |
| Trade receivables and contract assets turnover days . . . . . . . . . . . . . . . . . . . . . . | 157.0 | 144.3 | 100.1 |

*Note:*

(1) Trade receivables and contract assets turnover days for a period are calculated using the average of open balance and closing balance of the trade receivables before deduction of loss allowance and contract assets for such period divided by revenue for the relevant period and multiplied by 360 days.

***Prepayments, Other Receivables and Other Assets***

Prepayments, other receivables and other assets primarily comprise (i) prepayments relating to advances to suppliers and (ii) deposits and other receivables primarily relating to security deposits for our leases and petty cash funds for employees.

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

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | (in thousands of RMB) | | |
| Prepayments | 1,354 | 1,251 | 1,426 |
| Deposits and other receivables | 1,445 | 1,974 | 1,600 |
| **Total** | **2,799** | **3,225** | **3,026** |

Our prepayments remained relatively stable during the Track Record Period.

Our deposits and other receivables increased by 36.6% from RMB1.4 million as of December 31, 2018 to RMB2.0 million as of December 31, 2019, primarily due to the increase in petty cash funds for employees to support the growth of our business. Our deposits and other receivables decreased by 18.9% from RMB2.0 million as of December 31, 2019 to RMB1.6 million as of December 31, 2020, primarily due to a decrease in petty cash funds for our employees resulting from our improved cash management policies.

***Trade Payables***

Trade payables represent our obligation to pay for goods or services that have been purchased from suppliers in the ordinary course of business. Trade payables are generally due for settlement within one to six months and therefore are all classified as current liabilities.

The following table sets forth an ageing analysis of the trade payables based on the invoice date as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | (in thousands of RMB) | | |
| Within 3 months | 820 | 515 | 3,503 |
| 3 to 6 months | 374 | 108 | 185 |
| 6 to 12 months | 154 | 421 | 340 |
| Over 1 year | 1,106 | 1,590 | 2,237 |
| **Total** | **2,454** | **2,634** | **6,265** |

Our trade payables was RMB2.6 million as of December 31, 2019, which was relatively stable compared to RMB2.5 million as of December 31, 2018. Our trade payables increased significantly from RMB2.6 million as of December 31, 2019 to RMB6.3 million as of December 31, 2020, primarily due to our increased procurement, which was in line with our business expansion.

RMB1.1 million, or 17.6% of our trade payables as of December 31, 2020 had been settled as of April 30, 2021. The trade payables of approximately RMB2.2 million aged over one year as of December 31, 2020 were attributable to fees payable to M3, one of our Controlling Shareholders, for obtaining a license of certain know-how related to MR-kun. As M3 is one of our Controlling Shareholders and our strategic partner, we have a close business relationship with M3. During the Track Record Period, we did not settle the trade payables to M3 regularly as M3 did not consider there to be any settlement risk. The RMB2.2 million trade payables due to M3 will be fully settled by December 31, 2021, as agreed with M3. Pursuant to the Amended and Restated License Agreement, going forward, we shall pay M3 the license and service fees for the license of know-how related to MR-kun which accrue during each calendar quarter within 30 calendar days after the end of each quarter. During the Track Record Period and as of April 30, 2021, we did not experience any material disputes or disagreements with our major suppliers relating to the relevant trade payables.

The following table sets forth our trade payables turnover days for the Track Record Period:

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | | (days) | |
| Trade payables turnover days . . . . . . . . . . . | 30.1 | 20.6 | 28.0 |

*Note:*

(1) Trade payables turnover days for a period are calculated using the average of open balance and closing balance of the trade payables for such period divided by cost of sales for the relevant period and multiplied by 360 days.

Turnover days in 2019 decreased, as we accommodated our suppliers' request for shorter settlement period at the end of 2019 due to an early holiday season. The increase in turnover days in 2020 reflects our normal settlement periods with our existing suppliers and an increase in suppliers with longer credit periods due to our increased procurement.

***Other Payables and Accruals***

Other payables and accruals consist of payroll payables relating to unpaid employee salary and welfare (including the accrued shortfall of social insurance and housing fund contributions), contract liabilities, taxes other than income tax, deferred revenue, accrued expenses and other payables. Contract liabilities represent our obligation to transfer goods or services to a customer for which we have received payment from the customer or the payment is due.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | | (in thousands of RMB) | |
| Payroll payables | 16,521 | 19,773 | 19,924 |
| Contract liabilities | 4,542 | 6,046 | 16,915 |
| Taxes other than income tax | 1,737 | 2,871 | 3,284 |
| Deferred revenue | 165 | 2,519 | 2,724 |
| Accrued expenses | 581 | 1,204 | 2,156 |
| Other payables | 117 | 9 | 228 |
| **Total** | **23,663** | **32,422** | **45,231** |

Our other payables and accruals increased by 37.0% from RMB23.7 million as of December 31, 2018 to RMB32.4 million as of December 31, 2019 and further increased by 39.5% to RMB45.2 million as of December 31, 2020, primarily due to (i) increases in our payroll payables as a result of our increased headcount, (ii) increases in contract liabilities primarily due to short-term advances received from customers of our precision marketing and corporate solutions as a result of the significant growth of our business and (iii) increase in deferred revenue and accrued expenses as a result of the significant growth of our business.

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | | (in thousands of RMB) | |
| **Short-term advances received from customers** | | | |
| Precision marketing and corporate solutions | 4,182 | 5,407 | 15,969 |
| Intelligent patient management solutions | 360 | 639 | 946 |
| **Total** | **4,542** | **6,046** | **16,915** |

**Non-Current Assets/Liabilities**

| | As of December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (in thousands of RMB) | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4,167 | 4,649 | 2,617 |
| Right-of-use assets | 6,850 | 4,526 | 12,571 |
| Deferred tax assets | 2,445 | 3,591 | 3,509 |
| **Total non-current assets** | **13,462** | **12,766** | **18,697** |
| **Non-current liabilities** | | | |
| Lease liabilities | 4,334 | 1,786 | 9,484 |
| Deferred tax liabilities | 317 | 790 | 2,083 |
| **Total non-current liabilities** | **4,651** | **2,576** | **11,567** |
| **Net non-current assets** | **8,811** | **10,190** | **7,130** |

***Property, Plant and Equipment***

Our property, plant and equipment primarily consist of electronic equipment, office equipment and leasehold improvements. Our property, plant and equipment increased by 11.6% from RMB4.2 million as of December 31, 2018 to RMB4.6 million as of December 31, 2019, primarily due to our spending on office renovation and IT equipment to meet increased demand of daily operation, which is in line with our business growth and headcount increase. Our property, plant and equipment decreased by 43.7% from RMB4.6 million as of December 31, 2019 to RMB2.6 million as of December 31, 2020, primarily due to higher amount of depreciation compared to capital expenditure in the period.

***Right-of-use Assets***

Our right-of-use assets represent our leased office premises. Our right-of-use assets decreased by 33.9% from RMB6.9 million as of December 31, 2018 to RMB4.5 million as of December 31, 2019, primarily due to depreciation charge for the year of RMB2.9 million, partially offset by additions of RMB0.6 million. Our right-of-use assets increased by 177.8% from RMB4.5 million as of December 31, 2019 to RMB12.6 million as of December 31, 2020, primarily due to additions of RMB12.5 million as we renewed our material leases, partially offset by depreciation charge of RMB2.7 million and reduction as a result of lease modifications in the amount of RMB1.8 million.

### *Deferred Tax Assets*

Our deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. We recorded deferred tax assets of RMB2.4 million, RMB3.6 million and RMB3.5 million as of December 31, 2018, 2019 and 2020, respectively.

### *Lease Liabilities*

Our lease liabilities included in non-current liabilities represent the present value of lease payments to be made over the lease term. Our lease liabilities decreased by 58.8% from RMB4.3 million as of December 31, 2018 to RMB1.8 million as of December 31, 2019, as we allocated more lease liabilities to current liabilities due to the fact that our material leases would expire in 2020. Our lease liabilities increased by 431.0% from RMB1.8 million as of December 31, 2019 to RMB9.5 million as of December 31, 2020, as we renewed our material leases.

## KEY FINANCIAL RATIOS

The following tables set forth our key financial ratios/metrics for the periods indicated.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| **Profitability** | | | |
| Total revenue growth (%) | — | 45.7 | 75.6 |
| Gross margin(1) (%) | 59.8 | 63.5 | 73.2 |
| Net margin(2) (%) | 17.0 | 25.7 | 39.9 |

| | As of December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| **Liquidity** | | | |
| Current ratio(3) | 1.9 | 2.2 | 3.3 |
| Quick ratio(4) | 1.9 | 2.2 | 3.3 |

*Notes:*

(1) Gross margin is calculated by dividing gross profit by our revenue.

(2) Net margin is calculated by dividing net profit by our revenue.

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

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

See "— Year Ended December 31, 2020 Compared to Year Ended December 31, 2019" and "— Year Ended December 31, 2019 Compared to Year Ended December 31, 2018" for a discussion of the factors affecting our results of operations during the respective periods.

## LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we had historically met our working capital and other capital requirements primarily through capital contribution from shareholders and cash generated from our operating activities.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, the net proceeds received from the Global Offering and other funds raised from the capital markets from time to time. We currently do not have any plans for material additional external financing.

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

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | (in thousands of RMB) | | |
| Cash generated from operations | 23,765 | 28,871 | 126,252 |
| Income tax paid | (1,674) | (668) | (15,204) |
| Net cash flows from operating activities | 22,091 | 28,203 | 111,048 |
| Net cash flows (used in)/from investing activities | (3,101) | (2,426) | 13 |
| Net cash flows used in financing activities | (5,846) | (3,428) | (2,834) |
| Net increase in cash and cash equivalents | 13,144 | 22,349 | 108,227 |
| Cash and cash equivalents at beginning of year | 3,372 | 16,530 | 38,883 |
| Effect of foreign exchange rate changes, net | 14 | 4 | (15) |
| **Cash and cash equivalents at end of year** | **16,530** | **38,883** | **147,095** |

We had net cash generated from operating activities of RMB22.1 million, RMB28.2 million and RMB111.0 million in 2018, 2019 and 2020, respectively, primarily due to our significant revenue growth and improved profitability. We plan to maintain and improve our operating cash flow by (i) growing revenue from all solution categories, (ii) maintaining gross margin at a reasonable level while increasing the sale of our solutions, (iii) enhancing operating leverage from administrative expenses and selling and distribution expenses, and (iv) maintaining and improving our trade receivables and trade payables turnover days.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, the conditional special interim dividend of RMB92 million declared on June 18, 2021 which is expected to be distributed after Listing and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next twelve months from the date of this prospectus.

**Net Cash Generated from Operating Activities**

In 2020, our net cash generated from operating activities was RMB111.0 million, which was primarily attributable to our profit before tax of RMB104.8 million, as adjusted by (i) non-cash items, which primarily comprised depreciation of right-of-use assets of RMB2.7 million and depreciation of property, plant and equipment of RMB2.7 million, partially offset by investment income from financial assets at fair value through profit or loss of RMB0.6 million and reversal of impairment of trade receivables of RMB0.5 million; and (ii) changes in working capital, which primarily comprised an increase in other payables and accruals of RMB12.8 million, an decrease in contract assets of RMB7.5 million and an increase in trade payables of RMB3.6 million, partially offset by an increase in trade receivables of RMB6.3 million. Our other payables and accruals increased primarily due to increase in (i) payroll payables as a result of headcount expansion to support our business, (ii) short-term advances received from customers of our precision marketing and corporate solutions and (iii) deferred revenue and accrued expenses as a result of the significant growth of our business. Our contract assets decreased primarily due to shorter average fulfillment periods of our projects. Our trade payables increased primarily due to our increased procurement, which was in line with our business expansion. Our trade receivables increased primarily due to the significant growth of our business.

In 2019, our net cash generated from operating activities was RMB28.2 million, which was primarily attributable to our profit before tax of RMB37.0 million, as adjusted by (i) non-cash items, which primarily comprised depreciation of right-of-use assets of RMB2.9 million, depreciation of property, plant and equipment of RMB1.9 million and impairment of trade receivables of RMB0.7 million; and (ii) changes in working capital, which primarily comprised an increase in contract assets of RMB12.1 million and an increase in trade receivables of RMB10.3 million, partially offset by an increase in other payables and accruals of RMB8.8 million. Our contract assets and trade receivables increased primarily due to the significant growth of sales from our precision marketing and corporate solutions. Our other payables and accruals increased primarily due to increase in (i) payroll payables as a result of headcount expansion to support our business, (ii) short-term advances received from customers of our precision marketing and corporate solutions and (iii) deferred revenue and accrued expenses as a result of the significant growth of our business.

In 2018, our net cash generated from operating activities was RMB22.1 million, which was primarily attributable to our profit before tax of RMB16.0 million, as adjusted by (i) non-cash items, which primarily comprised depreciation of right-of-use assets of RMB3.0 million, depreciation of property, plant and equipment of RMB1.3 million and finance costs of RMB0.4 million; and (ii) changes in working capital, which primarily comprised an increase in other payables and accruals of RMB6.0 million and a decrease in trade receivables of RMB4.4 million, partially offset by an increase in contract assets of RMB6.5 million. Our contract assets increased primarily due to the growth of sales from our precision marketing and corporate solutions. Our other payables and accruals increased primarily due to increase in (i) payroll payables as a result of headcount expansion to support our business and (ii) short-term advances received from customers of our precision marketing and corporate solutions. Our trade receivables decreased primarily due to more efficient collection during the period.

**Net Cash Generated from/(Used in) Investing Activities**

In 2020, our net cash generated from investing activities was RMB13 thousand, which was primarily attributable to proceeds from disposal of financial assets at fair value through profit or loss of RMB132.6 million, which were structured deposit products, partially offset by purchases of financial assets at fair value through profit or loss of RMB132.0 million, relating to structured deposit products, and purchases of items of property, plant and equipment of RMB0.6 million.

Our structured deposit products had a maturity period ranging from 30 days to 95 days, all of which had become matured and were repaid as of December 31, 2020. The structured deposit products were purchased as part of our cash management and treasury measures from a state-controlled licensed commercial bank, and they were principal-protected with a guaranteed minimum interest rate and a floating interest rate linked to certain foreign exchange rates.

In 2019, our net cash used in investing activities was RMB2.4 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB2.4 million.

In 2018, our net cash used in investing activities was RMB3.1 million, which was primarily attributable to purchases of items of property, plant and equipment of RMB3.1 million.

### Net Cash Used in Financing Activities

In 2020, our net cash used in financing activities was RMB2.8 million, which was primarily attributable to the principal portion of our lease payments of RMB2.6 million and interest paid for lease liabilities of RMB0.2 million.

In 2019, our net cash used in financing activities was RMB3.4 million, which was primarily attributable to the principal portion of our lease payments of RMB3.1 million and interest paid for lease liabilities of RMB0.3 million.

In 2018, our net cash used in financing activities was RMB5.8 million, which was primarily attributable to the principal portion of our lease payments of RMB3.1 million, repayments to directors of RMB2.4 million for loans previously borrowed from them, and interest paid for lease liabilities of RMB0.4 million.

### Cash Management and Treasury Policy

As part of our cash management and treasury measures, we invested some of our surplus funds in structured deposit products in 2020 and may continue to do so in the future. Given the structured deposits are principal-protected with an upside potential of earning a more attractive return than the prevailing interest rate for time deposits with similar tenor, we considered purchasing structured deposit products to be in the interest of our Group, particularly, in the current low interest rate environment. Our finance department is responsible for identifying deposit products with low-risk and the appropriate levels of expected returns. We will only invest in principal-protected structured deposit products offered by state-controlled or reputable licensed commercial banks that are considered low-risk and offer higher rates of return than time deposits.

## INDEBTEDNESS

### Borrowings

As of December 31, 2018, 2019 and 2020 and April 30, 2021, we did not have any bank borrowings. We did not have any unutilized banking facilities as at the Latest Practicable Date.

### Lease Liabilities

The following table shows the lease liabilities as of the dates indicated.

| | As of December 31, | | | As of April 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | | | | (Unaudited) |
| | (in thousands of RMB) | | | |
| **Lease liabilities** | | | | |
| — Current portion | 3,036 | 3,016 | 2,591 | 2,618 |
| — Non-current portion | 4,334 | 1,786 | 9,484 | 8,807 |
| Total | 7,370 | 4,802 | 12,075 | 11,425 |

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

## CAPITAL EXPENDITURES AND LONG-TERM INVESTMENTS

Our capital expenditures consist of purchases of items of property, plant and equipment. The following table sets forth our capital expenditures for the periods indicated.

| | As of December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (in thousands of RMB) | | |
| Purchases of items of property, plant and equipment | 3,101 | 2,426 | 626 |
| **Total** | **3,101** | **2,426** | **626** |

Our capital expenditures decreased by 21.8% from RMB3.1 million for 2018 to RMB2.4 million for 2019, and further decreased by 74.2% to RMB0.6 million for 2020, primarily due to our spending on office renovation and IT equipment in 2018 and 2019 to meet increased demand of daily operation.

We plan to fund our planned capital expenditures using cash generated from operating activities and net proceeds received from the Global Offering. See the section "Future Plans and Use of Proceeds" in this prospectus for more details. We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

See "Business — Risk Management and Internal Control — Investment Risk Management" for a discussion of our investment policy and investment risk management.

## CONTRACTUAL OBLIGATIONS

As of December 31, 2018, 2019 and 2020, we did not have any significant commitments.

## CONTINGENT LIABILITIES

As of December 31, 2018, 2019 and 2020 and April 30, 2021, respectively, we did not have any material contingent liabilities.

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

## MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we entered into a number of related party transactions, primarily including (i) transactions with M3 and certain of its subsidiaries for providing them with corporate solutions, (ii) transaction with certain subsidiary of M3 for purchasing license to use its software, (iii) transaction with M3 for obtaining a license of certain know-how related to MR-kun, (iv) transactions with Jinye Tiansheng, a company controlled by Ms. Tian Liping, for purchasing customer support services, which will be discontinued upon Listing, and (v) repayments to Ms. Tian Liping and Mr. Tian Lixin for loans previously borrowed from them.

We had the following transactions with related parties during the Track Record Period:

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (in thousands of RMB) | | |
| **Corporate solutions provided to:** | | | |
| M3 | 371 | 193 | 225 |
| Certain subsidiaries of M3 | 2,535 | 3,646 | 3,468 |
| | 2,906 | 3,839 | 3,693 |
| **Software licensing fee to:** | | | |
| Certain subsidiary of M3 | 63 | 94 | 305 |
| **License and service fees to:** | | | |
| M3 | 884 | 991 | 906 |
| **Outsourcing fee to:** | | | |
| Jinye Tiansheng | 1,152 | 1,462 | 1,375 |
| **Repayments to:** | | | |
| Tian Liping | 2,000 | — | — |
| Tian Lixin | 350 | — | — |
| | 2,350 | — | — |

The following table sets forth the outstanding balances of our transactions with related parties as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (in thousands of RMB) | | |
| **Contract assets** | | | |
| Certain subsidiaries of M3 | 872 | 1,491 | 432 |
| **Prepayments** | | | |
| Jinye Tiansheng | 524 | 306 | — |
| **Trade payables** | | | |
| M3 | 1,895 | 2,476 | 3,046 |

As of December 31, 2018, 2019 and 2020, the outstanding balances of our transactions with related parties were all trade in nature.

Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

## FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign exchange 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 senior management.

### Foreign Exchange Risk

The functional currency of our entities incorporated in the Cayman Islands and Hong Kong is US$. Our PRC subsidiaries and Consolidated Affiliated Entities determined their functional currency to be 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 our entities.

During the Track Record Period, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant.

### Credit Risk

Our credit risk is mainly associated with cash and cash equivalents, contract assets, trade receivables and other receivables. We trades only with recognized and creditworthy third 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 these financial assets having a low credit risk, as they have a low risk of default and each related counterparty has a strong capacity to meet its contractual cash flow obligations in the near term.

For trade receivables and other receivables, our management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience. We believe that there is no material credit risk inherent in our outstanding balance of trade receivables and other receivables.

**Liquidity Risk**

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, our policy is to regularly monitor our liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet our liquidity requirements.

We manage liquidity risk by holding liquid assets (including currency funds and financial assets held for trading) of appropriate quality and quantity to ensure that short term funding requirements are covered within prudent limits. Adequate standby facilities are maintained to provide strategic liquidity to meet unexpected and material demand for payments in the ordinary course of business.

The table below analyses our financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows of the financial liabilities.

| | On demand | Less than 3 months | 3 to 12 months | 1 to 3 years | Over 3 years | Total |
|---|---|---|---|---|---|---|
| | | | (in thousands of RMB) | | | |
| **As of December 31, 2018** | | | | | | |
| Trade payables | 2,454 | — | — | — | — | 2,454 |
| Lease liabilities | — | 876 | 2,453 | 4,518 | — | 7,847 |
| Financial liabilities included in other payables and accruals | 117 | — | — | — | — | 117 |
| **As of December 31, 2019** | | | | | | |
| Trade payables | 2,634 | — | — | — | — | 2,634 |
| Lease liabilities | — | 730 | 2,460 | 1,823 | — | 5,013 |
| Financial liabilities included in other payables and accruals | 9 | — | — | — | — | 9 |
| **As of December 31, 2020** | | | | | | |
| Trade payables | 6,265 | — | — | — | — | 6,265 |
| Lease liabilities | — | 665 | 2,355 | 5,499 | 4,726 | 13,245 |
| Financial liabilities included in other payables and accruals | 228 | — | — | — | — | 228 |

## SPECIAL DIVIDEND

On June 18, 2021 we declared a special interim dividend of RMB92 million, which amount is determined with reference to the level of distributable reserves of our Group available for distribution to our Shareholders as of December 31, 2020. The special interim dividend is conditional upon Listing and is payable to all existing Shareholders, Tiantian and M3, in the proportion of 50:50. A dividend of RMB92 million will first be declared and paid by Jinye Tiancheng to Kingyee HK. The same amount will then be declared and paid by Kingyee HK to our Company and subsequently such same amount will be paid by our Company to Tiantian and M3 as the special interim dividend. The special interim dividend will be paid to Tiantian and M3 before September 30, 2021 and will be funded using the cash and bank balances and cash flows from operating activities of our Company. In connection with the special dividend, our PRC Legal Adviser is of the view that applicable PRC laws and regulations do not prohibit the distribution of distributable profits by our PRC subsidiaries to their shareholders, including offshore shareholders. However, such distribution by our PRC subsidiaries to offshore shareholders will attract withholding tax of 10% of the amount of distribution. Taking into account the special interim dividend amount of RMB92 million, the withholding tax is expected to be RMB9.2 million. We have made provision of an amount of RMB2.1 million for such withholding tax as of December 31, 2020. The remaining withholding tax amount of RMB7.1 million will be accounted for in our financial statements for the year ending December 31, 2021 pursuant to HKAS 12 (Income Taxes) and the withholding tax will have negative impact on our net profit for the year ending December 31, 2021.

## FUTURE DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. 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, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. During the Track Record Period, no dividends have been paid or declared by us.

## WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, the conditional special interim dividend of RMB92 million declared on June 18, 2021 which is expected to be distributed after Listing and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this prospectus.

We had positive cash flows from operations during the Track Record Period. Our net cash generated from operating activities was RMB22.1 million, RMB28.2 million, and RMB111.0 million, respectively, in 2018, 2019 and 2020. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

## DISTRIBUTABLE RESERVES

As of December 31, 2020, the amount of distributable reserves of our Group available for distribution to our Shareholders was RMB146 million.

## LISTING EXPENSES

Based on the mid-point Offer Price of HK$25.65, the total estimated listing expenses in relation to the Global Offering (assuming that the Over-Allotment Option is not exercised and all discretionary incentive fees in the Global Offering are paid in full) is approximately RMB172.4 million. No listing expense was incurred during the Track Record Period. We estimate that we will incur listing expenses of RMB172.4 million, of which RMB25.3 million will be charged to our consolidated statements of profit or loss for 2021. The balance of approximately RMB147.1 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering.

## UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma statement of our adjusted combined net tangible assets attributable to owners of our Company prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only is set out below to illustrate the effect of the Global Offering on our audited combined tangible assets less liabilities attributable to owners of our Company as of December 31, 2020, as if the Global Offering had taken place on that date.

The unaudited pro forma statement of our adjusted combined net tangible assets attributable to owners of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our combined net tangible assets, had the Global Offering been completed as of December 31, 2020 or at any future dates.

The following unaudited pro forma statement of our adjusted combined net tangible assets attributable to owners of our Company is prepared based on our audited combined tangible assets less liabilities attributable to owners of our Company as of December 31, 2020 as derived from the Accountants' Report in Appendix I to this prospectus, and adjusted as described below.

| | Consolidated net tangible assets attributable to owners of the Company as at 31 December 2020 | Estimated net proceeds from the Global Offering | Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 December 2020 | Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 31 December 2020 | Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 31 December 2020 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB* | *(HK$ equivalent)* |
| | *(Note 1)* | *(Note 2)* | | *(Note 3)* | *(Note 4)* |
| Based on an Offer Price of HK$24.10 per Share . . . . . . . . . . . | 151,414 | 2,944,009 | 3,095,423 | 4.48 | 5.39 |
| Based on an Offer Price of HK$27.20 per Share . . . . . . . . . . . . | 151,414 | 3,326,762 | 3,478,176 | 5.04 | 6.06 |

*Notes:*

1. The consolidated net tangible assets attributable to owners of the Company as at 31 December 2020 is extracted from the Accountants' Report set out in Appendix I to this Prospectus.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$24.10 or HK$27.20 per Share after deduction of the underwriting fees and other related expenses payable by our Company and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.

3. The share subdivision of one share into 1,000 Shares was implemented on March 29, 2021. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share are calculated based on the share subdivision having been completed and 690,176,000 Shares in issue immediately upon the completion of the Global Offering assuming that the Global Offering has been completed on December 31, 2020 for the purpose of the pro forma financial information and does not take into account any Shares which may be issued upon exercise of the Over-allotment Option or the options granted or to be granted under the Share Option Schemes.

4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8315 to HK$1.00.

5. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company have not taken into account the special interim dividend of RMB92 million. Had the special interim dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share would be HK$5.23 (equivalent to RMB4.35) per Share (based on an Offer Price of HK$24.10) or HK$5.90 (equivalent to RMB4.91) per Share (based on an Offer Price of HK$27.20 per Share).

6. No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to December 31, 2020.

## NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2020, which is the end date of the periods reported on in the Accountants' Report included in Appendix I to this prospectus, and there is no event since December 31, 2020 that would materially affect the information 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 confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.