

## RISK FACTORS

*Prospective [REDACTED] should consider carefully all of the information presented in this document and, in particular, should consider the following risks and special considerations in connection with an [REDACTED] in our Company before making any [REDACTED] decision in relation to the Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial condition and future prospects of our Company. This document contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The [REDACTED] of the Shares could decline due to any of these risks and you may lose all or part of your [REDACTED].*

*You should carefully read and consider all of the information in this document including the risks and uncertainties described below before deciding to make any [REDACTED] in our Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties. The [REDACTED] of our Shares could decline due to any of these risks and uncertainties. As a result, you may lose part or all of your [REDACTED].*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**If we fail to manage the growth and expansion of our business, our results of operations, financial condition and growth prospects may be materially and adversely affected.**

We have been expanding the type and scale of our business and the geographic presence of our services since our inception. We have evolved from an online retail pharmacy service platform to an online chronic disease management platform, providing comprehensive medical services, online retail pharmacy services and customized content and marketing solutions. As of December 31, 2022, we had over 200,000 registered physicians from over 15,100 medical institutions, which provided us with robust medical knowledge profile based on real world experience of chronic disease management. Going forward, we may continue to evolve and launch more new business initiatives as we address more pressing needs of the online CDM industry. Such expansion in business may increase the complexity of our operations and place a significant strain on our managerial, operational, financial and human resources. Our current and planned personnel, business systems, operation procedures and controls may not be adequate to support our future operations. We cannot assure you that we will be able to effectively manage our growth or to implement all these business systems, operation procedures and control measures successfully, neither can we guarantee that our new business initiatives will be as successful as expected or achieve profitability.

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**We operate in an emerging and dynamic industry, and our historical results of operations and financial performance may not be indicative of future performance.**

We operate in the emerging and dynamic online chronic disease management platform industry. This industry is relatively new and it is uncertain whether such industry would achieve and sustain high levels of demand and consumer acceptance. We have experienced steady growth during the Track Record Period. The number of paying users of our Jianke Platform grew from approximately 2.0 million in 2020 to approximately 2.5 million in 2021 and approximately 3.9 million in 2022. Our revenue increased from RMB1,160.1 million in 2020 to RMB1,758.7 million in 2021, and further increased to RMB2,204.3 million in 2022. Although our business has grown rapidly during the Track Record Period, due to our limited operating history, our historical growth and past revenue may not be indicative of our future performance. We cannot assure you that we will be able to achieve similar results or grow at the same rate as we had in the past or at all. Rather than relying on our historical operating and financial results to evaluate us, you should consider our business prospects in light of the risks and difficulties we may encounter as an early stage company operating in an emerging and dynamic industry, including, among other things, our ability to:

- innovate and adapt our platforms and solutions to meet evolving needs of existing and potential customers;
- grow our user base and enhance our user engagement;
- develop and maintain relationships with our existing business partners and attract new business partners to our ecosystem;
- develop or implement additional strategic initiatives to further enhance our monetization;
- navigate in an evolving regulatory environment;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- aggregate and process chronic disease management data, which is fundamental to the development and performance of our platforms and solutions;
- continuously improve the algorithms underlying our AI medical assistant;
- adopt new technologies or adapt our technology infrastructure to changing customer needs or emerging industry standards;
- attract, retain and motivate talented employees; and
- increase brand awareness among existing and potential customers through various marketing and promotional activities.

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If we fail to address any of the foregoing risks and challenges, our business, financial condition and results of operations may be materially and adversely affected. In addition, as our business develops and in response to competition and changes in the industry and regulatory environment, we may continue to introduce new product and service offerings, improve our existing product and service offerings or adjust and optimize our business model. There can be no assurance that we may be able to achieve the expected results for any such changes, and our financial condition and results of operations may be materially and adversely affected as a result.

**We have a history of net losses and negative operating cash flow. We cannot ensure future profitability.**

During the Track Record Period, we had experienced net losses and negative cash flows from operations. We incurred net losses of RMB90.0 million, RMB304.0 million and RMB383.3 million for the years ended December 31, 2020, 2021 and 2022, respectively. We incurred net losses during the Track Record Period primarily due to the significant amount of cost of sales and operating expenses incurred to drive the growth of our services, enhance brand awareness and lay a solid foundation to support our future expansion. In addition, we recorded finance costs which primarily represent financial liabilities recognized with respect to our convertible redeemable preferred shares. For details, see “—Changes to the carrying amount of our convertible redeemable preferred shares may materially and adversely affect our financial condition and results of operations.” Our future profitability will depend on a variety of factors, including the performance of our business, competitive landscape, demands of chronic disease patients, macroeconomic and regulatory environment and labor costs, as well as the uncertainties associated with the COVID-19 pandemic, among other things. Therefore, our revenue may not grow at the rate we expect and it may not increase sufficiently to offset the increase in our costs and expenses. As a result, we may continue to incur losses in the future.

In addition, our net cash used in operating activities was RMB203.7 million and RMB50.0 million for the years ended December 31, 2021 and 2022, respectively. In 2020, our net cash generated from operating activities was RMB22.1 million. To date, we have financed our operations principally from capital contributions from shareholders, revenue from provision of services and sales of products, and debt financing. If we fail to generate sufficient cash flow from our operations, or if we fail to maintain sufficient cash and financing, our liquidity position may be adversely affected. If we do not have sufficient cash flows to fund our business, operations and capital expenditure, our business and financial position will be materially and adversely affected.

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### **We recorded net current liabilities as of December 31, 2022.**

We recorded net current liabilities of RMB1.9 million as of December 31, 2022, primarily because we incurred a large amount of costs and expenses in expanding our business. We cannot assure you that we will not record net current liabilities in the future. Net current liabilities expose us to liquidity risks and constrain our operational flexibility. Our future liquidity and the payment of trade and other payables will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may adversely affect our results of operations and financial position.

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

We are subject to legal and regulatory requirements of multiple industries in the PRC due to the nature of our business. These legal and regulatory requirements primarily cover the industries of healthcare and the internet.

Various regulatory authorities of the PRC government are authorized to promulgate and implement regulations governing aspects of the healthcare and internet-related business. The healthcare industry is under heavy regulation, and any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

Also, the regulations of both the healthcare and the internet sectors are relatively new and evolving, and it is uncertain how the newly issued regulations will be interpreted or enforced. For example, on August 25, 2021, the National Healthcare Security Administration, the NHC, NDRC, the Ministry of Finance of PRC, MOHRSS, SAMR, National Administration of Traditional Chinese Medicine, and NMPA jointly issued the Pilot Scheme for Deepening Medical Service Price Reform (《深化醫療服務價格改革試點方案》) (“**Pilot Scheme**”). The Pilot Scheme provides that the PRC governments will locate five trial cities to establish the price catalogs for controlling the price of medical services. As of the Latest Practicable Date, the five trial cities did not include Guangzhou, and it remained uncertain whether the Pilot Scheme extended to the provision of online medical services in China. However, the regulatory climate in China is uncertain and evolving. We cannot rule out the possibility that some common practices in the online medical services industry, which we also adopt, might be deemed by the relevant authorities as being subject to the Pilot Scheme. Any changes or amendments of the current regulatory environment may result in increased compliance costs on our business, require us to modify our business models as well as product and service offerings in a manner that may undermine our product and service offerings’ attractiveness to our users, or may even have to suspend or terminate certain business operations. We may also become subject to fines or other penalties. In each case, our business, financial condition and results of operations may be materially and adversely affected.

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

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

It is uncertain whether existing laws governing issues such as privacy, property ownership, medical malpractice and other form of torts, liability theories based on contracts, and sales and other taxes, etc. could apply to data processing, online chronic disease management service offering and other online services, and such uncertainty may take years to resolve. In addition, due to the increased popularity of the online chronic disease management services and the significant impact of any safety and security breach in the digital health solutions on the society generally, it is possible that a number of laws and regulations may be adopted with respect to healthcare, chronic disease management and online chronic disease management industries. The adoption of additional laws or regulations, the application to our business of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application to our business of existing laws and regulations that are traditionally not applicable to digital forms of services, may heighten requirements on healthcare, online chronic disease management and other internet-based service offerings, which could, in turn, increase our cost of doing business, disrupt our operations and impede the development or growth of the online chronic disease management industry.

**We may be subject to regulatory investigations, administrative proceedings or legal disputes arising from the conduct of our in-house medical professionals and registered physicians, which may result in penalties or damages payable.**

Medical practice of physicians is strictly regulated under PRC laws, rules and regulations. Physicians who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions as stated in their licenses. Under applicable PRC regulations, a physician is required to register the medical institutions at which he or she practices in his or her license. If a physician is found practicing at a medical institution not registered in his or her license, the physician would be subject to

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regulatory penalties, from warning to suspension of practice and, in the worst-case scenario, revocation of licenses. A physician practicing in multiple institutions must apply to register or file with competent in-charge administrative authorities and can only have the right to prescribe medicine at the registered or filed practicing institution. If the physician issues a prescription in a medical institution not registered in his or her license, the relevant medical institution would also be subject to regulatory penalties, including a fine of up to RMB5,000 and, in the worst-case scenario, revocation of the medical institution’s Practicing License for Medical Institutions.

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

Most of our registered physicians are not our employees and we have limited control over their practice and the quality of their services on our platforms. There can be no assurance that our monitoring of their services would be sufficient to control the quality of their work, or they will strictly adhere to the specified work scope and quality requirements and comply with applicable laws and ethical rules. In the event that our registered physicians fail to meet our quality and operating standards pursuant to our agreements or as required by relevant PRC laws and regulations or ethical rules, the service quality of our online CDM business may be adversely affected. Furthermore, due to our contractual relationships with registered physicians, we could be perceived as being responsible for their actions and, as a result, suffer reputation damage and could be brought into legal proceedings that are costly and time-consuming to defend. This may adversely affect our ability to attract and retain participants of our online CDM platform, which could materially and adversely affect our business.



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As of the Latest Practicable Date, we had implemented policies to ensure our registered physicians are permitted to issue the prescription and our practicing in-house medical professionals to register our medical institution in their licenses as required under the relevant PRC regulations. Nevertheless, there can be no assurance that all of such medical professionals will strictly abide by these policies and that the relevant healthcare administrative authorities would not retrospectively find deficiency in the registration of these medical professionals and subject the relevant medical professionals and/or us to penalties, which could materially and adversely affect our business.

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

Sale of prescription drugs is subject to stringent legal and regulatory scrutiny, which may expose us to risks and challenges. In particular, under the Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals (《藥品流通監督管理辦法》) promulgated by the CFDA in 2007, a company is prohibited from either selling prescription drugs to consumers without prescription or selling prescription drugs via internet or by post. A company in violation of such prohibitions will be instructed to rectify, given a disciplinary warning, and/or imposed an administrative penalty of no more than RMB30,000 per violation. The Drug Administration Law (《藥品管理法》), which was last amended in 2019, abolished the restriction on online sale of prescription drugs and adopted the principle of keeping online and offline sales consistent. On August 3, 2022, the SAMR promulgated the Measures for Supervision and Administration of Online Pharmaceuticals Sales (the “Measures”) (《藥品網絡銷售監督管理辦法》), which took effect on December 1, 2022 aiming to enhance the supervision of online pharmaceutical sales and related platform services. The Measures provides specific and explicit rules for the online sales of prescription drugs, which is perceived to be more conducive to online prescription drug sellers including us, but also presents challenges for us to be in compliance. The Measures provides that, among others, online prescription drug sellers shall (i) ensure the accuracy and reliability of the source of prescription; (ii) keep records of any prescription for at least five years and no less than one year after the expiration date of the prescription drugs; and (iii) disclose safety warnings including “prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists” when displaying information of prescription drugs. On April 7, 2021, the General Office of the State Council issued the Opinions on Serving the “Six Stables” and “Six Safeguards” and Further Doing a Good Job in the Reform of “Delegating Power, Delegating Regulation and Serving Service” (《關於服務“六穩”“六保”進一步做好“放管服”改革有關工作的意見》) which allow online sales of prescription drugs other than those under special state control on the premise of ensuring the authenticity and reliability of the electronic prescription sources.

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It remains uncertain that our sales of prescription drugs are and will be in full compliance with the relevant laws and regulations or any new laws and regulations that may be promulgated in the future, which are evolving and subject to changes. Any failure to comply with such laws and regulations could subject us to disciplinary warnings and administrative penalties, which may in turn materially and adversely affect our business, results of operations, financial condition and prospects. Additionally, we cannot assure you that our scrutiny measures and mechanism will be effective or sufficient. There may be loopholes in our scrutiny measures and such measures may not be able to detect prescriptions abuse or fraudulent orders effectively and timely. As the methods used to bypass or cheat our scrutiny measures may change frequently and may not be recognized until they succeed, we may be unable to anticipate these methods or to implement adequate preventative measures. Failure to effectively screen the sale of prescription drugs could expose us to liabilities under PRC laws and regulations, which may incur significant liabilities and our business, financial condition and results of operations could be materially and adversely affected.

**Maintaining customers’ trust in our Jianke Platform is critical to our success, and any failure to do so could damage our reputation and brand.**

We provide online chronic disease management services primarily through our Jianke Platform. We have been building our brand name and reputation for our ecosystem as we believe that our ability to maintain customers’ trust in our services and platform is critical to our success in the rapidly expanding online chronic disease management industry in China. Our ability to maintain customers’ trust in our services is primarily affected by the following factors:

- our ability to maintain superior customer experience and the quality of services and products provided through our platform;
- the breadth of offerings of our services and their efficiency in addressing our customers’ needs and meeting their expectations;
- the reliability, security and functionality of our platform;
- our ability to adopt new technologies or adapt our information infrastructure to changing user requirements or emerging industry standards; and
- our ability to increase brand awareness among existing and potential customers through various marketing and promotional activities.

Any loss of trust in our platform could harm the value of our brand and reputation, and result in participants ceasing to utilize our platform as well as reducing the level of their activity on our platform, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, there can be no assurance that our brand promotion efforts would be effective. Such efforts may be expensive, which may, in turn, materially and adversely affect our financial condition and results of operations.



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Any negative review, publicity or other public disclosures, comment or allegation about our Company, affiliates or subsidiaries, related parties, our in-house medical professionals, registered physicians and pharmaceutical companies that we cooperate with, among others, may harm our brand, reputation and public image. We may also face challenges from others seeking to profit from, or defame, our brand. Any of the foregoing may result in loss of existing and potential customers or business partners for our platform and, in turn, have a material adverse effect on our business, financial condition, results of operations and prospects.

**We may be subject to product liability or medical liability claims, or claims or administrative penalties for counterfeit, substandard or unauthorized products on our platform, which could cause us to incur significant expenses and be liable for significant damage.**

We are exposed to risks inherent in providing online healthcare services and selling pharmaceutical and healthcare products in China. Claims, user complaints or administrative penalties may be made or imposed against us or the relevant pharmaceutical companies if any of the products sold through our Jianke Platform are deemed or proven to be unsafe, ineffective or defective, or if they are found to contain illicit substances or infringe on any third party’s intellectual property rights. According to the Drug Administration Law (《藥品管理法》), if compensation claims related to product quality are received by a drug trading enterprise, it shall pay the compensation first, and then have the right to recover such payment from the drug manufacturer or holder of drug marketing authorization. Pursuant to the PRC Product Quality Law (《中華人民共和國產品質量法》), where a defective product causes physical injury or damage to property, the victim may claim compensation from the manufacturer or from the seller of the product. Where the liability ought to be borne by the manufacturer, the seller has a right of recourse against the manufacturer. We may also be subject to allegations of having engaged in practices such as improperly issuing prescriptions, sale of counterfeit and substandard medicines or other healthcare products or providing inadequate warnings or insufficient or misleading disclosures of side effects.

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

We face risks of medical liability claims arising from medical services provided through our Jianke Platform. Such claims may be made against us, our registered physicians (in relation to their provision of online consultation and e-prescription services) and our in-house medical professionals (in relation to their provision of e-prescription services). In particular, the physicians and pharmaceutical companies that we partner with, may provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice, which could subject us to medical liability claims. According to the Regulation on Handling Medical Accidents (《醫療事故處理條例》), medical institutions and patients can

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resolve civil liability disputes, including compensation for medical accidents, through negotiation. According to the Civil Code of the PRC (《中華人民共和國民法典》), if a patient sustains any harm in the course of medical treatment due to the failure of the medical institution or its medical staff, the medical institution shall be liable for compensation. Although we carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful medical liability claims could result in substantial damage awards that may exceed the limits of our insurance coverage.

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

### **We may fail to attract or retain sufficient users or registered physicians for our Jianke Platform.**

We have built a broad user base for our comprehensive medical services and online retail pharmacy services. The number of paying users of our Jianke Platform grew from approximately 2.0 million in 2020 to approximately 2.5 million in 2021 and further to approximately 3.9 million in 2022. Our ability to acquire and retain sufficient paying users for our platform primarily depends on the overall experience we provide to our users as well as the actual or perceived effectiveness of our services. In order to attract and retain users for our services and increase the conversion rate of active users to paying users on our platform, we must continue to build our brand and reputation, as well as effectively market and precisely target our services to prospective users. To retain and engage our user base, we must provide personalized, superior user experience, offer quality services covering a wide range of user demands and cultivate users’ stickiness to our platform. However, we cannot assure you that our users will consider their experience satisfactory or our services effective. In addition, some users may encounter difficulties in navigating our platform or experience technical difficulties.

We also need sufficient physicians to be registered and maintained on our Jianke Platform for the provision of our H2H services. As of December 31, 2022, we had more than 200,000 registered physicians on our H2H service platform, providing online consultation and e-prescription services. We cannot assure you that these registered physicians will stay on our platform or that we will be able to attract more physicians to be registered on our platform. For example, as physicians have responsibilities at the hospitals where they work, they may be unwilling or unable to set aside additional hours from their schedule to participate in our H2H services. Furthermore, they may not share our vision about online chronic disease management

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services and may prefer to focus on their traditional practices. Furthermore, our competitors may offer more subsidies or compensation to attract our registered physicians to their platforms, and those physicians may not stay at our platform or their engagement in our platform may decrease. If we fail to attract or retain sufficient number of registered physicians, our online chronic disease management services may not further develop and we may not be able to provide satisfactory services or user experience.

If we fail to address any of the foregoing or other similar challenges, we may be unable to attract new users and existing users may become dissatisfied with our services and discontinue their engagement with us. As a result, our business, results of operations and financial condition could be materially and adversely affected.

### **We recorded net liabilities during the Track Record Period.**

We recorded net liabilities of RMB1,042.2 million, RMB1,340.3 million and RMB1,709.9 million as of December 31, 2020, 2021 and 2022, respectively, primarily due to the convertible redeemable preferred shares of RMB1,293.0 million, RMB1,368.8 million and RMB1,737.9 million that we recorded as of December 31, 2020, 2021 and 2022, respectively. Upon the completion of the [REDACTED], all of our convertible redeemable preferred shares will be re-classified from liabilities to equity as a result of the automatic conversion into ordinary shares, which is expected to reverse our net liabilities position into a net assets position. However, there can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business operations and capital expenditure, and our business, financial condition and results of operations will be adversely affected as a result.

### **Changes to the carrying amount of our convertible redeemable preferred shares may materially and adversely affect our financial condition and results of operations.**

As of December 31, 2020, 2021 and 2022, the carrying amount of the convertible redeemable preferred shares we issued amounted to RMB1,293.0 million, RMB1,368.8 million and RMB1,737.9 million, respectively. Immediately prior to the completion of the [REDACTED], all of our convertible redeemable preferred shares will be automatically converted to ordinary shares. However, the redemption price of our convertible redeemable preferred shares may change from time to time. We initially recognized our convertible redeemable preferred shares as financial liabilities at the present value of their redemption price, which represents the highest amount we would need to pay in case of the occurrence of any triggering events. Changes in the carrying amount of such financial liabilities are recognized in our consolidated statements of profit or loss and other comprehensive income, and may result in significant fluctuations in profit or loss from year to year.

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**We are subject to risks associated with our relationship with pharmaceutical companies for our product sales and customized content and marketing solutions.**

Through our partnerships with pharmaceutical companies, we have access to a variety of pharmaceutical products at competitive prices. As of December 31, 2022, we had procured products from over 1,300 suppliers and had offered over 211,100 drug SKUs. In addition, our customized content and marketing solutions to pharmaceutical companies have become an important component of our overall business. Our customized content and marketing solutions serve as an extension of our supplier management strategy, which helps us forge mutually beneficial and synergistic relationships with pharmaceutical companies from whom we procure our pharmaceutical products. Our results of operations and prospects are thus significantly dependent on our relationship and continued collaboration with pharmaceutical companies. We cannot assure you that we will be able to maintain a good relationship with pharmaceutical companies or maintain our collaboration with them on terms acceptable to us. If we lose any of our current pharmaceutical company partners for any reason, we cannot assure you that we will be able to find alternative partners on terms acceptable to us, or at all.

We typically enter into purchase agreements with pharmaceutical companies, which generally do not ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of the contractual term. In addition, our agreements with these companies typically do not restrict them from selling products to other buyers. We cannot assure you that the pharmaceutical companies we currently cooperate with will continue to sell products to us on commercially acceptable terms, or at all. Even if we maintain good relationships with these companies, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, customs and import restrictions, natural disasters or other matters beyond our control. In the event that we are not able to purchase pharmaceutical products at favorable prices, our revenue and cost of sales may be materially and adversely affected.

Moreover, we usually enter into service agreements with pharmaceutical companies to provide customized content and marketing solutions on a case-by-case basis. We cannot assure you that our partners will not terminate such relationship with us and divert part or all of their business to our competitors. In the event that we fail to maintain our relationship and collaboration with pharmaceutical companies, our results of operations, financial condition and prospects may be materially adversely affected.

**We source pharmaceutical products from suppliers, and our revenue and results of operations will be adversely affected if we fail to maintain and manage these relationships properly.**

Our business is dependent to a large extent upon the stable supply of pharmaceutical products from our suppliers. We mainly procure pharmaceutical products, including prescription drugs, OTC drugs, medical device and accessories, from authorized distributors of multinational and domestic pharmaceutical companies. In 2020, 2021 and 2022, purchases from our five largest suppliers accounted for 70.6%, 60.9% and 57.2% of our total purchases

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for the periods, respectively, and purchases from our largest supplier accounted for 47.0%, 20.5% and 14.8% of our total purchases for the same periods, respectively. Although we believe our reliance on our major suppliers is relatively limited as there are several other pharmaceutical companies in China with similar supply ability, in case of any significant delay in delivery, the inability of our key suppliers to meet their quantity and/or quality obligations or the unavailability of alternative suppliers could hinder our business plan, which could, in turn, have a material adverse effect on our business, financial condition and results of operations.

In addition, we typically do not enter into long-term arrangements with our suppliers, and most of our current agreements with our suppliers do not prohibit them from working with our competitors. Our competitors may be more effective in providing incentives to our suppliers to prioritize their orders in case of short supply. If these suppliers choose not to partner with us, our business and results of operations may be materially and adversely affected. If we fail to effectively maintain these relationships, our business and results of operations may be adversely affected.

**If we fail to keep up with rapid changes in big data analysis, AI technology and other technologies, our future success may be adversely affected.**

We utilize AI, big data analysis, and other advanced data technology tools to assist in our provision of online medical consultations, prescription verifications and realize smart supply chain management in our online retail pharmacy services. The efficiency of our business will depend, in part, on our ability to adapt and respond effectively to the technology development in AI and big data analysis on a timely basis. The healthcare sector has started to improve technology-oriented capabilities and leverage innovative applications to reshape the concept of prevention, diagnosis and treatments, such as AI-assisted medical services, online physician-patient communications and e-prescription verifications conducted with the assistance of AI technology. If we are unable to design products and solutions that catch up with such trend in a timely manner, our market share may shrink and our results of operations and financial conditions may be negatively impacted.

If we are unable to develop new solutions that satisfy our customers and provide enhancements and new features for our Jianke Platform and solutions that keep pace with rapid technological and industrial change, our business, results of operations and financial condition could be adversely affected. If our competitors are able to deliver more efficient, convenient and secure services and solutions at lower prices by using new technologies, it could adversely impact our ability to maintain and increase our market share.

We need to continuously modify and enhance our services and solutions to adapt to changes and innovation in these technologies. Technology issues relating to the operation of our platforms can negatively impact the performance of services. Our AI medical assistant could cause problems if it fails to deliver accurate information from its interaction with user and may further impact the physician’s judgments in forming diagnosis and/or issuing prescriptions based on information provided by the AI medical assistant. Any failure of our big

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data analysis and AI technology to operate effectively with evolving or new technologies could reduce the demand for our services. We may need to continue to invest substantial resources in research and development to enhance our technology. If we are unable to respond to these changes in a cost-effective manner, our services may become less marketable and less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected.

**We collect and process a large amount of data in the ordinary course of our business. Any improper use or disclosure of such data, security breaches or attacks against our platform, and any potential reach or failure to protect confidential and proprietary information, could damage our reputation and adversely impact our business, results of operations and financial condition.**

We process personal information of the users of our platforms when they register as users and use the services of our platforms. In 2020, 2021 and 2022, the number of paying users of our Jianke Platform was approximately 2.0 million, 2.5 million and 3.9 million, respectively. In order for our users to understand how their personal information is handled or processed in accordance with the relevant laws and regulations, we have developed our own privacy policy, which is embedded in our mobile applications and website. In addition, we have implemented internal policies to safeguard our users’ personal information in accordance with the Personal Information Protection Law, which specify, among others, the requirements regarding identification and classification of personal information, measures on collection, storage, processing, use, transmission, provision, disclosure and deletion of personal information, mechanism to ensure individual’s rights with respect to their privacy, and security incident response mechanisms. We have also adopted policies on personal information protection impact assessment, pursuant to which we would conduct assessment on our personal information processing activities that involve greater risks, especially when processing sensitive personal information. In addition, we have made significant efforts to deploy various cybersecurity techniques to improve our privacy and data security systems and processes. Even though we have already taken necessary organizational and technical measures in accordance with applicable laws to protect the safety of our network facilities and the data processed by us, we still face risks inherent in handling large volumes of data and in securing and protecting such data, in particular, the risks of protecting the data in and hosted on our system, including against attacks on our system by external parties or improper behavior by our employees; addressing concerns related to privacy and sharing, safety, security and other factors; and complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data. Any system failure or security breach or lapse that results in the unauthorized release of our user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.



## **RISK FACTORS**

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

The satisfactory performance, reliability and availability of our technology infrastructure are critical to our success and our ability to attract and retain users and provide superior user experience. Developing and maintaining technology platforms by ourselves is time-consuming, expensive and complex, and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our technologies from operating properly and, consequently, adversely affect our platforms and other aspects of our business where we apply our technologies. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our infrastructure could reduce the volume of products sold and the attractiveness of service and product offerings on our platforms. Our servers may also be vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to system interruptions, website slowdown or unavailability, delays or errors in transaction processing, loss of data or the inability to accept and fulfill sales orders. Security breaches, computer viruses and hacking attacks have become more prevalent in our industry.

Material performance problems, defects or errors in our existing or new websites and mobile applications may arise in the future and may result from technical issues beyond our control or undetected in our testing. These defects and errors, and any failure by us to identify and address them, could result in loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential users from utilizing our services and solutions. Correction of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations. Defects or errors may also affect our registered physicians and pharmaceutical companies or other participants who rely on our technologies in the operation of their businesses, which may have a material adverse effect on our reputation, business, results of operations and prospects.

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

Almost all access to the internet and mobile networks in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the MIIT. We primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China’s public communications networks, such as the internet, mobile networks or the fixed

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telecommunications networks. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our platforms. We cannot assure you that the public communications infrastructure in China will be able to support the demands associated with the continued growth in usage. In addition, we have no control over the costs of the services provided by public communications service providers. If the prices we pay for their services rise significantly, our financial performance may be adversely affected. Furthermore, if mobile network access fees or other charges to mobile users increase, our user traffic may decline, and our business may be adversely affected.

**The growth and activity of our customers and users who access or use our platforms through mobile devices depend on their effective use of mobile operating systems which we do not control.**

Customers and users can access our mobile applications and website through mobile devices. We depend on our customers and users to download specific mobile applications that are suited for their particular devices. As new mobile devices are released, it is difficult to predict the problems we may encounter in developing applications for new or alternative devices. We may need to devote significant resources to the development, support and maintenance of applications that can be integrated into such new or alternative devices, and may face increased costs to distribute or have customers use our mobile applications. In the event that it becomes more difficult for our customers and users to access and use our platforms on their mobile devices, or if our customers and users choose not to access or use our platforms through their mobile devices or to use mobile devices that do not offer access to our platforms, our customer and user growth could be harmed and our business, financial condition and results of operations may be materially and adversely affected.

**We may be held liable for information or content displayed on, retrieved from, or linked to our mobile applications or WeChat mini programs, which may materially and adversely affect our business and prospects, reputation, results of operations and financial condition.**

We offer chronic disease management services to individual users through our mobile applications and WeChat mini programs, which are regulated by the Administrative Provision on Mobile Internet Applications Information Services (the “**Mobile Applications Provisions**”), which was amended by the Cyberspace Administration of China (the “**CAC**”), on June 14, 2022 and implemented on August 1, 2022. The Mobile Applications Provisions specifies specific obligations to be complied with by the application providers, including the obligation to authenticate users’ real identity information, obligation to manage information content, obligation to protect personal information, requirement to obtain prior permission to provide Internet news and information services, prohibition of inducing users to download, fulfillment of obligation to protect network security, fulfillment of obligation to protect data security, fulfillment of obligation to protect minors, conduct security assessments of new technologies, applications and functions with public opinion attributes or social mobilization capacity in accordance with the law, formulate public management rules in accordance with the law, sign service agreements with registered users, and dispose of registered users in violation

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of the law and in breach of the contract in accordance with the law. We cannot assure you that all the information and contents uploaded onto, displayed on, retrieved from, or linked to our mobile applications and mini programs would be compliant with the Mobile Applications Provisions at all times. In the event of any violation, we may be subject to administrative penalties, including warning, service suspension, or removal of our mobile applications or mini programs, which would materially and adversely affect our business and prospects, reputation, results of operations and financial condition.

### **We are subject to limitations in our publicity and promotion of healthcare-related services and products.**

Our in-house medical professionals, registered physicians and other relevant third parties involved in the provision of our online chronic disease management services are subject to rules and regulations restricting the promotion or dissemination of information about the professional healthcare services and practice provided by licensed doctors, and the publication or marketing efforts for the predominant purpose of promoting the products or services of doctors to users or potential users. In addition, we are subject to certain limitations in promoting services and products. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future.

Under PRC laws and regulations, all advertisements published online containing drug names, applicable symptoms treated by such drugs (major functions) or other drug-related content, and advertisements published online containing medical device names and the applicable scope, performance, structure and composition, function and other contents relevant to medical device are subject to examination by relevant government authorities. We are prohibited from publishing advertisements of prescription drugs on the platforms that we operate and must ensure that any advertisement of medical treatments and drugs does not include any assertion or guarantee as to the function and safety or any statement of curative rate and effectiveness of such medical treatment, drugs or medical devices. Any violation of advertisement-related laws and regulations may subject us to fines, or even suspension of our business or revocation of our business license.

Our platform provides pharmaceutical companies with customized content and marketing solutions to better inform physicians and patients about chronic disease conditions and treatment options. Although we have implemented internal procedures to examine the contents displayed on the platforms we operate, we cannot guarantee that our existing practices of monitoring the information disseminated or published on our platforms would be effective in ensuring compliance with all relevant rules and regulations related to the promotion of healthcare-related services and products. Should there be any change in the relevant rules and regulations, or in the interpretation thereof, we and the third parties may be deemed to be in breach of such rules and regulations and be subject to regulatory penalties or disciplinary actions, which may materially and adversely affect our business and prospects, reputation, results of operations and financial condition.

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**We may be subject to liability for content available on our platform that is alleged to be factually incorrect, socially destabilizing, obscene, defamatory, libelous or otherwise unlawful.**

Under PRC laws, we are required to monitor content available on our platform for content that may be factually incorrect, socially destabilizing, obscene, superstitious, defamatory or otherwise unlawful, and promptly take appropriate actions with respect to such content. Our burden to monitor content on our platform may increase as our platform activity grows and we introduce more features and functions on our platform. We may also be subject to potential liabilities for any unlawful actions of users of our websites or mobile applications. With respect to our customized content and marketing solutions, we and the relevant pharmaceutical companies may also be subject to liability for content distributed through our Jianke Platform by us, or by the relevant pharmaceutical companies, that are deemed unlawful by relevant authorities. It may be difficult to determine the type of content that may result in liability to us, and we may not always be able to identify non-compliant content through our monitoring and evaluation processes. While the terms of use of our platform requires our users to assume all responsibilities and legal consequences for the contents they post or distribute on our platform, we cannot guarantee their strict compliance with the same. If we are found to be liable, we may be subject to fines, have our relevant business operation licenses revoked, or be prevented from operating our websites or mobile applications in the PRC.

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

**Security and privacy breaches may hurt our business.**

Our platforms and solutions involve the storage and handling of a large volume of users’ personal and medical data. We cannot guarantee that we will not experience cyber-attacks of varying degrees, including attempts to hack into our system which may lead to a leakage of sensitive personal medical information. The security measures we build may also be breached due to error, malfeasance or otherwise of employees of ours. Additionally, outside parties may attempt to fraudulently induce employees or physicians to disclose sensitive or account information in order to gain access to the system, or may otherwise obtain access. Any such breach or unauthorized access could result in significant legal and financial exposure, damage to our reputation and a loss of confidence in the security of our solutions and services that could have an adverse effect on our business and results of operations. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or

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perceived breach of security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose customers and we may be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business and results of operations.

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

The industries we operate in are highly competitive. We face intense competition in the platforms, services and solutions we provide. Our competitors mainly include, but are not limited to, pharmaceutical retail companies (such as traditional offline pharmacies and online platforms) and companies that offer online chronic disease management services. See “Industry Overview” and “Business—Competition” for more details.

Some of these competitors may have longer operating histories, more project experience, more established brand names, larger user base and greater financial, technical and marketing resources than we do, and in turn may have an advantage in attracting and retaining customers. Meanwhile, large technology companies with substantial resources, technical expertise and greater brand power could enter or further expand in the markets where we operate to compete with us. Further, if one or more of our competitors and potential competitors were to merge or partner with another of our competitors, or if a new entrant emerged with substantial resources, the change in the competitive landscape could adversely affect our ability to compete effectively. If we fail to compete effectively, demand for our services may go down, which could result in a material and adverse impact on our results of operations, financial condition and growth prospects.

**We rely on third-party logistics and courier companies to fulfill and deliver orders placed on our Jianke Platform. If these logistics and courier companies fail to provide reliable delivery services, our business and results of operations may be adversely affected.**

We engage qualified third-party logistics and courier companies for delivery. Any failure by these third parties to timely and properly deliver our products may affect our business and reputation. These third parties’ timely and proper delivery of products may also be interrupted or compromised due to events beyond our and their control, including extreme weather conditions, natural disasters, imposition of logistics-related regulatory measures and labor unrest. We may not be able to find alternative logistics and courier companies, whether on favorable terms or at all, to deliver and fulfill the orders placed through our online retail pharmacy platform. If orders are not delivered and fulfilled timely and in a proper condition, our business and reputation may suffer and cause material and adverse impact on our results of operation.

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

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

In 2020, 2021 and 2022, our product return rate, representing the percentage of products returned after delivery for both comprehensive medical services and online retail pharmacy services, was 0.5%, 0.2%, and 0.3%, respectively. The corresponding number of the return orders in each year of the Track Record Period was approximately 18,000, 11,000 and 21,000, respectively. If our product return rates increase or are higher than expected, our revenues and costs can be negatively impacted. Furthermore, as we may not be able to return some products to our suppliers pursuant to our contracts with them, or if return rates for such products increase significantly, we may experience an increase in our inventory balance, inventory impairment and fulfillment costs, which may materially and adversely affect our working capital. As a result, our business, financial condition and results of operations may be materially and adversely affected.

### **Failure to manage our inventory effectively could have a material and adverse effect on our business, financial condition and results of operations.**

Our inventories have increased significantly from RMB69.0 million as of December 31, 2020 to RMB111.5 million as of December 31, 2021 and RMB126.5 million as of December 31, 2022. In 2020, 2021 and 2022, our inventory turnover days were 14.7 days, 21.4 days and 23.8 days, respectively. Inventory levels in excess of user demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. As we plan to continue expanding our product offerings, we expect to include more products in our inventory, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system.

If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross profit margins. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition.



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Conversely, if we underestimate user demand, or if our suppliers fail to provide products to us in a timely manner, we may experience inventory shortages, which may, in turn, require us to acquire inventories at higher costs or result in unfulfilled user orders, leading to a negative impact on our financial condition and user relationships.

We depend on our demand forecasts for various kinds of products to make purchase decisions and to manage our inventory. Demand for products, however, can change significantly between the time inventory is ordered and the date by which we target to sell it. Demand may be affected by seasonality, new product launches, changes in product life cycles and pricing, product defects, changes in customer spending patterns, manufacturer back orders and other vendor-related problems, as well as the volatile economic environment in China, and our users may not order products in the quantities that we expect. In addition, when we begin selling a new product, it may be difficult to establish supplier relationships, determine appropriate product selection, and accurately forecast the demand. The acquisition of certain types of inventory may require significant lead time and prepayment, and they may not be returnable. We cannot assure you that we will be able to maintain proper inventory levels for our online retail pharmacy services at all times, and any such failure may have a material and adverse effect on our business, financial condition and results of operations.

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

We incurred contract liabilities of RMB12.1 million, RMB18.1 million and RMB89.4 million as of December 31, 2020, 2021 and 2022, respectively. Our contract liabilities relate to advance payments received from our customers in respect of sales of pharmaceutical and healthcare products or loyalty points program, which are recognized as revenue when users make payments by these loyalty points. See “Financial Information—Description of Certain Key Items of Consolidated Statements of Financial Position—Contract Liabilities” for details. If we fail to fulfill such performance obligations, our customers may also require us to refund the advance payments they have made, which may adversely affect our cash flow and our ability to meet our working capital requirements, and in turn cause our business, financial condition and results of operations to be materially and adversely affected. In addition, if we fail to fulfill our performance obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations.

**Our business and results of operations may be harmed by disruptions to our network or data center facilities, or by our failure to timely and effectively scale and adapt our existing technologies and infrastructure.**

We have experienced, and may experience in the future, network and service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failure, computer viruses, fraud and security attacks. While we have disaster recovery plans in place, they might not adequately protect us in the event of a system failure.

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Going forward, we intend to cooperate with various third-party entities, such as wearable device manufactures, and will explore the possibilities of new technologies, which will demand greater data storage and processing capacities. We cannot assure you that we will be able to adequately expand our data center facilities to meet the increased infrastructure capacity demand in a timely manner, or on favorable economic terms. Further, we do not have sufficient control over the operation of the data center facilities and therefore cannot afford the same level of protection to them as compared to those facilities that are owned by us or located within our premises. Data center facilities leased by us are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, break-ins, sabotage, acts of terrorism, intentional acts of vandalism, operator errors and other similar events or misconduct. Despite precautions taken at these facilities and the disaster recovery plans we maintain, the occurrence of a natural disaster, an act of terrorism or other act of malfeasance, a decision to close the facilities without adequate notice, or other unanticipated problems at these facilities could result in lengthy interruptions in our service and solutions and the loss of data and our business, in which case we may not be able to switch to new data centers or move data from one data center to another on a timely basis, or at all.

Any disruption or failure in our system or the technology infrastructure could hinder our ability to deliver solutions and services, and the day-to-day management of our business, and could result in corruption, loss or unauthorized disclosure of proprietary, confidential or other data, which in turn may harm our reputation and business, entail claims and liabilities and deter prospective customers.

**Failure to deal effectively with any fictitious transactions or other fraudulent conduct would materially and adversely affect our business, financial condition and results of operations.**

We may face risks with respect to fraudulent activities on our platform. For example, our users may engage in fictitious transactions by submitting false prescription to purchase prescription drugs on our platforms. Users may also provide false information to medical professionals on our platforms in order to obtain prescriptions that they are not supposed to get. We typically verify the identity of patients using real-name authentication services provided by third parties, and we cannot guarantee the effectiveness of their operations and reliability of their services, over which we have no control. Although we have implemented various measures to detect and reduce the occurrence of fraudulent activities on our platform, there can be no assurance that such measures will be effective in combating fraudulent transactions or improving overall satisfaction of our users. Such fictitious transactions and fraudulent conduct may subject us to lawsuits, regulatory investigations, fines and penalties against us. Moreover, illegal, fraudulent or collusive activities by our employees, such as fraud, bribery or corruption, could also subject us to liability or negative publicity or cause losses. Although we have internal controls and policies with regard to quality control and other relevant matters, we cannot assure you that such controls and policies will prevent fraud or illegal activity by our employees. Negative publicity and user sentiment generated as a result of actual or alleged fraudulent or deceptive conduct on our platform or by our employees would severely diminish our users’ confidence in us, reduce our ability to attract new or retain existing users, damage our reputation and diminish the value of our brand names, and materially and adversely affect our business, financial condition and results of operations.

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**We invest significantly in research and development, and we may not be able to recoup the investments we make, which in turn could adversely impact our financial condition and results of operations.**

Our success depends in part on our ability to continually enhance our core capabilities and solutions. If we are unable to respond to rapid technological changes in a cost-effective manner and develop new features and functions that satisfy our customers’ demands, our services and solutions may become less marketable and less competitive, and our business, results of operations and financial condition may be adversely affected.

We have made, and will continue to make, investments in research and development to enhance our technology which we believe to be helpful to our business, such as big data analysis and AI technology. Although investments in research and development are critical to our success, they may not yield the desired results. We may experience difficulties that could delay or impede the development, after having committed significant time and financial resources. Even if research and development projects successfully lead to new core capabilities or solutions, they may require a lengthy period of time for testing before commercial launch, and the final solutions we offer to the market may not be well-received by our customers or generate sufficient revenue to cover the expenses incurred.

**If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business, or fail to obtain additional licenses that become necessary as a result of new enactment or promulgation of laws and regulations or the expansion of our business, our business and results of operations may be materially and adversely affected.**

Healthcare, chronic disease management and online chronic disease management industries in China are highly regulated, requiring multiple licenses, permits, filings and approvals to conduct and develop business. As of the Latest Practicable Date, we had obtained the following valid licenses which are crucial to our business through our Consolidated Affiliated Entities: value-added telecommunication business operation license for provision of internet information services, or ICP License, license for radio and TV program production and operation, online drug information offering license, the license for practicing of medical institutions, medical devices operation license and pharmaceutical trade license. Some of the licenses we hold are subject to periodic renewal. If we fail to maintain or renew one or more of our licenses and certificates when their current term expires, or obtain such renewals on a timely manner, our operations could be disrupted. In addition, under relevant PRC laws and regulations, our Consolidated Affiliated Entities as license holders are required to update certain licenses if any change to their respective name, registered capital or legal representative during the validity period of such license. If we fail to properly renew and maintain all such requisite licenses on time, we may face penalties and in extreme circumstances, order to suspend or terminate our business.

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There is uncertainty as to whether the production, editing and transmission of our recorded lectures and live stream lectures to the public through our Jianke Platform would be deemed as providing audio-video programs or internet culture services under the relevant PRC laws. If so, we may be required to obtain the License for Online Transmission of Audio-Visual programs (信息網絡傳播視聽節目許可證). According to the Administrative Regulations on Internet Audio-Visual Program Service (《互聯網視聽節目服務管理規定》), which may be difficult due to our current shareholding structure. We cannot assure that the competent PRC government authorities will not subsequently take a contrary view, especially in light of new regulatory developments, and failure to obtain such licenses or permits may subject us to fines, legal sanctions or an order to suspend our live stream business.

Due to uncertainties of interpretation and implementation of existing laws and the adoption of additional laws and regulations, the licenses we held may be deemed insufficient by the PRC government, which may restrain our ability to expand our business scope and may subject us to fines or other regulatory actions. Furthermore, as we develop and expand our business scope, we may need to obtain additional permits and licenses and we cannot assure that we will be able to obtain such permits on time or at all.

**We had recognized impairment losses during the Track Record Period and may continue to incur impairment losses in the future.**

We recognized impairment losses of RMB3.0 million, RMB0.3 million and RMB0.2 million in 2020, 2021 and 2022, respectively. See “Financial Information—Description of Certain Consolidated Statements of Profit or Loss and Other Comprehensive Income Items—Recognition of Impairment Losses” for details. These impairment losses were primarily attributable to (i) impairment losses recognized on trade receivables from enterprise customers for our customized content and marketing solution services; and (ii) provision on credit losses for financial guarantee that we provided in respect of Guangdong Jianke’s bank facilities. Moreover, such loss allowance will be estimated based on available information that the management deems reasonable and applicable, all of which may involve difficult judgment. Many factors are beyond our control and our estimation is subjective in nature, and therefore is subject to inherent limitations. We therefore cannot guarantee that any loss allowance we may make will always be sufficient to cover all such other losses that we may actually incur in the future, upon the occurrence of which our business, prospects, financial condition and results of operations may be materially and adversely affected.

**We may be subject to penalties levied for loans extended to related parties during the Track Record Period.**

During the Track Record Period, we made advances to a number of related parties. See “Financial Information—Material Related Party Transactions” for details.

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As advised by our PRC Legal Advisor, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions (《貸款通則》) promulgated by PBOC in June 1996. Furthermore, pursuant to Article 73 of the General Lending Provisions, PBOC may impose a fine on the non-compliant lender of one to five times of the income received by the lender from such loans. Notwithstanding the General Lending Provisions, the Supreme People’s Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions under the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “**Judicial Interpretations on Private Lending Cases**”), which came into effect on September 1, 2015 and was amended on August 19, 2020 and December 29, 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People’s Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of applicable laws and regulations. If PBOC imposes penalties against us under the General Lending Provisions, our business, financial position and results of operations could be adversely affected.

**The continued and collaborative efforts of our senior management and key employees are crucial to our success, and our business may be harmed if we lose their services.**

Our success depends on the continued and collaborative efforts of our senior management and key employees. If, however, one or more of our executives or other key personnel are unable or unwilling to continue to provide services to us, we may not be able to find suitable replacements easily, or at all. Competition for management and key personnel is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future. If any of our executive officers or key employees joins a competitor or forms a competing business, we may lose crucial business secrets, know-hows, customers and other valuable resources. Our future success will also depend on our ability to attract and retain highly skilled AI and data analytics experts, quality professionals with medical education background or experience, and skilled employees in the areas of technology, managerial, editorial, finance, marketing, sales and customer service. Qualified individuals are in high demand, and we may not be able to successfully attract, assimilate or retain the personnel we need to succeed.

**We may be subject to intellectual property infringement claims or other allegations, which could result in payment of substantial damages, penalties and fines and removal of data or technology from our system.**

Our internal procedures and licensing practices may not be effective in completely preventing the unauthorized use of copyrighted materials or the infringement by us of other rights of third parties. The validity, enforceability and scope of protection of intellectual property rights in internet-related industries, particularly in China, is uncertain and still evolving. As we face increasing competition and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

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We cannot assure you that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We may from time to time in the future be subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there could also be existing intellectual property of which we are not aware that our operations and business may inadvertently infringe. We cannot assure you, however, that we will not become subject to intellectual property laws in other jurisdictions. If a claim of infringement brought against us is successful, we may be required to pay substantial penalties or other damages and fines or to enter into license agreements which may not be available on commercially reasonable terms or at all, or we may be subject to injunctions or court orders. Even if allegations or claims lack merit, defending against them could be costly and time consuming and may significantly divert the efforts and resources of our management and other personnel.

Competitors and other third parties may claim as well that our officers or employees have infringed, misappropriated or otherwise violated their software, confidential information, trade secrets or other proprietary technology in the course of their employment with us. Although we take steps to prevent the unauthorized use or disclosure of such third-party information, intellectual property or technology by our officers and employees, we cannot guarantee that any policies or contractual provisions that we have implemented or may implement will be effective. If a claim of infringement, misappropriation or violation is brought against us or one of our officers or employees, we may suffer reputational harm and may be required to pay substantial damages, subject to injunction or court orders or be required to remove the data and redesign our technology, any of which could adversely affect our business, financial condition and results of operations.

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

We rely on a combination of copyright, trademark, patent and other intellectual property laws, trade secret protection and confidentiality and invention assignment agreements with our employees and third parties and other measures to protect our intellectual property rights. However, there can be no assurance that any of our pending patents, trademarks, software copyrights or other intellectual property applications will issue or be registered. Any intellectual property rights we have obtained or may obtain in the future may not be sufficient to provide us with a competitive advantage, and could be challenged, invalidated, circumvented, infringed or misappropriated.

Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy or otherwise obtain and use our copyrighted content and other intellectual property. Monitoring for infringement or other unauthorized use of our intellectual property rights is difficult and costly, and such monitoring may not be effective. From time to time, we may have to resort to courts or administrative proceedings to enforce our intellectual property rights, which may result in substantial cost and diversion of resources. We may not prevail in lawsuits we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. The PRC has historically afforded less protection to a company’s intellectual property than other developed regions such as the United States and, therefore, companies such as ours operating in the PRC face an increased risk of intellectual property piracy.



## RISK FACTORS

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

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

**Our business and prospects depend on our ability to build our brand and reputation. Any damage to the reputation and recognition of our brand names, including negative publicity against us or our directors, shareholders, officers, employees or business partners, may materially and adversely affect our business operations and prospects.**

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to enhancing our attractiveness to our customers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts and amount of word-of-mouth referrals we received from satisfied customers. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect. In addition, if incidents occur or are perceived to have occurred, whether or not such incidents are our fault, we could be subject to adverse publicity. In particular, given the popularity of social media, including WeChat in China, any negative publicity, whether true or not, could quickly proliferate and harm consumer perceptions and confidence in our brand. Negative publicity or any lawsuits and investigations against us, our services, our shareholders, directors, officers, employees or our business partners may harm our brand image and in turn adversely affect our business and results of operations. Certain of the negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control. Intense negative publicity may divert our management’s attention and may adversely impact our business. We cannot assure you that our brand, public image and reputation will not be materially and adversely affected in the future.

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## RISK FACTORS

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**We, our directors, management and employees may from time to time become party to litigation, regulatory investigations, other legal or administrative disputes and proceedings that may have an adverse impact to our reputation and business prospects.**

In the course of our ordinary business operations, we, our directors, management and employees may from time to time become a party to litigation, legal proceedings, claims, disputes or arbitration proceedings. Any ongoing litigation, legal proceedings, claims, disputes or arbitration proceedings may distract our senior management’s attention and consume our time and other resources. In addition, even if we, our directors, management and employees ultimately succeed in such litigation, legal proceedings, claims, disputes or arbitration proceedings, there may be negative publicity attached to such litigation, legal proceedings, claims, disputes or arbitration proceedings, which may materially and adversely affect our reputation and brand names. As the Jianke mobile applications and website were at times historically operated by Guangdong Jianke under license and authorization from the Initial WFOE, and there were certain related parties who used “Jianke” or “健客” as part of their company names or trademarks, any negative publicity or disputes relating to these companies may be wrongly attributed to us, which may in turn materially and adversely affect the public perception of our brand, harm our reputation and materially and adversely affect our business, financial condition and results of operations. In addition, any claims made against us could be costly to defend against. In the case of an adverse verdict, we may be required to pay significant monetary damages, assume significant liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. As a publicly [REDACTED] company, we will face additional exposure to claims and lawsuits.

**Future investments in and acquisitions of complementary assets, technologies and businesses may fail and may adversely affect our business, results of operations and financial performance.**

We may invest in or acquire assets, technologies and businesses that are complementary to our existing business. Our investments or acquisitions may not yield the results we expect. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, significant amortization expenses related to goodwill or intangible assets and exposure to potential unknown liabilities of the acquired business. Moreover, the cost of identifying and consummating investments and acquisitions, and integrating the acquired businesses into ours, may be significant, and the integration of acquired businesses may be disruptive to our existing business operations. We may also have to obtain approval from the relevant PRC governmental authorities for the investments and acquisitions and comply with any applicable PRC rules and regulations, which may be costly, and we cannot assure you that we will obtain such approvals timely or at all. In the event that our investments and acquisitions are not successful, our results of operations and financial condition may be materially and adversely affected.

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## RISK FACTORS

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**We are subject to credit risk with respect to trade and other receivables, and prepayments.**

Our trade and other receivables are generally due within 180 days from the date of billing. As of December 31, 2020, 2021 and 2022, we recorded trade receivables and bills receivable of RMB1.4 million, RMB7.6 million and RMB29.4 million, respectively. We also recorded other receivables of RMB15.0 million, RMB40.8 million and RMB57.0 million as of December 31, 2020, 2021 and 2022. These primarily represent rebates from suppliers, receivables from third-party e-commerce platforms, and deposits in connection with our procurement of pharmaceutical products. Accordingly, we face credit risk in collecting trade receivables due from customers. Our performance, liquidity and profitability would be adversely affected if significant amounts due to us are not settled on time or substantial impairment is incurred. The bankruptcy or deterioration of the credit condition of any of these customers or suppliers could also materially and adversely affect our business, results of operations and financial condition.

We also face uncertainties arising from our prepayments. During the Track Record Period, we made prepayments for renovation, decoration, online promotional and advertising services, and for procurement of pharmaceutical and other products. As of December 31, 2020, 2021 and 2022, the balance of our prepayments was RMB4.7 million, RMB10.2 million and RMB64.0 million, respectively. However, there is no guarantee that the service providers and suppliers will perform their obligations in a timely manner. If they fail to provide the services or products to us in a timely manner or at all, we may be exposed to prepayment default and impairment loss risk in relation to the prepayments, which may in turn materially and adversely affect our business and financial position. While we did not incur impairment losses on prepayments during the Track Record Period, we cannot assure you that we will not incur such impairment losses in the future.

**We may not be able to obtain additional capital when desired, on favorable terms or at all.**

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

## RISK FACTORS

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### **The wide variety of payment methods that we accept subjects us to third-party payment processing related risks.**

We accept payments using a variety of methods, including payment on delivery, bank transfers, online payments through various third-party online payment platforms such as WeChat Pay and AliPay. We may be charged interchange and other fees for certain payment methods, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment and cash on delivery options. We are also subject to various rules, regulations and requirements governing electronic funds transfers, both in China and globally, which could change or be reinterpreted to make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our users, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

### **Our risk management and internal control systems may not be thorough or effective in all respects.**

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. See “Business—Risk Management and Internal Control” for further details. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal procedures are designed to monitor our operations and ensure their overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner or at all. It is not always possible to timely detect and prevent fraud and other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective.

Furthermore, we cannot assure you that our risk management and internal control systems will be effectively implemented. Since our risk management and internal control systems depend on their implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes, which may materially and adversely affect our business and results of operations. Moreover, as we are likely to offer a broader and more diverse range of services and solutions in the future, the expansion and diversification of our service offerings will require us to continue to enhance our risk management capabilities. If we fail to adapt our risk management policies and procedures to our evolving business in a timely manner, our business, financial condition and results of operations could be materially and adversely affected.

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## RISK FACTORS

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**We have limited insurance coverage, which could expose us to significant costs and business disruption.**

We have obtained insurance to cover certain potential risks and liabilities. However, we do not have any business disruption insurance to cover all of our operations in the PRC, and we cannot guarantee you that our coverage will be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operation. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

**Failure to make adequate contributions to various government-sponsored employee benefit plans as required by PRC regulations may subject us to penalties.**

Companies operating in China are required to participate in various government-sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, complete related registration with the competent authorities and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based. The requirements of employee benefit plans have not been implemented consistently by the local governments in China given the different levels of economic development in different locations. During the Track Record Period, we had not made full contributions to the social insurance and housing provident fund based on the actual salary level of some of our employees as prescribed by relevant laws and regulations. As of December 31, 2020, 2021 and 2022, our accumulated provision for social insurance and housing provident fund contributions amounted to RMB5.3 million, RMB19.1 million and RMB37.4 million, respectively. See “Business—Employees” for details.

Pursuant to applicable PRC laws and regulations, under-contribution to social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. We cannot assure you that the relevant government authorities will not require us to pay the outstanding amount within a prescribed time and impose late charges or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**We have authorized a share award plan, which may result in a dilution of shareholding, and may materially impact our future results of operations.**

We have adopted the RSU Scheme, which is a share award plan that permits the granting of RSUs to senior management, employees and advisors of our Group and other persons as approved by the Board or the authorized administrator of the RSU Scheme. Each RSU is a conditional right to receive a Share at the end of the vesting period, subject to vesting conditions provided for under the RSU Scheme. For a more complete description, see “Appendix IV—D. RSU Scheme” in this document. As a result of the Shares to be issued under the RSU Scheme before or around the [REDACTED], we expect to incur significant share-based compensation expenses in the future, which might result in a dilution of shareholding. The amount of these expenses will be based on the fair value of the share-based awards. We have adopted HKFRS 2 (*Share-based Payment*) for the accounting treatment of the RSU Scheme. As a result, we will need to account for compensation costs for all RSUs using a fair-value based method and recognize expenses in our consolidated statement of profit or loss and other comprehensive income in accordance with HKFRS 2, which may have a material adverse effect on our net income. The expenses associated with share-based compensation will affect our results of operations and the additional shares issued will dilute the ownership interests of our Shareholders. On the other hand, if we reduce the amount of RSUs or other share-based compensation awards, we may not be able to attract or retain key personnel by offering them incentives linked to the value of our Shares.

**Any severe or prolonged slowdown in the global or Chinese economy may adversely affect our business and results of operations.**

COVID-19 had a severe and negative impact on the Chinese and the global economy. Whether this will lead to a prolonged downturn in the economy is still unknown. Even before the outbreak of COVID-19, the global macroeconomic environment was facing numerous challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. The recent global inflationary pressure and the conflicts in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.



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## RISK FACTORS

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### **Our results of operations may be subject to seasonal fluctuations.**

Our business and industry are subject to seasonality associated with spending activities and patterns related to the consumption of medical services and pharmaceutical products in China. For example, in first quarters which coincide with the Chinese New Year holiday, online and offline hospitals and pharmacies in China generally experience a lower volume of patient visits and other activities, and we typically expect a lower demand for our services and products as a result. As we continue to grow and expand our business and as the industry where we operate continues to evolve, the seasonality of our business is subject to a variety of uncertainties and may change in patterns in the future, and the impact of seasonality on our results of operations may also increase in the future. As a result, comparing our operating results on a period to period basis may not be meaningful, and our results of operations and the [REDACTED] may fluctuate from time to time due to seasonality.

### **Any catastrophe, including natural catastrophes, outbreaks of health epidemics and other outbreaks and extraordinary events, could disrupt our business operations.**

Since late January 2020, the outbreak of COVID-19 has materially and adversely affected the global economy. In response to intensifying efforts to contain the spread of COVID-19, the PRC government has taken a number of actions, which included compulsory quarantining arrangement, travel restrictions, remote work arrangement and public activities restrictions, among others. The COVID-19 pandemic has also resulted in temporary closures of many corporate offices, retail stores, manufacturing facilities and factories across China. Although China had substantially controlled the nationwide spread of COVID-19 by the end of 2020, China experienced upticks in cases in 2021 and 2022 that have prompted selective restrictions in affected regions. For example, since February 2022, there was a resurgence of the COVID-19 pandemic in the PRC, in particular the emergence and increasing reported cases of the Delta and Omicron virus variants, which resulted in regional lockdowns of many cities across China. During the period of regional lockdown, hospitals had limited operations for consultations and home delivery of our products to these areas has been temporarily disrupted. In addition, our Jingtai Hospital was temporarily closed and our supply of certain medications used to treat fever was temporarily disrupted during the COVID-19 outbreak. The effects of the continuing spread and prolonged occurrence of the COVID-19 on our business or our industry will depend on a number of factors outside our control, including the extent to which the current pandemic continues to spread, particularly in China, and such effects could be material. If the COVID-19 situation further deteriorates in China or globally, our ability to provide efficient services and solutions, could be restricted, and our business, results of operations and financial condition could be adversely affected. To the extent COVID-19 adversely affects our business and results of operations, it may also have the effect of heightening many of the other risks described in this document, such as those relating to our reliance on third parties for the provision of supplies and delivery services, and our ability to generate sufficient cash flows to fund our operational and financing needs.

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## RISK FACTORS

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In addition to the impact of COVID-19, our business could be materially and adversely affected by natural disasters, other health epidemics or other public safety concerns affecting the PRC. Natural disasters may give rise to server interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to operate our platforms and provide services and solutions. Our business could also be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the Chinese economy in general. Our headquarters are located in Guangzhou, Guangdong province, where most of our management and the majority of our employees currently are based. Most of our system hardware and back-up systems are hosted in facilities located in our headquarters and Dongguan, Guangdong province. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Guangdong province, our operation may experience material disruptions, which may materially and adversely affect our business, financial condition and results of operations.

### RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

**If the PRC government finds that the contractual agreements that establish the structure for operating certain of our business in China do not comply with applicable PRC regulations, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish our interests in those operations.**

Foreign ownership in entities that provide internet and other related businesses, including the value-added telecommunication services, and that are engaged in medical institutions business and related businesses, including internet medical institutions, is subject to restrictions under current PRC laws and regulations, unless certain exceptions are available. See “Contractual Arrangements—Overview of Laws and Regulations of the PRC relating to Foreign Ownership Restrictions and the Application thereof to the Group’s Businesses” for further details.

We are a company incorporated in the Cayman Islands and our PRC subsidiaries are considered foreign-invested enterprises. To ensure compliance with the PRC laws and regulations, we conduct our business in China through our Consolidated Affiliated Entities based on the Contractual Arrangements. Such Contractual Arrangements enable us to (i) receive substantially all of the economic benefit from our Consolidated Affiliated Entities in consideration for the services provided by the WFOE to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Consolidated Affiliated Entities when and to the extent permitted by the PRC laws. As a result of these Contractual Arrangements, we have control over and are the primary beneficiary of our Consolidated Affiliated Entities and hence consolidate their financial results under HKFRS. See “Contractual Arrangements—Summary of the Material Terms of the Contractual Arrangements” for further details.

## RISK FACTORS

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Our PRC Legal Advisor has advised us that (i) the ownership structure of the Consolidated Affiliated Entities does not violate any applicable PRC law, regulations or rules currently in effect in any material respects; and (ii) the Contractual Arrangements governed by PRC laws are not in violation of provisions of applicable PRC laws or regulations currently in effect, and valid and binding upon each party to such arrangements in accordance with their terms and applicable PRC laws and regulations currently in effect. However, we have been further advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. See “Contractual Arrangements—Legality of the Contractual Arrangements” for further details. Thus, the PRC governmental authorities may take a view contrary to the opinion of our PRC Legal Advisor. It is uncertain whether any new PRC laws or regulations relating to Contractual Arrangements will be adopted or if adopted, what they would provide. If the ownership structure, contractual arrangements, and businesses of our PRC subsidiaries or our Consolidated Affiliated Entities are found to be in violation of any existing or future PRC laws or regulations, or our PRC subsidiaries or our Consolidated Affiliated Entities fail to obtain or maintain any of the required permits or approvals to operate our business, the relevant PRC governmental authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the agreements constituting the contractual arrangements;
- revoking our business and operating licenses;
- requiring us to discontinue or restrict operations;
- restricting our right to collect revenue;
- restricting or prohibit our use of the [REDACTED] from our [REDACTED] to fund our business and operations in China;
- shutting down all or part of our websites or services;
- levying fines on us and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- requiring us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions that could be harmful to our business.

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## RISK FACTORS

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Any of these events could cause significant disruption to our business operations and severely damage our reputation, which would in turn have a material adverse effect on our financial condition and results of operations. If occurrences of any of these events results in our inability to direct the activities of our Consolidated Affiliated Entities in China that most significantly impact their economic performance and/or our failure to receive the economic benefits and residual returns from our Consolidated Affiliated Entities, and we are unable to restructure our ownership structure and operations in a satisfactory manner, we may not be able to consolidate the financial results of our Consolidated Affiliated Entities in our consolidated financial statements.

**Our Contractual Arrangements may not be as effective in providing operational control as direct ownership.**

We rely on a series of Contractual Arrangements with Fangzhou Yunkang and Fangzhou Yunkang Registered Shareholders to conduct our business operations in China, including online pharmaceutical products sale, medical consultation service and academic community service. For a description of these Contractual Arrangements, see “Contractual Arrangements—Summary of the material terms of the Contractual Arrangements.” However, the Contractual Arrangements may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of Fangzhou Yunkang, which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the contractual arrangements, as a legal matter, if Fangzhou Yunkang or their respective equity holders fail to perform their respective obligations under the Contractual Arrangements, we may have to (i) incur substantial costs; (ii) expend significant resources to enforce those arrangements; and (iii) resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over Fangzhou Yunkang and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate our Consolidated Affiliated Entities in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

**Any failure by Fangzhou Yunkang or Fangzhou Yunkang Registered Shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.**

If Fangzhou Yunkang or their shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under PRC law. For

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## RISK FACTORS

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example, if Fangzhou Yunkang Registered Shareholders were to refuse to transfer their equity interests in Fangzhou Yunkang to us or our designee if we exercise the purchase option pursuant to these Contractual Arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. See “—Risks Relating to Doing Business in China—Uncertainties with respect to the PRC legal system could adversely affect us.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such proceeding if legal action becomes necessary. In addition, under PRC law, although rulings by arbitrators are final, if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only resort to PRC courts for enforcement of the arbitration awards through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over Fangzhou Yunkang, and our ability to conduct our business may be negatively affected.

In addition, Fangzhou Yunkang Registered Shareholders may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in Fangzhou Yunkang and the validity or enforceability of our Contractual Arrangements with Fangzhou Yunkang and their respective shareholders. For example, if any of the equity interests of Fangzhou Yunkang is inherited by a third party with whom the current Contractual Arrangements are not binding, we could lose our control over Fangzhou Yunkang or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

**We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by our Consolidated Affiliated Entities if any of our Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.**

As part of our Contractual Arrangements, our Consolidated Affiliated Entities are holding or in the future may hold certain assets that are critical to the operation of our business, including intellectual property and premise and licenses of value-added telecommunication services or the Practice License of Medical Institution. If our Consolidated Affiliated Entities

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## RISK FACTORS

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go bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities we currently conduct through the Contractual Arrangement, which could materially and adversely affect our business, financial condition and results of operations. Under the Contractual Arrangements, our Consolidated Affiliated Entities may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. In addition, if our Consolidated Affiliated Entities undergo a voluntary or involuntary liquidation proceeding, independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

**The Fangzhou Yunkang Registered Shareholders may have potential conflicts of interest with us.**

Fangzhou Yunkang Registered Shareholders may have actual or potential conflicts of interest with us. These shareholders may breach, or cause Fangzhou Yunkang to breach, or refuse to renew, the existing Contractual Arrangements we have with them and Fangzhou Yunkang, which would have a material and adverse effect on our ability to effectively control Fangzhou Yunkang and receive economic benefits from them. For example, Fangzhou Yunkang Registered Shareholders may be able to cause our agreements with Fangzhou Yunkang to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between Fangzhou Yunkang Registered Shareholders and our Company, except that we could exercise our purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in Fangzhou Yunkang to a PRC entity or individual designated by us, to the extent permitted by PRC law. For individuals who are also our directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their position for personal gains. Fangzhou Yunkang Registered Shareholders have executed powers of attorney to appoint the New WFOE or a person designated by the New WFOE to vote on their behalf and exercise voting rights as Fangzhou Yunkang Registered Shareholders. If we cannot resolve any conflict of interest or dispute between us and Fangzhou Yunkang Registered Shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.



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## RISK FACTORS

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**Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and a finding that we owe additional taxes could negatively affect our financial condition and the value of your [REDACTED].**

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

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

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law, which took effect on January 1, 2020. Since it is relatively new, uncertainties exist in relation to its interpretation and implementation. The Foreign Investment Law does not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, until when it remains uncertain whether our Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our contractual arrangements should be dealt with.

The Foreign Investment Law grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures (Negative List) for Access of Foreign Investment jointly promulgated by Ministry of Commerce, or MOFCOM, and the National Development and Reform Commission, or the NDRC, and the latest version of which took effect in December 2021. The Foreign Investment Law provides that foreign-invested entities are not allowed to operate in “prohibited” industries and their operating in “restricted” industries shall satisfy certain conditions and will require market entry clearance and other approvals from relevant PRC government authorities. For example, foreign-invested entities are not allowed to engage in the domestic express delivery of letters business. We are a company incorporated in the Cayman Islands and our PRC subsidiaries are considered foreign-invested enterprises. Accordingly, none of these subsidiaries are eligible to

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operate domestic express delivery of letters business in the PRC. As a result, our engagement in such business activities (if any) will be conducted through our Consolidated Affiliated Entities and their subsidiaries in the PRC, such as Fangfeng Logistics. On December 26, 2019, the Supreme People’s Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law, or the FIL Interpretations, which came into effect on January 1, 2020. In accordance with the FIL Interpretations, any claim to invalidate an investment agreement will be supported by courts if such agreement is found to be entered into for purposes of making investments in the “prohibited industries” under the negative list or for purposes of investing in “restricted industries” while failing to satisfy the conditions set out in the negative list. If our control over our Consolidated Affiliated Entities through contractual arrangements are deemed as foreign investment in the future, and any business of our Consolidated Affiliated Entities is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the contractual arrangements that allow us to have control over our Consolidated Affiliated Entities may be deemed as invalid and illegal, and we may be required to unwind such contractual arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

### **Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.**

The Contractual Arrangements provide for dispute resolution by way of arbitration in the Shenzhen Court of International Arbitration (the “SCIA”), in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shenzhen. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the Consolidated Affiliated Entities, injunctive relief and/or order the winding up of the Consolidated Affiliated Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws allow the arbitral body to grant an award of transfer of assets of or equity interests in the Consolidated Affiliated Entities in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the

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PRC generally would not grant injunctive relief or the winding-up order against the Consolidated Affiliated Entities as interim remedies for the purpose of protecting assets or equity interests in favor of any aggrieved party. In case the Contractual Arrangements provide that courts in competent jurisdictions may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if granted by courts in competent jurisdictions in favor of an aggrieved party) may still not be recognized, or enforced by PRC courts. As a result, in the event that Fangzhou Yunkang and Fangzhou Yunkang Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected.

### RISKS RELATING TO DOING BUSINESS IN CHINA

#### **Changes in China’s economic, political or social conditions or government policies could have a material adverse effect on our business and operations.**

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by economic, political and social conditions in China generally. The PRC economy differs from the economies of most developed countries in many respects, including the level of development, growth rate, level of government involvement and control of foreign exchange and allocation of resources. The PRC government exercises significant control over China’s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. In addition, the PRC government continues to play a significant role in regulating industry development by imposing relevant industrial policies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. In addition, the rate of growth has been slowing since 2012, and the impact of COVID-19 on the PRC and global economies in recent years was severe. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our solutions and services and adversely affect our competitive position. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the PRC government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operations.

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Furthermore, there is no assurance that the substantial growth in the PRC economy in the previous decades will continue or continue at the same pace. In recent years, the U.S.-China relations also give rise to uncertainties on the PRC economy as well as the global economy. Since 2018, the U.S. government imposed several rounds of tariffs on PRC products. In retaliation, the PRC government responded with tariffs on U.S. products. The trade tensions were accompanied with escalating economic restrictions and sanctions, which created further uncertainties and volatilities to the PRC economy and global markets. Since 2019, the U.S. government has imposed increasing restrictions on PRC technology companies exporting sensitive U.S. goods. In 2021, the U.S. government blacklisted over 40 PRC technology companies, citing activities contrary to the national security or foreign policy interests of the U.S. The U.S. government also approved the Strategic Competition Act of 2021, signaling bipartisan consensus on orienting policy towards being more aggressive in efforts to counter China. The PRC government also imposed sanctions on several U.S. citizens and entities. The future development and lasting impact of the U.S.-China relations on China’s economy and the online chronic disease management industry remain uncertain. Should the U.S.-China relations materially impact the PRC economy, the purchasing power of our customers may decrease and procurement costs of the imported drugs sold on our platforms may increase, which will have an adverse effect on our business operation and financial performance. Moreover, if the PRC government, in response to the escalating U.S.-China tension, enacts additional laws and regulations that may affect our business, our compliance costs may increase and our results of operations will be adversely affected.

**We are subject to a variety of laws and other obligations regarding cybersecurity and data protection in China, and our failure to comply with any of them could result in proceedings against us by government authorities or others and harm our public image and reputation, which could materially and adversely affect our business, financial condition, and results of operations.**

We are subject to PRC laws relating to the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. These laws continue to develop, and the PRC government may adopt other rules and restrictions in the future. Non-compliance could result in penalties or other significant legal liabilities.

Pursuant to the PRC Cybersecurity Law, which was promulgated by the Standing Committee of the National People’s Congress on November 7, 2016 and took effect on June 1, 2017, we, as an online chronic disease management service provider, are obligated to provide technical assistance and support to public security and national security authorities to protect national security or assist with criminal investigations. In addition, the PRC Cybersecurity Law stipulates that personal information and important data collected and generated by a critical information infrastructure operator in the course of its operations in China must be stored in China.

On September 14, 2022, the CAC, issued the Decision on Amending the PRC Cybersecurity Law (Draft for Comments), increased the penalty cap, so after the amendment comes into effect, it could have an increased impact on our financial condition if we breach the PRC Cybersecurity Law.

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In addition, the PRC Data Security Law, which was promulgated by the Standing Committee of the National People’s Congress on June 10, 2021 and took effect on September 1, 2021, which applies to data processing activities, including the collection, storage, use, processing, transmission, availability and disclosure of data, and security supervision of such activities within the territory of the PRC. Moreover, the Personal Information Protection Law, which was issued by the SCNPC on August 20, 2021, stipulated the general rules and principles on personal information processing and further increased the potential liability of personal information processor.

To further clarify the cross-border data transfer mechanism established by the Personal Information Protection Law, on July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer (《數據出境安全評估辦法》) (the “**Measures**”), which became effective on September 1, 2022. The Measures outline the requirements and procedures for security assessments on cross-border transfer of important data or personal information collected within the PRC. We operate business within the PRC and all the data and personal information collected and generated during our operation is stored within the PRC. We do not transfer data collected and generated in the course of our domestic operations abroad. We do not expect the Measures to have material impact on our business operations in respect of the cross-border data transfer. However, since the Measures was newly promulgated, there are uncertainties as to its interpretation and application. We cannot assure you that relevant regulatory authorities will take the same view as ours. In the event if the regulatory authorities deem certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements.

Regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to significant changes, which may result in uncertainties about the scope of our responsibilities in that regard. For example, The Regulations on Network Data Security Management (Draft for Comments) (the “**Draft Network Data Regulations**”) was released by CAC on November 14, 2021. According to the Draft Network Data Regulations, data processors seeking a public listing in Hong Kong that affect or may affect national security are required to apply for cybersecurity review. The CAC has solicited comments on this draft until December 13, 2021, however, as of the Latest Practicable Date, the Network Data Regulations had not yet been formally adopted and there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to the interpretation and implementation of the Draft Network Data Regulations, including the standards for determining whether a listing in Hong Kong “affects or may affect national security.” At this stage, we are unable to predict the possible consequences of these drafts, if any, and we are monitoring and assessing the rule-making process closely. Any failure, or perceived failure to maintain the security of our user data or to comply with applicable PRC privacy, data security and personal information protection laws and obligations may result liabilities, including governmental or data protection authority enforcement actions and investigations, fines, penalties, enforcement orders requiring us to cease operating in a certain way, litigation, or adverse publicity, and may require us to expend significant resources in responding to and defending allegations and claims.

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On December 28, 2021, Measures for Cybersecurity Review was issued by CAC jointly with other governmental authorities, which took effect on February 15, 2022. Under the Measures for Cybersecurity Review, the procurement of network products and services by critical information infrastructure operators and the data processing activities conducted by network platform operators which affect or may affect national security shall be subject to cybersecurity review. Besides, according to Article 7 of the Measures for Cybersecurity Review, a network platform operator who processes the personal information of more than one million users and is seeking for listing in a foreign country must apply for a cybersecurity review. In addition, according to Article 16 of the Measures for Cybersecurity Review, member organizations of the cybersecurity review working mechanism (the “**Working Members**”) may initiate cybersecurity review towards network products, network services, and data processing activities ex officio, which means we may be also subject to cybersecurity review when the Working Members initiate such cybersecurity review ex officio. According to Article 10 of Regulations on the Security Protection of Critical Information Infrastructure, the security protection departments of critical information infrastructure will timely notify the identification results to the operators. As of the Latest Practicable Date, we had not received such notification.

Subject to further official guidance and implementation rules relating to the Measures for Cybersecurity Review, we may be required to apply for cybersecurity review in consideration of the provisions of the Draft Network Data Regulations and Article 16 of the Measures for Cybersecurity Review. Any failure to comply with applicable cybersecurity, privacy, and data protection laws and regulations could result in proceedings against us by government authorities or others, including notification for rectification, confiscation of illegal earnings, fines, or other penalties and legal liabilities against us, which could materially and adversely affect our business, financial condition, and results of operations. In addition, any negative publicity on our website or platform’s safety or privacy protection mechanism and policy could harm our public image and reputation and materially and adversely affect our business, financial condition, and results of operations.

### **Uncertainties with respect to the PRC legal system could adversely affect us.**

Our operations in China are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, where prior court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations.



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Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

In addition, the interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies have created substantial uncertainties regarding the legality of existing and future foreign investments and activities of our business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the requisite approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Due to the evolving regulatory landscape in China, changes in, or different, interpretation of laws and regulations by the PRC government could also subject us to non-compliance risks and potential penalties and fines. For example, without clear guidance in current regulations, there is uncertainty as to the characterization of income received by our registered physicians through our platform. If the tax authority’s interpretation of current regulations is clarified and is different from ours, we may potentially be required to pay any arrears and be subject to penalties of up to three times the amount of individual income tax that we failed to withhold for registered physicians on our platform, although our PRC Legal Advisors have advised us that such possibility is remote. Any of these actions by the PRC government may have a material adverse effect on our business and results of operations.

**China’s M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.**

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006, and amended on June 22, 2009 (the “M&A Rules”). The M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, such transaction involves factors that impact or may impact national economic security, or such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC effective in

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August 2008, which was recently amended on June 24, 2022 and effective on August 1, 2022, and the Provisions of the State Council on the Thresholds for Declaring Concentration of Business Operators (《國務院關於經營者集中申報標準的規定》) require that transactions which are deemed concentrations and involve parties with specified turnover thresholds (meaning during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10 billion and at least two of these operators each had a turnover of more than RMB400 million within China; or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) must be cleared by anti-monopoly enforcement authority of the State Council before they can be completed. On December 14, 2020, the SAMR announced three cases of administrative penalties for the failures of acquirers to make proper concentration declarations to authorities about their past acquisitions.

In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》), effective in September 2011, to implement Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises with “national security” concerns. Under the foregoing MOFCOM regulations, MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If MOFCOM decides that a specific merger or acquisition is subject to a security review, it will submit it to the Inter-Ministerial Panel, an authority established under Circular 6 led by the NDRC, and MOFCOM under the leadership of the State Council, to carry out security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through entrustment, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “**Office of the Working Mechanism**”) will be established under NDRC, who will lead the task together with MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain de facto control in the target enterprise.

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

**We may be required to obtain prior approval or subject to filings or other requirements from the CSRC, CAC or other PRC regulatory authorities for the [REDACTED] and [REDACTED] of our Shares on the Stock Exchange.**

The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles. For details, see “History, Reorganization and Corporate Structure—Regulatory Requirements of the PRC.”

Furthermore, on February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Trial Measures**”) and five supporting guidelines (collectively, the “**Trial Measures and Supporting Guidelines**”), which came into effect on March 31, 2023. The Trial Measures and Supporting Guidelines will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Pursuant to the Trial Measures and Supporting Guidelines, where an issuer submits an application for [REDACTED] to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Trial Measures and Supporting Guidelines also require subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》), which, among others, clarifies that (i) the domestic companies that have already been listed overseas on or before March 31, 2023 are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (ii) on or prior to March 31, 2023, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtain an

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approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing; and (iii) a six-month transition period will be granted to domestic companies which, prior to March 31, 2023, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as pass of hearing for listing in Hong Kong), but have not completed the overseas listing; if such domestic companies complete their overseas offering and listing on or prior to September 30, 2023, they are not required to complete the filing procedures immediately.

In addition, on February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection and the National Archives Administration of China jointly issued the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Confidentiality and Archives Administration Provisions**”), which took effect on March 31, 2023, according to which, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. As the Confidentiality and Archives Administration Provisions are relatively new, and therefore there are substantial uncertainties with respect to their interpretation and implementation. For details, see “Regulatory Overview—Regulations on Overseas Listing.”

If the CSRC, CAC or other relevant PRC regulatory agencies subsequently determine that approval or filing is required for this [REDACTED], we cannot guarantee that we will be able to obtain such approval or filing in a timely manner, or at all. The CSRC, CAC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, not to proceed with this [REDACTED]. If we proceed with any of such [REDACTED] without obtaining the CSRC’s or other relevant PRC regulatory agencies’ approval or filing to the extent it is required, or if we are unable to comply with any new approval or filing requirements, we may face regulatory actions or other sanctions from the CSRC, CAC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the [REDACTED] from this [REDACTED] into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects.

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Furthermore, if there are any other approvals, filings and/or other administration procedures to be obtained from or completed with the CSRC, CAC or other PRC regulatory agencies as required by any new laws and regulations for this [REDACTED], we cannot assure you that we can obtain the required approval or complete the required filings or other regulatory procedures in a timely manner, or at all. Any failure to obtain the relevant approvals or complete the filings and other relevant regulatory procedures may subject us to regulatory actions or other sanctions from relevant PRC regulatory agencies, which may have a material adverse effect on our business, financial condition or results of operations.

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

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

We believe that neither we nor any of our offshore subsidiaries are a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that we and/or our offshore subsidiaries are a PRC resident enterprise for enterprise income tax purposes, we and/or our offshore subsidiaries will be subject to the uniform 25% enterprise income tax on our world-wide income, which could materially reduce our net income. In



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addition, we and/or our offshore subsidiaries will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our Shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty). It is unclear whether non-PRC Shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your [REDACTED] in our Shares.

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

Pursuant to the Notice on Strengthening the Administration of Enterprise Income Tax Concerning Proceeds from Equity Transfers by Non-Resident Enterprises, or STA Circular 698, issued by the STA in December 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas non-public holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that (i) has an effective tax rate of less than 12.5% or (ii) does not impose income tax on the foreign income of its residents, the non-resident enterprise, being the transferor, must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax.

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



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On October 17, 2017, the STA issued the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source, or STA Circular 37, which became effective on December 1, 2017 and abolished STA Circular 698 as well as certain provisions in STA Circular 7. STA Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to STA Circular 37, where the party responsible for deducting such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties.

We may conduct acquisitions or sales involving changes in offshore corporate structures, and historically our Shares were transferred by certain then Shareholders to our current Shareholders. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, including transfer of our Shares by non-PRC resident enterprise Shareholders unless such Shareholders acquire and sell such Shares on the public market after we are [REDACTED]. We may be subject to filing obligations or taxed or subject to withholding obligations in such transactions under STA Circular 7 and STA Circular 37. For transfer of Shares in us by Shareholders that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under STA Circular 7 and STA Circular 37. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your [REDACTED] in us.

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

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

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

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

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

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

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

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

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

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

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

We may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our Shareholders or beneficial owners who are PRC residents to ensure their compliance with Circular 37 or other related rules. In addition, we cannot provide any assurance that all of our Shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by Circular 37 or other related rules in a timely manner. Even if our Shareholders and beneficial owners who are PRC residents comply with such request, we cannot provide any assurance that they will successfully obtain or update any registration required by Circular 37

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or other related rules in a timely manner due to many factors, including those beyond our and their control. If any of our Shareholders who is a PRC resident as determined by Circular 37 fails to fulfill the required foreign exchange registration, our PRC subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business.

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

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

Under PRC laws and regulations, wholly foreign-owned enterprises in China may pay dividends only out of their retained earnings as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. Our PRC subsidiaries may also allocate a portion of their respective after-tax profits based on PRC accounting standards to discretionary reserve funds. These reserve funds are not distributable as cash dividends.

The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our Consolidated Affiliated Entities to make remittance to our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. We may convert a portion of our revenue

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into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

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

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

The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. During the Track Record Period, we recorded foreign exchange gain of RMB0.9 million and RMB27.6 million in 2020 and 2021, respectively, and foreign exchange loss of RMB134.7 million in 2022. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the Hong Kong dollar or U.S. dollar in the future.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [REDACTED] from the



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[REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to complete filings with and obtain approvals from SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

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

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

On July 14, 2006, Hong Kong and China entered into the Arrangement between the Courts of the Mainland and Courts of the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters Where the Parties Involved Have a Choice of Court Agreement (the “**Arrangement**”), effective from August 1, 2008. Pursuant to the Arrangement, a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. In January, 2019, Hong Kong and China entered into another arrangement on court judgment recognition and enforcement—the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (the “**2019 Arrangement**”), which will replace the Arrangement from its effective date and will no longer limit recognizable judgments to those granting monetary awards and whose parties have written and exclusive choice of forum agreement. However, substantial uncertainties exist with respect to the approval schedule of the 2019 Arrangement.

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

In February 2012, the State Administration of Foreign Exchange, or SAFE, promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures, unless certain exceptions are available. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or non-PRC citizens living in China for a continuous period of not less than one year and have been granted options will be subject to these regulations when our company becomes an overseas-listed company upon the completion of the [REDACTED]. Failure to complete SAFE registrations may subject them or us to fines or supervision measures. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

In addition, the STA, has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiary has obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes for those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

**It may be difficult for overseas regulators to conduct investigation or collect evidence within China.**

Shareholder claims or regulatory investigation that are common in jurisdictions outside China are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to providing information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in Hong Kong or other jurisdictions may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC, and without the consent by the

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PRC securities regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China and the potential obstacles for information provision may further increase difficulties faced by you in protecting your interests.

In addition, on February 24, 2023, CSRC and other three PRC regulatory authorities jointly issued the Confidentiality and Archives Administration Provisions, which will take effect on March 31, 2023, according to which, overseas securities regulators and competent overseas authorities may request to inspect, investigate or collect evidence from a domestic company concerning its overseas offering and listing or from the domestic securities companies and securities service providers that undertake relevant businesses for such domestic companies, such inspection, investigation and evidence collection shall be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent Chinese authorities will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanisms. The domestic company, securities companies and securities service providers shall first obtain approval from the CSRC or other competent Chinese authorities before cooperating with the inspection and investigation by the overseas securities regulator or competent overseas authority, or providing documents and materials requested in such inspection and investigation. As the Confidentiality and Archives Administration Provisions are relatively new, there are substantial uncertainties with respect to their interpretation and implementation.

**Any failure or perceived failure by us to comply with the anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.**

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the Anti-monopoly Law of PRC (《中華人民共和國反壟斷法》). In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. On December 28, 2018, the SAMR issued the Notice on Anti-monopoly Enforcement Authorization (《關於反壟斷執法授權的通知》), which grants authorities to its province-level branches to conduct anti-monopoly enforcement within their respective jurisdictions. On September 11, 2020, the SAMR issued Anti-monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》), which requires, under the Anti-monopoly Law of the PRC, operators to establish anti-monopoly compliance management systems to prevent anti-monopoly compliance risks. On February 7, 2021, the Anti-Monopoly Commission of the State Council promulgated the Guidelines to Anti-Monopoly in the Field of Internet Platforms (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》), (the “**Anti-Monopoly Guidelines**”), which took effect on the same date and operate as a compliance guidance for platform economy operators under the existing PRC anti-monopoly laws and

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regulations. The Anti-Monopoly Guidelines aim at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic conduct as well as setting out filing procedures for concentration of undertakings involving variable interest entities. The Anti-Monopoly Guidelines mainly covers five aspects, including general provisions, monopoly agreements, abusing market dominance, concentration of undertakings, and abusing of administrative powers eliminating or restricting competition.

Recently, the SAMR has imposed administrative penalties in a number of anti-monopoly cases in the internet industry, and the regulatory environment for anti-monopoly in the internet industry has been tightening. Given the uncertainties of the interpretation and implementation of the Anti-Monopoly Guidelines and considering the evolving legislative activities and varied local implementation practices of anti-monopoly and competition laws and regulations in the PRC, we may be required to make expenditures and adjust our business practice to comply with existing or future laws and regulations, which may increase our costs and limit our ability to operate our business. In addition, failure or perceived failure to comply with Anti-Monopoly Guidelines or other anti-monopoly related laws and regulations may result in investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial conditions and results of operations.

**Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business, financial condition and results of operations.**

We leased certain properties in the PRC in connection with our business operations. Some of these properties do not meet certain property-related requirements under PRC laws and regulations. For example, as of the Latest Practicable Date, leasing agreements of 21 of our leased properties for operation had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisor has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the noncompliance within the time frame prescribed by the relevant authorities.

Furthermore, as of the Latest Practicable Date, some of the lessors of our lease properties had not provided us with their property ownership certificates, and some lease agreements had expired without renewal, for most of which we were in the process of obtaining relevant property ownership certificates and renewing relevant lease agreements. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be invalidated or terminated as a result of challenges by third parties. If that occurs, we may have to renegotiate the leases with the owners or other parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Although we may seek damages from such lessors, such leases may be void and we may be forced to relocate, which may negatively influence our operations.

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### RISKS RELATING TO THE [REDACTED]

**There has been no prior public market for our Shares prior to the [REDACTED], and you may not be able to [REDACTED] our Shares at or above the [REDACTED] you pay, or at all.**

Prior to the completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the [REDACTED] at which our Shares will be traded following completion of the [REDACTED]. The [REDACTED] of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED] the Share. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the [REDACTED] of the Shares will not decline following the [REDACTED].

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

In addition to market and industry factors, the [REDACTED] and [REDACTED] for our Shares maybe highly volatile for specific business reasons. In particular, factors such as variations in our revenue, [REDACTED], and cash flow could cause the [REDACTED] of our Shares to change substantially. Any of these factors may result in large and sudden change in the [REDACTED] and [REDACTED] of our Shares.

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## RISK FACTORS

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**The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our directors, executive officers and substantial Shareholders, could adversely affect the [REDACTED] of our Shares.**

Future sales of a substantial number of our Shares, especially by our directors, executive officers and existing Shareholders, or the perception or anticipation of such sales, could negatively impact the [REDACTED] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and [REDACTED] that we deem appropriate.

The Shares held by our existing Shareholders, excluding the RSU Platforms, are subject to certain lock-up periods. See “[REDACTED] Arrangements and Expenses.” While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. The effect of such disposal, if any, on the [REDACTED] of the Shares cannot be predicted.

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

As the [REDACTED] of Shares is higher than the net tangible book value per share of our Shares immediately prior to the [REDACTED], [REDACTED] of our Shares in the [REDACTED] will experience an immediate dilution. If we issue additional Shares in the future, [REDACTED] of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

**We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our Shares for return on your [REDACTED].**

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an [REDACTED] in our Shares as a source for any future dividend income.

Our Board has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may pay dividends out of profits or share premium, provided always that in no circumstances may a dividend be paid out of share premium if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your



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[REDACTED] in our Shares will likely depend entirely upon any future [REDACTED] appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the [REDACTED] at which you [REDACTED] the Shares. You may not realize a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.

**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from official government sources in this document.**

This document, particularly the section headed “Industry Overview,” contains information and statistics relating to the healthcare market. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. The information and statistics from official government sources have not been independently verified by us, the Controlling Shareholders, the Joint Sponsors, the Joint [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED], any of our or their respective directors, officers or representatives or any other party, other than CIC, involved in the [REDACTED] and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

**You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

## RISK FACTORS

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

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

**There will be a time gap of several business days between [REDACTED] and trading of our [REDACTED] in the [REDACTED]. Holders of our Shares are subject to the risk that [REDACTED] of our Shares could fall during the period before [REDACTED] of our Shares begins.**

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Hong Kong Stock Exchange until they are [REDACTED], which is expected to be not more than five Hong Kong business days after the [REDACTED] date. As a result, [REDACTED] may not be able to sell or [REDACTED] our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the [REDACTED] of our Shares could fall before [REDACTED] begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time [REDACTED] begins.