You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [**REDACTED**] *in our H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The* [**REDACTED**] *of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your* [**REDACTED**]. *You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ from what prevail in other countries.*

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

Risks Related to Our Business and Industry

The industries in which we operate are highly competitive and constantly evolving. If we are unable to compete effectively, our business, operations may be materially and adversely affected.

Each of our primary service lines during the Track Record Period operates in a highly competitive and evolving business environment. Specifically:

- The level of competition in the pharmacy industry is high. Our pharmacy business faces intense competition from local, regional and national companies, including drugstore and pharmacy chains, independent drugstores and pharmacies and various other competitors, such as online and omni-channel pharmacies, some of which are aggressively expanding in markets we serve and may have greater financial, technical, research and development, marketing, distribution, retail and other resources than we do. As competition increases in the markets in which we operate, a significant increase in general pricing pressures could occur, which could require us to reevaluate our pricing structures to remain competitive.

- The online healthcare services market in China is relatively new and unproven, and it is uncertain whether it will achieve and sustain high levels of demand, customer acceptance and market adoption. Our success will depend to a substantial extent on the willingness of customers to use, and to increase the frequency and extent of their utilization of, our services, as well as on our ability to demonstrate the value of our services to customers, hospitals, medical professionals and other participants in the healthcare value chain. If customers or healthcare service providers do not perceive the benefits of our services, or if our services do not drive customer engagement, then our market may not develop at all, or it may develop more slowly than we expect. Similarly, individual and healthcare industry concerns regarding patient confidentiality and privacy in the context of online healthcare services in general could limit market acceptance of our online healthcare services. If any of these events occurs, it could have a material adverse effect on our business, financial condition or results of operations.

- Our healthcare value chain enabling services accounted for an insignificant portion of our revenue in each period during the Track Record Period, but they are important components of our business model and represent drivers of future growth. These markets are highly competitive, too. We face intense competition from emerging healthcare solution providers, traditional healthcare IT service companies, health management providers and general technology companies in the healthcare and insurance sectors. Some of these competitors may have longer operating histories, more project experience, more established brand names, larger customer 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. If we fail to compete effectively, demand for our services may go down and might not be able to expand as planned, which could result in a material and adverse impact on our results of operations, financial condition and growth prospects.

In addition, as the industries we operate in are rapidly evolving, we face risks and challenges associated with our ability to, among other things:

- maintain and develop our relationship with public health organizations to continue to enable direct settlement by the social health insurance system of the medical bills processed through Yuanxin Pharmacy and Miaoshou Physician;
- develop and maintain relationships with our existing customers and attract new customers;
- innovate and adapt our services and solutions to meet evolving needs of current and potential customers;
- enhance and maintain the value of our brand;
- navigate an evolving regulatory environment;
- develop and launch diversified and distinguishable products to effectively address the needs of our customers by collaborating with third-party insurers;
- attract more commercial insurers or deepen our connection with the social health insurance system;

- grow our customer base and enhance our customer engagement in a cost-efficient manner;
- develop or implement additional strategic initiatives to further enhance monetization;
- adopt new technologies or adapt our information infrastructure to changing customer requirements or emerging industry standards;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- maintain our corporate culture and continue to attract, retain and motivate talented employees; and
- defend ourselves against litigation, regulatory interference, claims concerning intellectual property, privacy or other aspects of our business.

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

In addition, many operators in the healthcare industry have consolidated in recent years to create larger healthcare enterprises with greater bargaining power, which has resulted in greater pricing pressures. If this consolidation trend continues, it could give the resulting enterprises even greater bargaining power, which may lead to further competitive pressure. New partnerships and strategic alliances in the healthcare industry also can alter market dynamics and adversely impact our businesses and competitive positioning. Any significant increase in competition may have a material adverse effect on our revenue and profitability as well as on our business and prospects. We cannot assure you that we will be able to continually distinguish our products and services from those of our competitors, preserve and improve our relationships with various participants in the healthcare value chain, or increase or even maintain our existing market share. We may lose market share, and our financial condition and results of operations may deteriorate significantly if we fail to compete effectively.

Our ability to enable direct settlement by the social health insurance system affects our business, financial conditions and results of operations.

The medical bills processed through Yuanxin Pharmacy and Miaoshou Physician are able to be directly settled by the social health insurance system in China. In 2020, 2021 and 2022, our sales settled by the social health insurance system amounted to RMB56.0 million, RMB160.4 million and RMB411.9 million, respectively. However, there is no assurance that these public health organizations, such as municipal medical insurance bureaus, will continue to cooperate with us at the current levels or at all in the future. If we fail to collaborate with any of these public health organizations, and we are not able to identify new ones in a timely manner, our business, financial condition and results of operations may be adversely affected.

In addition, there is no assurance that the public health organizations will not negotiate for more favorable terms for them in the future. Under such circumstances, we may have to agree to less favorable terms so as to maintain our ongoing cooperative relationships with the public health organizations, which may weaken our capability to enable direct settlement by the social health insurance system, and increase our costs of customer acquisition. Our profitability, results of operations and financial condition may, therefore, be materially and adversely affected.

According to the Interim Measures for the Management of Medical Insurance in Designated Retail Pharmacies (零售藥店醫療保障定點管理暫行辦法) and the Interim Measures for the Management of Medical Insurance in Designated Medical Institutions (《醫療機構醫療保障定點管理暫行辦法》), eligible pharmacies and medical institutions will enter into the medical insurance service agreements with public health organizations, pursuant to which the public health organizations agree to directly settle certain part of the medical bills incurred in the pharmacies or medical institutions for their customers. Our pharmacies and medical institutions have entered into medical insurance service agreements, respectively, with relevant public health organizations. As advised by our PRC Legal Adviser, failure of such direct settlement will result in our Company being unable to exercise the corresponding rights in accordance with the relevant laws, rules and regulations. Although several policies were issued to promote online healthcare market, such as the Guidance on Promotion of "Internet +" Medical Insurance during the epidemic prevention and control of COVID-19 (《關於推進新冠肺炎疫情防控期間開展"互聯網+"醫保服務的指導意見》), which allows eligible online medical service expenses to be reimbursed by public medical insurances and encourages designated medical institutions to provide online drug purchase services, if the relevant regulatory authorities tighten the eligibility requirements, or the public health organizations decide not to renew the medical insurance service agreements at the current levels, our capability to enable direct settlement by the public health insurance system may be impaired, and the performance of specialty pharmacy services may be adversely affected.

We are subject to extensive and evolving regulatory requirements, the changes or non-compliance of which may materially and adversely affect our business and prospects.

Due to the complex nature of our business, we are subject to multiple legal and regulatory requirements in the PRC, primarily governing pharmacy, distribution of pharmaceutical and healthcare products, healthcare, internet healthcare, and insurance claim processing. Various regulatory authorities of the PRC government are empowered to promulgate and implement regulations governing broad aspects of these industries. Any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

Sales of pharmaceutical and healthcare products in China are each subject to extensive and evolving government regulation and supervision as well as monitoring by various government authorities. There is a complex set of laws, rules and regulations that may affect the pricing, demand and distribution of pharmaceutical products, such as those relating to procurement, prescription and dispensing of drugs by hospitals and other medical institutions, pharmacy, government funding for private healthcare and medical services, and the inclusion of products in the drugs catalogs for national basic medical insurance, on-the-job injury insurance and maternity insurance promulgated by the Ministry of Human Resources and Social Security of the People's Republic of China, or the MOHRSS. Any unfavorable regulatory changes in these industries may also increase our compliance burden and materially and adversely affect our business, profitability and prospects. Certain other laws, rules and regulations may affect the pricing, demand and sales of pharmaceutical and healthcare products, such as those relating to procurement, prescription and dispensing of drugs by hospitals and other medical institutions, pharmacy, government funding for private healthcare and medical services, and the inclusion of products in the drugs catalogs for national basic medical insurance, on-the-job injury insurance and maternity insurance jointly promulgated by the National Healthcare Security Administration and the MOHRSS.

In addition, the regulations of both the internet industry and its internet healthcare sector are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed in violation of applicable laws and regulations. These uncertainties entail risks that may materially and adversely affect our business prospects. Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that future laws and regulations would not render our operations non-compliant or that we would always be in full compliance with applicable laws and regulations. Compliance with future laws and regulations may require us to change our service offerings and practices at an undeterminable and possibly significant financial cost. These additional monetary expenditures may increase future overhead, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

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

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 PRC Anti-monopoly Law. In March 2018, the SAMR was formed as a new govern-mental 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, which grants authorities to its province-level branches to conduct anti-monopoly enforcement within their respective jurisdictions. On September 11, 2020, the Anti-monopoly Commission of the State Council issued Anti-monopoly Compliance Guideline for Operators, which encourages, under the PRC Anti-monopoly Law, qualified 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 issued the Anti-monopoly Guide of the Anti-monopoly Commission of the State Council for the Platform Economy Sector (the "Anti-monopoly Guide"), which regulates the abuse of a dominant position and other anti-competitive practices of online platforms.

Pursuant to Section 19 of the PRC Anti-monopoly Law, a market participant that has more than 50% of the market share in a relevant market is presumed to have a dominant position in that market. We believe that the impact of the Anti-Monopoly Guide on our business is insignificant. We do not own a dominant position in the patient-oriented out-of-hospital market and other healthcare subsections we operate. According to the Frost & Sullivan Report, we had a market share of 0.59% in the patient-oriented out-of-hospital market in 2020, which is well below the 50% threshold under Section 19 of the PRC Anti-Monopoly Law. In addition, the markets that we operate in are emerging and rapidly developing with a large number of participants focusing on different aspects of the markets and constantly attracting new participants, which mitigates the risk of violating the Anti-monopoly Guide for the industry participants. We also believe that the regulatory environment in general has been favorable to the development of the healthcare industry, in particular, the pharmacy industry and the digital medical services market, and hence our company. For example, in March 2020, the National Health Commission and National Healthcare Security Administration issued Guidance on the Development of "Internet+" Medical Insurance Services During the Prevention and Control of the New Coronavirus Outbreak which permitted doctors to provide online prescriptions for insured patients. Patients are allowed to collect medicine through various online channels for offline delivery. In September 2019, National Development and Reform Commission carried out Action Plan for Promoting High Quality Development of Health Industry (2019-2022) which encouraged online prescription service and third-party distribution of drugs and accelerated the development of online retail pharmacy industry by supporting pharmaceutical delivery services. However, as there are significant uncertainties with respect to the interpretation and enforcement of anti-monopoly regulations, we may in the future receive greater scrutiny and attention from regulators and more frequent and stringent investigation or review by regulators, which will increase our compliance costs, and it could be time-consuming to comply with the relevant regulations described above.

We are in the early stage of development with a limited operating history, and our historical results of operations and financial performance are not indicative of future performance.

We operate in the emerging and dynamic healthcare and online healthcare service markets in China. These markets are relatively new and it is uncertain whether such industries would achieve and sustain high levels of demand, consumer acceptance and market reaction. We have experienced significant growth during the Track Record Period. Our total revenues increased from RMB3,629.4 million in 2020 to RMB5,938.1 million in 2021 and further to RMB7,775.2 million in 2022.

Although our business has grown rapidly during the Track Record Period as a result of the expansion of our offline retail pharmacy network, due to our limited operating history, our historical growth and past revenues may not be indicative of our future performance. In addition, we cannot assure you that we can successfully continue to implement our business strategies. As the market and our business develop, we may modify our products and services. These changes may not achieve expected results and may have a material and adverse impact on our results of operations and financial condition. 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 emerging and dynamic industries, including, among other things, our ability to attract and retain customers, our ability to create value for participants in our ecosystem and increase monetization, our ability to navigate an evolving regulatory environment, our ability to provide high-quality products and satisfactory services, build up our reputation and promote our brand, and our ability to anticipate and adapt to changing market conditions. We may not be able to successfully address these risks and difficulties, which could significantly harm our business, results of operations and financial condition.

There have been recent evolving regulatory requirements in the healthcare industry, the changes or noncompliance of which may materially and adversely affect our business and prospects.

Due to the complex nature of our business, we are subject to multiple legal and regulatory requirements in the PRC, primarily governing pharmacy, distribution of pharmaceutical and healthcare products, healthcare, internet healthcare, and insurance claim processing.

The Guidance on Promoting Hospital Safety and Order Management (《關於推進醫院安全秩序管理工作的指導意見》) aims to further maintain normal medical order and protect the personal safety of medical staff. The Promotion Action of High-quality Development of Public Hospitals (2021-2025) (《公立醫院高質量發展促進行動(2021-2025)》) raises several main actions so as to achieve high-quality development of public hospitals and further strengthen the public welfare feature of public hospitals, among others, including the construction of key clinical specialist groups according to the Construction Plan of National Clinical Specialty in the 14th Five-year Plan (《"十四五"國家臨床專科能力建設規劃》). We are of the view that these policies will not have material adverse effect on our business operation or financial performance.

In addition, the National Medical Insurance Plan in the 14th Five-year Plan (《國務院辦公廳關於印發"十四五"全民醫療保障規劃的通知》), issued by the General Office of the State Council on September 23, 2021, intends to take a series of measures to achieve the high-quality development of the basic medical insurance system, insecure people's health and promote common wealth, including encouraging the innovation of insurance products, adjusting and optimizing the medical insurance catalog on a dynamic basis, and improve direct settlement services for medical treatment in different places. In addition, the Chinese government plans to simplify and optimize the professional evaluation and negotiation procedures of designated medical institutions and pharmacies, improve the management process of the designated medical institutions and pharmacies, and expand the coverage of such designated sites. The "Internet+ medical service" pricing and payment policies should be improved and the medical insurance management services will be extended to covering the "Internet+ medical service". However, it is expected to strengthen the supervision, improve the performance evaluation of designated medical institutions and pharmacies, formulate regulations in relation to the supervision and management of medical service behaviors with different payment methods, and the management of the designated medical institutions and pharmacies will take the medical quality and the performance of medical insurance agreements into consideration. As a result, we would benefit from these measures to maintain and develop our relationship with public health organizations to continue to enable direct settlement by the social health insurance system of the medical bills processed through Yuanxin Pharmacy and Miaoshou Physician. At the same time, we need to keep continuous and stricter compliance with the Interim Measures for the Management of Medical Insurance in Designated Retail Pharmacies (零售藥店醫療保障定點管理暫行辦法) and the Interim Measures for the Management of Medical Insurance in Designated Medical Institutions (《醫療機構醫療保障定點管理暫行辦法》), which may increase our compliance costs.

The Notice on Publicizing the 5G+ Healthcare Application Pilot Project (《關於公佈5G+醫療健康應用試點項目的通知》), was issued by the Ministry of Industry and Information Technology on September 3, 2020. Pursuant to the notice, 987 5G + healthcare applications were selected after expert review conducted by the Ministry of Industry and Information Technology and the National Health Commission. 5G + Healthcare Application Pilot Project was carried out pursuant to the Notice on Organizing the Application of 5G+ Healthcare Applications Pilot Project (《關於組織開展5G+醫療健康應用試點項目申報工作的通知》), issued by the Ministry of Industry and Information Technology and other relevant regulatory authorities on November 18, 2020, which aims to encourage the application and integration of 5G technology in various healthcare scenarios. As of the Latest Practicable Date, one of our projects, "Intelligent Health Management and Application for Chronic Diseases Based on 5G Technology" that we jointly applied for with other medical institutions, is among the first batch of approved 5G+ Healthcare Application Pilot Projects. We are of the view that these policies will have a positive impact on our business operation or financial performance.

The Notice on Promulgating Five Specifications Including the Specifications for Pharmaceutical Outpatient Service of Medical Institutions (《關於印發醫療機構藥學門診服務規範等5項規範的通知》), was issued by the National Health Commission on October 9, 2021. It provides clear guidance further to standardize the development of pharmaceutical services, improve the level of pharmaceutical services, and promote rational drug use in the process of medical treatment. Since the release of the specifications, we have been taking measures to comply with the requirements set forth in this notice in material respects to the applicable extent. We are of the view that such policy will not have material adverse effect on our business operation or financial performance. Furthermore, we have adopted and implemented several measures to ensure our pharmacists comply with the requirements of such notice, including a stringent pharmacist selection procedure such as verification of the qualifications and experiences of our pharmacists, and recording and tracking the scope and quality of services provided by our pharmacists.

On February 8, 2022, National Health Commission and State Administration of Traditional Chinese Medicine issued the Detailed Rules for the Supervision of Internet Diagnosis and Treatment (Trial) (《互聯網診療監管細則(試行)》), hereinafter, the Supervision Rules. According to the Supervision Rules, physicians who practice at Internet hospitals other than their main institutions of practice shall file Multi-site Practice Registration/Filing. A medical institution shall conduct electronic real-name verification for the medical staff members carrying out Internet diagnosis and treatment activities. We believe our online medical services are in compliance with the requirements of the Supervision Rules. Furthermore, we have implemented internal measures to ensure we comply with the requirements set forth in the Supervision Rules.

The Regulations on the Implementation of the Drug Administration Law (Draft) (《中華人民共和國藥品管理法實施條例(修訂草案徵求意見稿)》), published by the NMPA, provides that marketing authorization holders or pharmaceutical operation enterprises shall be engaged in online drug sales activities, provided that drugs sold by such sellers shall be within the scope of the drugs authorized to sell by the marketing authorization holders or the pharmaceutical operation enterprises. The draft regulation requires third-party online drug sale platform providers to be filed with relevant government departments and establish a quality control system for online drug sales. Third-party platform providers are not allowed to directly participate in online drug sales. In addition, the draft regulation also provides that online drug sales should meet the requirements of the Administrative Standard of Pharmaceutical Operating Quality. If a pharmaceutical operation enterprise sells prescription drugs online, it should ensure that the source of prescription is authentic and reliable and will only be dispensed after review. If prescription drugs fail to pass the review, the package, label, instruction, or other relevant information of the prescription drugs shall not be directly displayed. However, since the draft regulation recently closed the public consultation process in June 2022, some of the requirements shall be subject to more specific rules to be promulgated. Currently, the draft regulation provides no explanation or interpretation for "third-party online drug sale platform" and "directly participate in online drug sales". We operate our online pharmacy, Miaoshou Physician, by ourselves. We also do not provide third-party online platforms for other independent pharmacies. As advised by our PRC Legal Adviser, the draft regulation had no material and adverse impact on our business operations as of the Latest Practicable Date. Based on the foregoing, our Directors do not foresee any material impediments for our Company to comply with the requirements under the draft regulation in all material respects, and the Joint Sponsors concur. Furthermore, we have started reviewing internal measures to ensure we comply with the requirements set forth in the draft regulation, if it is adopted in its current form. We will closely monitor the development of the rule-making process of the draft regulation.

Though we think the new policies have no material impact on our business and financial operation, uncertain exists with further implementation and enforcement of the regulations of the healthcare industry. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed in violation of applicable laws and regulations. These uncertainties entail risks that may materially and adversely affect our business prospects.

There have been recent evolving regulatory requirements regarding data security, the changes or noncompliance of which may materially and adversely affect our business and prospects.

On November 14, 2021, the Cyberspace Administration of China ("**CAC**") published the Regulations on the Administration of Network Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) ("**Draft Data Security Regulations**"). According to Article 13 of the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for the cybersecurity review when carrying out the following activities: (1) the merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (2) data processors that process personal information of more than one million people intends to be listed overseas (國外上市); (3) data processors intend to be listed in Hong Kong, which affects or may affect national security; (4) other data processing activities that affect or may affect national security.

At present, the Draft Data Security Regulations do not yet have a clear definition of "listed overseas". According to mainstream opinions, "listing overseas" does not include "listing in Hong Kong". However, it cannot be ruled out that the PRC government authorities will interpret the words "listed overseas" differently from the above-mentioned mainstream opinions. In addition, the Draft Data Security Regulations provides no further explanation or interpretation for "affects or may affect national security", and the PRC government authorities may have wide discretion in the interpretation of "affects or may affect national security". It is also possible that there may be major differences between the officially promulgated regulations and the drafted version.

The PRC Legal Adviser is of the view that the Draft Data Security Regulations are unlikely to have material adverse impacts on our business operations and financial performance, and will not affect our Company's compliance with laws and regulations in any material aspects at the present stage, since the Draft Data Security Regulations have not been formally adopted and further specific provisions or implementation standards have not been published, nor have we been involved in any investigations on cybersecurity review made by the PRC government authorities or received any inquiry, notice, warning or sanctions from the PRC government authorities on such basis.

The PRC Legal Adviser is of the opinions that, during the Track Record Period and up to the Latest Practicable Date, our Company had complied with all material respects of upper-level laws of the Draft Data Security Regulations in respect of data security, including the Data Security Law the People's Republic of China (《中華人民共和國數據安全法》), the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》) and the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》). We have implemented and maintained commercially reasonable controls, policies, procedures, and safeguards to maintain and protect important data and users' personal information as well as the integrity, continuous operation, redundancy and security of all IT systems in connection with our businesses, and there have been no major breaches, violations, outages or unauthorized uses of or accesses to our IT systems.

However, since the Draft Data Security Regulations have been solicited public opinions recently and some of the requirements shall be subject to more specific rules, there still exists uncertainty of the requirements under the Draft Data Security Regulations on our Company's business. Therefore, it is hard for the PRC Legal Adviser to preclude the possibility that new rules or regulations promulgated in the future will impose additional compliance requirements on our Company. If our [**REDACTED**] were deemed to have or potentially have an impact on national security in the process of applying for [**REDACTED**] on the Hong Kong Stock Exchange, and we failed to conduct cybersecurity review according to the relevant laws and regulations, we could be requested to take rectification actions, subject to disciplinary warning, and/or be imposed to an administrative penalty ranging from RMB50,000 to RMB500,000 for a single violation incident. Furthermore, if such violation causes material impact, we may be subject to more severe penalties, such as revocation of relevant practicing licenses and permits. In addition, if for any reason we fail to meet relevant requirements of the Draft Data Security Regulations when it becomes effective, we might be subject to harsh penalties, warnings, suspension of our business or revocation of our practicing licenses and permits, which could have significant and adverse impact on our business operation as well as financial performance.

If our products and services do not maintain and drive customers' engagement or if we fail to provide superior customer experience, we may fail to attract new customers or retain sufficient customers, and our business, financial conditions and reputation may be materially and adversely affected.

The success of our businesses depends in part on customer loyalty, superior customer service and our ability to attract customers to frequent our pharmacies and offline and online services and to increase their purchase of our products and services. Failure to timely identify or effectively respond to changing consumer preferences and spending patterns, or the failure or inability to expand the products being purchased by our customers or to obtain or offer particular categories of products could adversely affect our relationship with our customers and the demand for our products and services.

Firstly, we have been building our brand name and reputation for our healthcare services as we believe that our ability to maintain customers' trust in our services are critical to our success. Our ability to maintain customer stickiness and engagement is primarily affected by the following factors:

- our ability to maintain superior customer experience and the quality of services and products;

- the breadth of offerings of our services and products and their efficacy 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 customer requirements or emerging industry standards; and

- our ability to increase brand awareness among existing and potential customers through various marketing and promotional activities.

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

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

If we fail to address, among other things, any of the foregoing challenges, customers may become frustrated by or dissatisfied with our services and products, and may leave our services without making purchases, and existing customers may discontinue using our services and products. As a result, our business, results of operations and financial condition could be materially and adversely affected. Any loss of trust in our services could harm the value of our brand and reputation, and result in participants ceasing to utilize our services as well as reducing their stickiness of and engagement to our services, 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.

Our sale of pharmaceutical and healthcare services and products is subject to a variety of risks, which may materially affect our business, financial condition and results of operations.

We generate a vast majority of our revenues from the sales of a wide assortment of pharmaceutical and healthcare services and products. Maintaining and increasing sale of these services and products is subject to a variety of risks, including:

- inability to successfully execute effective marketing and promotional programs necessary to maintain and increase awareness of our brand and products, to the extent permitted by applicable PRC laws and regulations;
- failure to implement effective pricing and other strategies in response to market competition;
- inability to respond to changes in demand and preferences of our customers in a timely manner;
- inability to stock an adequate supply of pharmaceutical and healthcare products that meet the demand of our customers;
- our inability to obtain and maintain regulatory or governmental permits, approvals and clearances, or to pass PRC government inspections or audits; and

- the risk of, and resulting liability from, any contamination, injury or other harm caused by any use, misuse or misdiagnosis involving products sold or healthcare services provided by us.

The occurrence of any such risks may cause a decrease in our product sales or demand for our services, damage our overall business and reputation, and may have a material and adverse effect on our financial condition and results of operations.

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

Sale of prescription drugs is subject to stringent scrutiny, which may expose us to risks and challenges. In particular, under the Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals promulgated by the CFDA in 2007, a company is prohibited from either selling prescription drugs to 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 newly revised Drug Administration Law of the People's Republic of China, or the Drug Administration Law does not include restrictions on online sale of prescription drugs. In April 2021, the General Office of the State Council issued the Opinions on Serving the "Six Stables" and "Six Safeguards" and Further Doing a Good Job in the Reform of "Delegating Power, Delegating Regulation and Serving Service" (《關於服務"六穩""六保"進一步做好"放管服"改革有關工作的意見》) which allows online sales of prescription drugs other than those under special state control on the premise of ensuring the authenticity and reliability of the electronic prescription sources. On August 3, 2022, NMPA issued the Measures for the Supervision and Administration of Online Drug Sales (the "2022 Measures"), which will take effect on December 1, 2022, aiming to enhance the supervision of online pharmaceutical sales and related platform services. The 2022 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 Draft Measures provides that, among others, online prescription drug sellers shall (i) ensure the accuracy and reliability of the source of e-prescription, (ii) keep records of any e-prescription for at least five years and no less than one year after the expiration date of the prescription drugs, and (iii) disclose safety warnings including "prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists" when displaying information of prescription drugs. We are going to implement internal measures to ensure we comply with such requirements set forth in the 2022 Measures. As advised by our PRC Legal Adviser, on the condition that we consistently comply with the updated requirements, the 2022 Measures would not have a significant impact on our business operation and performance.

It remains uncertain that our sales model and online platform 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 liability under PRC laws and regulations, which may incur significant liability and our business, financial condition and results of operations could be materially and adversely affected. In addition, due to the complexity of human errors, mistakes or misconduct, we cannot assure you that we can fully comply with and meet the requirements under all laws and regulations related to the sale of prescription drugs. Any failure to comply with such laws and regulations could materially and adversely affects our business, results of operations, financial condition and prospects.

We source our pharmaceutical and healthcare products from our reputable suppliers. We have limited control with them which are subject to a variety of risks.

We source the pharmaceutical and healthcare products we sell from reputable suppliers, primarily pharmaceutical and healthcare products manufacturers or their sales agents. Our business, results of operations, financial condition and prospects could be materially and adversely impacted if (i) we are unable to continue sourcing sufficient volumes of quality pharmaceutical and healthcare products from our current suppliers or (ii) our suppliers fail to supply sufficient quantities of pharmaceutical and healthcare products on time or supply products that do not meet the relevant quality standards. In addition, as the scale of our business continues to grow, there can be no assurance that we will be able to expand our sourcing network to include new suppliers on reasonable terms and prices.

We typically enter into supply framework agreement with our suppliers, some of which allows pricing and other terms to be adjusted for changing market conditions. We cannot assure you that we will be able to maintain our existing relationships with these suppliers and continue to be able to source pharmaceutical and healthcare products in stable quantities and at reasonable prices or at all. A termination or modification to any of these relationships could adversely affect our product supply and have a material adverse effect on our businesses, operating results and financial condition. Moreover, products sold by us may be manufactured with ingredients that are susceptible to supply shortages. In some cases, we depend upon a single source of supply. Any such supply shortages or loss of any such single source of supply could adversely affect our reputation, results of our operations and financial condition.

Some of the pharmaceutical and healthcare products that we sell are manufactured in whole or in substantial part outside of China. In most cases, the products or merchandise are imported by our suppliers and sold to us. As a result, significant changes in tax or trade policies, tariffs or trade relations between China and other countries or any changes in their local policies, such as the imposition of unilateral tariffs on imported products, any negative sentiments towards China in response to increased import tariffs and other changes in China's trade regulations, could result in significant increases in our costs, restrict our access to suppliers, depress economic activity, and have a material adverse effect on our businesses, operating results and cash flows. During the Track Record Period, the imported products we sold were primarily manufactured in Europe (including Germany, Switzerland, France and the United Kingdom), the United States and Japan. The impact of international and local tax rules on such products was minimal during the Track Record Period.

Additionally, our suppliers are primarily independent third parties that are subject to their own operational and financial risks that are outside our control. If the supply of pharmaceutical and healthcare products is interrupted for whatever reason, including but not limited to supply shortages, supplier quality issues, supplier production disruption, or closing or bankruptcies of our suppliers, our business, financial condition, results of operations and prospects may be materially and adversely affected. Changes in business conditions, force majeure, governmental changes and other factors beyond our control or that we do not presently anticipate could also affect our suppliers' ability to deliver pharmaceutical and healthcare products to us on a timely basis. Any of the foregoing could materially and adversely affect our business, results of operations, financial condition and prospects.

Furthermore, our ability to locate qualified, economically stable suppliers who satisfy our requirements, and to acquire sufficient products in a timely and effective manner, is critical to ensuring, among other things, that customer confidence is not diminished. Any failure to develop sourcing relationships with a broad and deep supplier base could adversely affect our operating results and erode customer loyalty.

Pharmaceutical products, and prescription drugs, in particular, require strict storage and transportation conditions.

The pharmaceutical products, and prescription drugs, in particular, we offer, are sensitive to their environment and must be transported, stored and warehoused under highly controlled conditions to prevent damage due to infection, adulteration and spoilage. Such damage could render our inventories defective and not saleable, or, if left undetected, could expose us to product liability claims, legal penalties, and severely damage our business and reputation.

We rely on quality control and environmental control systems in our storage facilities and any failure in these systems might expose us to risks associated with the sale of expired or damaged products. Although no material losses to our inventories caused by defects in storage conditions have occurred during the Track Record Period and up to the Latest Practicable Date, such losses could occur in the future and could be severe. Warranties and indemnities from third parties responsible for defects in storage conditions have financial limits, and indemnification will not be available should losses occur at storage facilities that we own and operate ourselves. If the controlled environmental condition of the warehouses we currently utilize is compromised, we cannot guarantee that the damage caused by such a compromise will be isolated, or that such an event would not lead to sizeable losses of inventory which could materially and adversely affect our financial performance and results of operations.

We currently operate four regional drug distribution centers in China and partner with reputable logistics operators that have capabilities in drug logistics to store and deliver our prescription and OTC drugs. So long as we use third-party facilities or services, we will incur additional the risks and costs of ensuring that the actions and omissions of these third parties do not undermine or compromise the quality control and environmental control systems of these facilities. Likewise, we are exposed to the risk that the actions of our wholesale customers or other third parties handling the products in our portfolio prior to delivery to the end user may damage the products. If we are unable to manage the costs of dealing in inherently sensitive products or if we are unable to effectively monitor the actions of third parties, such sensitive products may become damaged and our business 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.

We are required to manage a large volume of inventory effectively for our pharmacy business. 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 customers 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 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 pharmacy business at all times, and any such failure may have a material and adverse effect on our business, financial condition and results of operations.

Our inventories have increased significantly during the Track Record Period, from RMB369.9 million as of December 31, 2020 to RMB556.1 million as of December 31, 2021 and further to RMB780.1 million as of December 31, 2022. Our inventory turnover days were 30 days in 2020, 31 days in 2021 and 34 days in 2022. Inventory turnover days for a period equals the average of the opening and closing inventory balance divided by cost of sales for the Track Record Period and multiplied by the number of days in the Track Record Period. Inventory levels in excess of customer 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 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.

Conversely, if we underestimate customer 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, result in unfulfilled customer orders, leading to a negative impact on our financial condition and customer relationships.

We face risks relating to the availability, pricing and safety profiles of prescription drugs that we purchase and sell.

The profitability of our pharmacy business is dependent upon the utilization of prescription drug products. Our revenues, operating results and cash flows may decline if physicians cease writing prescriptions for drugs or the utilization of drugs is reduced, including due to:

- increased safety risk profiles or regulatory restrictions;
- manufacturing or other supply issues;
- certain products being withdrawn by their manufacturers or transitioned to over-the-counter products;
- future NMPA rulings restricting the supply or increasing the cost of products;
- the introduction of new and successful prescription drugs or lower-priced generic alternatives to existing brand name products; or
- inflation in the price of brand name drugs.

In addition, the growth of our pharmacy business is also dependent on our relationships with prescription drug manufacturers and suppliers. See also "– We source our pharmaceutical and healthcare products from our reputable suppliers. We have limited control with them which are subject to a variety of risks." Furthermore, prescription drug products are dependent on, among other factors, the introduction of new and successful prescription drugs as well as lower-priced generic alternatives to existing brand name drugs. Inflation in the price of drugs also can adversely affect utilization, particularly given the increased prevalence of high-deductible health insurance plans and related plan design changes. New brand name drugs can result in increased drug utilization and associated sales, while the introduction of lower priced generic alternatives typically results in relatively lower sales, but relatively higher gross profit margins. Accordingly, a decrease in the number or magnitude of significant new brand name drugs or generics successfully introduced, delays in their introduction, or a decrease in the utilization of previously introduced prescription drugs, could materially and adversely affect our results of operations.

Therefore, if we experience an increase in the amounts we pay to procure pharmaceutical drugs, including generic and specialty drugs, it could have a material adverse effect on our results of operations. Our gross profit margins would be adversely affected to the extent we are not able to offset such cost increases. Any failure to fully offset any such increased prices and costs or to modify our activities to mitigate the impact could have a material adverse effect on our results of operations. Additionally, any future changes in drug prices could be significantly different than our expectations.

Furthermore, we offer complex and high-cost medications with a focus on seven specialty areas including oncology, dermatology, hepatology, rheumatology and internal neurology. Many of such medications are made available by manufacturers to a limited number of pharmacies (so-called limited distribution drugs) that serve a relatively limited universe of patients, the future growth of the specialty pharmacy services depends largely upon expanding our access to key drugs and penetration in certain treatment categories. Any contraction of our base of patients or reduction in demand for the prescriptions we currently dispense could have an adverse effect on our specialty pharmacy business, operating results and cash flows. In addition, pharmacies are selected to sell limited distribution drugs based on their expertise and ability to manage and dispense high-maintenance medications and ultimately offer optimal patient outcomes. The specific selection criteria typically include: (i) having a qualified and knowledgeable care coordination team that effectively communicates with patients, physicians, and payers to support appropriate access to specialty therapies; (ii) having capabilities to report to pharmaceutical companies timely, accurate, and complete clinical and inventory data; (iii) having a proven history of supporting patient access to specialty medications; (iv) being capable of assisting patients with their financial issues relative to product access and continuing follow-up in support of the continuum of care; (v) having a national pharmacy coverage that enables pharmaceutical manufacturers to reach wide patient populations, with capabilities to provide cold chain logistics and to receive prescription outflow from hospitals digitally and to implement and maintain a standardized information system for drug dispensing; (vi) capabilities to provide disease management services that accompany patients throughout their journey from in-hospital visit to out-of-hospital healthcare fulfillment to health insurance payment, including patients' conduct analysis, follow-up visits, and drug adherence management; (vii) integration of payment methods provided by commercial health insurance, such as the integration of commercial health insurance implemented in different cities; and (viii) capabilities to provide service for pharmaceutical companies, such as capabilities to manage PAP philanthropic projects and to assist with real-world study. In the event that we fail to meet the criteria to be selected to sell limited distribution drugs, our pharmacy business and results of operations might be negatively affected.

Some pharmaceutical products offered by us are subject to and will continue to be subject to centralized procurement policies in China.

The State Council and other relevant authorities issued a series of policies on deepening the reform of medical and healthcare system since 2019. According to the Notice of the General Office of the State Council on Issuance of the Pilot Plan Regarding the Centralized Procurement and Use of Drugs Organized by the State (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》) and the Implementation Opinions on Region Expansion of the Organization of Centralized Procurement and Use of Drugs by the State (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》), the State planned to organize centralized procurement and use of certain types of pilot drugs to lower drug price, reduce the burden on patients of drug costs, and lower the transaction costs of pharmaceutical enterprises. In 2021, the General Office of the State Council further published an updated policy Opinion on Promoting the Normalization and Institutionalization of Centralized Volume-Based Procurement of Drugs (《國務院辦公廳關於推動藥品集中帶量採購工作常態化制度化開展的意見》) to solidify the centralized procurement scheme. For details, see "Regulatory Overview". Although such policies may lower the transaction costs of the pharmaceutical enterprises and increase the amount of drugs purchased, they may also reduce the sales prices of drugs sold in our offline and online pharmacies, resulting in decrease of our sales revenue as well as other financial metrics.

We may become subject to product liability or personal injury claims, which could cause us to incur significant expenses and be liable for significant damages if not covered by insurance.

We are exposed to risks inherent in marketing, distributing and selling pharmaceutical and healthcare products and providing online healthcare services in China. Claims, customer complaints or administrative penalties may arise if any of our products are deemed or proven to be unsafe, ineffective or defective, or they are found to contain illicit substances. We could also be adversely impacted by errors in product recall and contamination or product mishandling issues. We may also be subject to allegations of having engaged in practices such as improper filling of prescriptions, sale of counterfeit and substandard medicines or other healthcare products, or providing inadequate warnings or insufficient or misleading disclosures of side effects.

Product liability or personal injury claims may be asserted against us with respect to any of the products or pharmaceuticals we sell or services we provide. Should a product or other liability issue arise and 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.

Any product liability or personal injury claims made against us could cause negative publicity, impairment of customers' confidence in us, significant decrease in sale volume and may result in fines and penalties from regulatory authorities. Any claims made against us that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us and divert the attention of our management team from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation. In the event that such product liability claims are attributable to our suppliers, 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 incur liability or become subject to administrative penalties for counterfeit, substandard or unauthorized products sold by us, or for products sold by us that infringe on third-party intellectual property rights, or for other misconduct.

We source our pharmaceutical and healthcare products from various suppliers. Although we have adopted measures to verify the authenticity and authorization of products sold by us and avoid potential infringement of third-party intellectual property rights in the course of sourcing and selling products, we may not always be successful. As certain products we source are manufactured outside of China, it would be more difficult for us to verify the authenticity and authorization of products sold.

In the event that counterfeit, substandard, unauthorized or infringing products are sold by us, we could face claims that we should be held liable. We could incur significant costs and efforts in either defending against or settling such claims. If there is a successful claim against us, we might be required to pay substantial damages or refrain from further sale of the relevant products. Potential liability under PRC law if we negligently participated or assisted in infringement activities associated with counterfeit goods includes injunctions to cease infringing activities, rectification, compensation, administrative penalties and even criminal liability. Moreover, such third-party claims or administrative penalties could result in negative publicity and our reputation could be severely damaged. Any of these events could have a material and adverse effect on our business, results of operations or financial condition.

Certain pharmaceutical products we offer are subject to and will continue to be subject to price restrictions and price competition in China, which could adversely affect our profitability and results of operations.

Some of our pharmaceutical products were subject to government price controls in the form of fixed retail prices or retail price ceilings and periodic downward adjustments imposed by the NDRC or other PRC government authorities. Pursuant to the Notice Regarding the Opinion on Facilitating the Pharmaceutical Pricing Reform (《關於印發推進藥品價格改革意見的通知》) jointly issued by the NDRC, the National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會) (currently known as the National Health Commission of the PRC) and five other PRC government agencies in May 2015, the price ceilings imposed by the PRC government on pharmaceutical products other than narcotic and Class I psychotropic drugs were lifted on June 1, 2015, and these products would be subject to a more market-based pricing system adopted by medical insurance bureaus and relevant authorities. After the lifting of government price controls on pharmaceutical products, the prices of prescription drugs in China had been determined by the centralized tender process and the prices of OTC drugs in China had been determined by arm's-length, commercial negotiation and market factors such as brand recognition, market competition and consumer demand. There is, however, no assurance that the application of the more market-based pricing system will result in a higher product pricing compared to the government-controlled pricing, as lifting of price controls may not necessarily bring price inflation, and may in turn stimulate market competition. Competition from public hospitals or other retailers and wholesalers, particularly those offering same products but with lower prices, may force us to lower our sales prices to the previous government-controlled price levels. Consequently, our profitability may suffer and our business, financial condition and results of operations may also be materially and adversely affected.

Any disruption to the operations of the warehousing and fulfilment facilities we rely on or to the development of new warehousing and logistics facilities we may use in the future could have a material adverse effect on our business, financial condition and results of operations.

We currently operate four regional drug distribution centers in China and partner with reputable logistics operators that have capabilities in drug logistics to store our prescription and OTC drugs inventory. Natural disasters or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land underlying these facilities, could destroy any inventory located in these facilities and significantly impair our business operations. In addition, warehousing and logistics facilities that meet the requirements of modern logistics operations, in particular, cold chain logistics requirements for drugs and for guaranteed storage safety, optimal and flexible space utilization and high operational efficiency, are in short supply. We may not be able to replace these facilities and equipment in a timely manner, should any of the foregoing occur.

Furthermore, the leases for the warehousing and logistics facilities that we use could be challenged by third parties or government authorities, which may cause interruptions to our business operations. If the lessors of these facilities are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, such leases could be invalidated and such leases may need to be renegotiated with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable. Although we are not aware of any claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to the leasehold interests in or use of such properties, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of leased properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties.

We partner with third-party couriers to deliver some of our pharmacy orders. If these couriers fail to provide reliable delivery services, our business and reputation may be materially and adversely affected.

We partner with reputable to deliver some of our pharmaceutical and healthcare products. Interruptions to or failures in these delivery services could prevent the timely or proper delivery of the products to customers. These interruptions may be due to events that are beyond our control or the control of these delivery companies, such as inclement weather, natural disasters, virus outbreaks, transportation disruptions or labor unrest. In addition, if the couriers we collaborate with fail to comply with applicable rules and regulations in China, their services may be materially and adversely affected, which in turn will materially and adversely affect our business. We may not be able to find alternative delivery companies to provide delivery services in a timely and reliable manner, or at all. Delivery of our products could also be affected or interrupted by the merger, acquisition, insolvency or government shut-down of the delivery companies that we engage to make deliveries, especially those local companies with relatively small business scales. If our products are not delivered in proper condition or on a timely basis, our business and reputation may be materially and adversely affected.

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

We have adopted shipping policies that do not necessarily pass the full cost of shipping on to our customers. 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. 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 customers may be dissatisfied, which may result in loss of existing customers or failure to acquire customers at a desirable pace, which may materially and adversely affect our results of operations.

Except that the pharmaceutical products may not be returned or exchanged under the Administrative Standard of Pharmaceutical Operating Quality (which prohibits returns and exchanges of pharmaceutical products except for quality reasons), other products sold by us are generally returnable within seven days upon receipt without reason in accordance with Consumer Protection Laws. If our product return rates increase or are higher than expected, our revenues and costs can be negatively impacted. Furthermore, as we cannot return some products to our suppliers pursuant to our contracts with them or if return rates for such products increase significantly, we may experience an increase in our inventory balance, inventory impairment and fulfillment cost, which may materially and adversely affect our working capital. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We had incurred net losses during the Track Record Period.

During the Track Record Period, we had experienced net losses. For the year ended December 31, 2020, 2021 and 2022, we had a net loss of RMB362.6 million, RMB756.8 million, and RMB805.2 million, respectively. We also incurred net losses prior to the Track Record Period and prior to entering into the provider-enabling services and healthcare value chain enabling services. We expect our operating expenses to increase in the future as we expand our operations. Furthermore, after the completion of the [**REDACTED**], we may incur additional compliance, accounting and other expenses that we did not incur as a private company. If our revenue does not grow at a greater rate than our expenses, we may not be able to achieve and maintain profitability. We may incur considerable losses in the future for various reasons, many of which may be beyond our control. Furthermore, we expect to incur additional legal, accounting and other expenses that we did not incur as a private company. We may incur significant losses for a number of reasons, including the other risks described in this document, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to achieve or sustain profitability, our share price may decrease significantly. Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected and we may not be able to achieve or maintain profitability.

We had incurred negative operating cash flows during the Track Record Period.

We recorded net operating cash outflows of RMB204.4 million, RMB814.4 million, and RMB640.3 million for the year ended December 31, 2020, 2021 and 2022, respectively, primarily due to the following reasons: (i) our out-of-hospital patient services grew quickly during the Track Record Period, evident by our increasing marketing efforts in this service line, resulting in a corresponding increase in the selling and marketing expenses; and (ii) our provider-enabling services and healthcare value chain enabling services were at the early stage of their respective development during the Track Record Period, and we had put in significant internal resources to develop these two service lines by levering our nationwide offline pharmacy network, resulting in a corresponding increase in the selling and marketing expenses and the administrative expenses.

We cannot assure you that we will be able to generate net profits or positive cash flow from operating activities in the future. Our ability to achieve positive cash flow from operating activities depends in large part on our ability to manage our selling and marketing expenses and the administrative expenses. We intend to manage our sales and marketing expenses and administrative expenses, but there can be no assurance that we will achieve this goal, and we may continue to experience negative cash flow from operating activities in the future.

Our results of operations, financial conditions and prospects may be adversely affected by the recoverability of our trade and bills receivables.

Our trade and bills receivables primarily consist of outstanding amounts payable by third parties. Our total trade and bills receivables increased by 46.1% from RMB632.8 million as of December 31, 2021 to RMB924.6 million as of December 31, 2022. Our total trade and bills receivables increased by 88.0% from RMB336.6 million as of December 31, 2020 to RMB632.8 million as of December 31, 2021. The increases in trade and bills receivables were primarily due to the growth of our business during the Track Record Period. Our trading terms with customers are mainly on credit. The credit period is generally one to three month. Trade receivables are generally settled in accordance with the terms of the respective contracts. Our trade and bills receivables turnover days were 23 days, 30 days and 37 days in 2020, 2021 and 2022, respectively. The increasing trend of our trade and bills receivables turnover days was primarily due to increased receivables as a result of our business growth during the Track Record Period. See "Financial Information – DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS – Current Assets/Liabilities – Trade and bills receivables" for more details on our trade and bills receivables.

Credit risk for trade and bills receivables arises when our customers default on their contractual obligations resulting in financial losses to our Company. To minimize the credit risk, our management has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, we use an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each of our customers before entering into agreements or extending credit terms, neither can we guarantee that each of these customers will be able to strictly follow and enforce the payment schedules provided in the agreements. Any inability of our customers to pay us in a timely manner may adversely affect our liquidity and cash flows, which in turn has a material adverse effect on our business operations and financial condition.

We have a large balance of goodwill and we may incur significant impairment charges which could materially impact our financial position.

We record goodwill primarily in connection with acquisitions. Our goodwill increased by 17.5% from RMB341.1 million as of December 31, 2021 to RMB400.7 million as of December 31, 2022, primarily due to acquisitions to expand our out-of-hospital patient services. Our goodwill increased by 158.2% from RMB132.1 million as of December 31, 2020 to RMB341.1 million as of December 31, 2021, primarily due to acquisitions to expand our out-of-hospital patient services and provider-enabling services. See "Financial Information – DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS – Non-Current Assets/Liabilities" for more details on our good will.

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units, that is expected to benefit from the synergies of the combination. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in the assumptions made with respect to estimated future cash flows or discount rates may lower the estimated recoverable amount of an asset in comparison to its carrying amount. See "Financial Information – Significant Accounting Policies, Judgment and Estimates – Significant Accounting Policies" for more details. While we did not recognize impairment loss for goodwill during the Track Record Period, we cannot assure you that there will be no such charges in the future. In addition, our ability to generate cash flow from our acquired assets will depend on our ability to realize the intended objectives, potential benefits or other revenue-enhancing opportunities that motivated our acquisitions, as well as our ability to effectively integrate their business operations with our own. In the event that we are unsuccessful in achieving the aforementioned, we may have to record impairment losses to our goodwill, which may in turn result in an adverse effect on our financial position.

We have a large balance of other intangible assets and we may incur significant impairment charges which could materially impact our financial position.

Our other intangible assets primarily represent software, licenses, brand and customer relationships. Our other intangible assets increased significantly from RMB113.4 million as of December 31, 2020 to RMB730.7 million as of December 31, 2021, primarily due to our increased acquisitions, which led to an increase in identified intangible assets. Our other intangible assets increased from RMB730.7 million as of December 31, 2021 to RMB781.9 million as of December 31, 2022, primarily due to our increased acquisitions, which led to an increase in identified intangible assets. See "Financial Information – DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS – Non-Current Assets/Liabilities" for more details on our other intangible assets.

We assess whether there are any indicators of impairment for other intangible assets at the end of each of the Track Record Period. The other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Changes in the assumptions made with respect to estimated future cash flows or discount rates may lower the estimated recoverable amount of an asset in comparison to its carrying amount. See "Financial Information – Significant Accounting Policies, Judgment and Estimates – Significant Accounting Policies" for more details. While we did not recognize impairment loss for other intangible assets during the Track Record Period, we cannot assure you that there will be no such charges in the future. If we fail to achieve our desired objectives with respect to our acquisitions or if any circumstances arise that decreases the expected cash flows from acquired assets, the fair value can be lower than the carrying amount on our consolidated financial statements. Under such circumstances, we may need to record impairment losses on our other intangible assets in our consolidated financial statements, which may materially and adversely reduce our assets and impact our profitability that would, in turn, have an adverse effect on our financial position.

Our ability to fulfil our obligations with respect to contract liabilities might impact our cash and liquidity position.

Our contract liabilities primarily include advance payment of pharmaceutical products. Our contract liabilities increased by 14.2% from RMB96.3 million as of December 31, 2021 to RMB110.0 million as of December 31, 2022, primarily due to the increase in advance payments from our customers of our healthcare value chain enabling services, partially offset by the decrease in advance payments from our customers of our out-of-hospital patient services. Our contract liabilities decreased by 21.0% from RMB121.9 million as of December 31, 2020 to RMB96.3 million as of December 31, 2021, primarily due to the changes in advance payments from our wholesale customers. As of March 31, 2023, RMB56.8 million or 51.6% of our contract liabilities as of December 31, 2022 had been subsequently recognized into revenue. See "Financial Information – DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS – Current Assets/Liabilities – Contract liabilities" for more details on our contract liabilities.

We recognize contract liability when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. As of the Latest Practicable Date, we were not aware of any indicators for the possibility of our inability to fulfil our obligations with respect to contract liabilities. In the event that we are not able to fulfil our obligations with respect to contract liabilities, we will not be able to recognize contract liabilities as revenue and therefore we might have to return the advance payment from our customers, resulting in an adverse impact on our cash or liquidity position.

Fluctuation of our financial assets at fair value through profit or loss has affected our results of operations during the Track Record Period and may continue to affect our results of operations in the future. Our financial assets at fair value through profit or loss of unlisted equity and fund investments are subject to changes due to the valuation of such assets and unobservable inputs.

Fluctuation of fair value change of our current financial assets at fair value through profit or loss, which primarily consist of the wealth management products we purchased, may affect our results of operations. We made investments in wealth management products during the Track Record Period and recorded a fair value of wealth management products of RMB71.7 million, RMB327.9 million and RMB74.8 million as of December 31, 2020, 2021 and 2022, respectively. The wealth management products we purchased were issued by major and reputable commercial banks without guaranteed returns. The expected rates of return for such wealth management products held by us as of December 31, 2022 range from approximately 1.09% to 2.31%.

A small portion of our financial assets at fair value through profit or loss also includes unlisted equity and fund investments. As of December 31, 2020, 2021 and 2022, we recorded RMB9.4 million, RMB15.7 million and RMB25.0 million of unlisted equity and fund investments, respectively.

We use unobservable inputs (primarily expected volatility) to assess the fair value of certain of our equity and fund investments in unlisted entities. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. These valuation methodologies that we use involve a significant degree of management judgment and are inherently uncertain. Changes in these unobservable inputs and other estimates and judgments could affect the fair value of our financial assets at fair value through profit or loss, which in turn may adversely affect our results of operations.

The significant fluctuation of our financial assets at fair value through profit or loss may continue to affect our results of operations and result in fluctuation of net income/(loss) in the future. In addition, we are exposed to credit risk in relation to our investments in wealth management products, which may adversely affect our net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any losses from fair value changes on our financial assets at fair value through profit or loss in the future. If we incur such losses from fair value changes, our results of operations, financial condition and prospects may be adversely affected.

Our investment in a joint venture or an associate may subject us to risks associated with conducting operations through joint ventures or associates.

During the Track Record Period, we recorded investments in joint ventures and associates of RMB14.9 million, RMB51.0 million and RMB66.4 million as of December 31, 2020, 2021 and 2022, respectively. We may invest in additional joint ventures or associates in the future. However, investment in a joint venture or associate is not as liquid as compared with other types of investments, which may affect our results of operations. In addition, our results of operations might be affected by the results of any joint venture or associate we invest in, and typically there is no cash flow to us until dividends are received, although the profit is recorded under the equity method of accounting. Furthermore, our joint venture partners, as well as any future partners, may have interests that are different from ours which may result in conflicting views as to the conduct of the business of the joint venture. In the event that we have a disagreement with a joint venture partner as to the resolution of a particular issue of the joint venture, or as to the management or operations of the business of the joint venture in general, we may not be able to resolve such disagreement in our favor and such disagreement could have a material adverse effect on our interest in the joint venture or the business of the joint venture in general.

There was an increase in our current prepayments, other receivables and other assets during the Track Record Period, which may subject us to risks associated with our suppliers.

Our current prepayments, other receivables and other assets include prepayments, purchase rebate, value-added tax recoverable and advances to employees. Our current prepayments, other receivables and other assets were relatively stable at RMB452.6 million and RMB450.1 million as of December 31, 2021 and 2022, respectively. Our current prepayments, other receivables and other assets increased by 80.6% from RMB250.6 million as of December 31, 2020 to RMB452.6 million as of December 31, 2021, primary due to an increase in advance to our suppliers as a result of the growth and expansion of our pharmacy services.

Risk for prepayments arises when our suppliers default on their contractual obligations resulting in financial losses to our Company. To minimize this risk, our management has delegated a team responsible for determination of prepayment approvals. Before accepting any new supplier, we use an internal scoring system to assess the potential supplier's fulfilment history. Other monitoring procedures are in place to ensure that follow-up action is taken to recover any loss. However, we cannot assure you that we are or will be able to accurately assess the fulfilment history of each of our suppliers before entering into agreements, neither can we guarantee that each of these suppliers will be able to strictly follow and enforce the fulfillment schedules provided in the agreements. Any inability of our suppliers to fulfillment their product delivery obligations to us in a timely manner may adversely affect our product sales, which in turn has a material adverse effect on our business operations and financial condition.

We may fail to attract or retain sufficient customers or medical professionals for our online healthcare services.

We offer convenient access to a wide spectrum of healthcare services through Miaoshou Physician, which primarily include online consultation, patient management, prescription renewal services and others. Our ability to acquire and retain sufficient customers for our online healthcare services is critical to the continued success and growth of such services, which in turn primarily depends on the overall experience we provide to our customers as well as the actual or perceived effectiveness of our services. In order to attract and retain customers for our online healthcare services, we must continue to build our brand and reputation as an effective online healthcare platform, as well as effectively market and precisely target our services to prospective customers. To retain and engage our customer base, we must provide personalized, superior customer experience, offer quality services covering a wide range of customer demands and cultivate customers' stickiness to our platform. However, we cannot assure you that our customers will consider their experience satisfactory or our services effective. For example, customers who do not get satisfactory results following the recommendations from our online consultation and prescription renewal services may attribute such failure to the ineffectiveness of our services. In addition, some customers may encounter trouble in navigating our platform or experience technical difficulties.

On the other hand, we also need to attract and retain sufficient medical professionals for our online healthcare services. Our medical team is staffed by our in-house physicians and medical professionals, as well as external physicians and medical experts who are passionate about the online healthcare industry, possess a customer service mindset and are willing to accept challenging and creative tasks. We believe our online healthcare services provide compelling value propositions to those medical professionals by offering them an access to internet traffic and a different healthcare venue. However, we cannot assure you that such medical professionals would be attracted to or stay with us. For example, as our external physicians have responsibilities at their hospitals, they may not be willing to set aside additional hours from their busy schedule to participate in our online healthcare services. Additionally, they may not share our vision about online healthcare services and may still stick to their traditional practices.

If we fail to address, any of the foregoing challenges, customers may become frustrated by or dissatisfied with our online healthcare services, and may leave us without making purchases, and existing customers may discontinue using our online healthcare services. Furthermore, if we fail to attract or retain sufficient number of medical professionals, our medical services may not further develop and we may not be able to provide satisfactory services or customer experience. As a result, our business, results of operations and financial condition could be materially and adversely affected.

We may become subject to medical liability claims in connection with our online healthcare services, which could cause us to incur significant expenses and be liable for significant damages if any claim is not covered by insurance.

We face risks of medical liability claims against our in-house physicians, external physicians and us in connection with our online healthcare services, such as online consultation services, more than 89% of which are free of charge. In particular, our in-house physicians and external physicians 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. 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. We carry professional liability insurance for our in-house physicians and external physicians in relation to the provision of online hospital services. See "Business – Insurance." Professional liability insurance premiums may increase significantly in the future, particularly as we expand our services. As a result, adequate professional liability insurance may not be available to our in-house and external physicians or us in the future on commercially acceptable terms, or at all.

Any claims made against us that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us and divert the attention of our management and our in-house physicians and external physicians from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

Any lack of requisite approvals, licenses or permits applicable to our business, or any non-compliance with relevant laws and regulations as a result of the complexity and uncertainties of laws and regulations, may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our business is subject to governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the MOFCOM, the MIIT, National Medical Products Administration, or the NMPA, the SAMR, the Cyberspace Administration of China, or the CAC, the China Banking and Insurance Regulatory Commission, or the CBIRC, and their corresponding local regulatory authorities. Such government authorities promulgate and enforce laws and regulations that cover a variety of business activities that our operations concern, such as provision of internet information, online healthcare services, online and offline retail, sales and online operation of pharmaceutical and healthcare products, sales of food, internet advertisement, and insurance brokerage, among other things. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses, permits, filings and registrations for, the relevant business activities. In the opinion of our PRC Legal Adviser, we had obtained material licenses and certificates that are material to our operations in all material aspects during the Track Record Period and up to the Latest Practicable Date. See "Business – Licenses, Approvals and Permits" for a summary of the material licenses, approvals and permits we have obtained.

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

Moreover, our online hospital services are subject to governmental supervision and regulation relating to both general medical institution and internet hospital. In particular, according to the Measures for the Administration of Internet Diagnosis and Treatment (Trial) by the NHC on July 17, 2018, internet-based diagnosis services shall only provide re-diagnoses service after confirming that the patients have been diagnosed with one or more types of such common or chronic diseases in physical medical institutions. In addition, pursuant to the

Administrative Regulations on Medical Institutions promulgated by the State Council on February 6, 2016 and its implementation rules, and the Measures for the Administration of Internet Diagnosis and Treatment (Trial), medical institutions including internet hospitals shall carry out diagnosis and treatment activities according to the approved and registered medical subjects. We believe we are compliant with the existing applicable laws and regulations in all material respects. However, it remains uncertain that our online hospital services are and will be in full compliance with the relevant laws and regulations, which are evolving and subject to changes. In addition, we have established and implemented policies to manage the behaviors of our physicians and patients to comply with applicable laws and regulations, but we cannot assure you that the practice of our physicians and the patients will follow these requirements under such policy. Any failure to comply with such laws and regulations or any misconduct or even fraud of our physicians and patients could result in administrative penalties against us which could materially and adversely affects our business, results of operations, financial condition and prospects.

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

We may be subject to penalties or disputes against us for failure to manage our in-house medical team and external physicians.

The 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. Under applicable PRC regulations, a physician shall register the medical institutions where the physician practices on their licenses with the relevant authorities in the PRC (the "Medical Institution Registration"). In addition, a physician is allowed to practice in multiple institutions if the physician has filed with the competent health administration authorities or conducted other filing procedures as required by applicable laws and regulations (the "Multi-site Practice Filing"). If a medical institution allows a physician to issue prescription when such medical institution is not registered or filed as required by applicable laws and regulations, such medical institution would 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.

During the Track Record Period, a small portion of the external physicians registered with us did not timely complete the Multi-site Practice Filing, primarily because of the wait time it takes for the related government authorities to review the filing applications and complete the filing process and not because there were issues identified by the related government authorities with respect to the filing applications by the external physicians. We only allow those external physicians that have completed the Multi-site Practice Filing to provide services through our business. The delay in completing the filing does not entail administrative penalties or potential rectification and our out-of-hospital medical services were not affected. As of the Latest Practicable Date, all the external physicians who registered with us and provided services through our business had completed the Multi-site Practice Filing with the Provincial Internet Medical Service Supervision Platforms.

We have further tightened our risk management and internal control measures, including prohibiting physicians from practicing through our business before having duly completed the Medical Institution Registration or Multi-site Practice Filing and providing with us the relevant documents. However, there can be no assurance that in the future we will timely obtain the required documents from the external physicians or verify the accuracy of the Medical Institution Registration, Multi-site Practice Filing or other relevant documents provided by the external physicians. In addition, external physicians may not fully comply with our internal control measures or may practice outside the permitted scope of their respective licenses. If we fail to timely obtain the required documents from the external physicians or fail to verify the documents submitted by the external physicians, or if any external physician provides diagnosis service on our platform without a valid Medical Institution Registration, we may be subject to fines, penalties or other regulatory actions including confiscation of illegal income, and if such failure to verify causes any damages to the customer, we may be subject to civil liabilities.

Our failure to properly manage the registration of physicians practicing on our platform may subject us to administrative penalties against our medical institutions, including fines, or, in the worst case scenario, revocation of our Practicing License for Medical Institutions, any of which could materially and adversely affect our business. Meanwhile, if physicians practicing on our platform 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. As a result, we may no longer be able to offer certain of our digital medical 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.

Our insurance claim processing services depend in part on our cooperation with our insurer partners. Our business may be negatively affected if our insurer partners do not continue their relationship with us or if their operations fail.

Our relationship with insurer partners is crucial to our success of our insurance claim processing services. Our arrangements with our insurer partners are typically not exclusive, and they may have similar arrangements with our competitors. If our insurer partners are dissatisfied with our claim processing services or find us ineffective in enhancing their profitability or brand image, they may terminate their relationships with us and decide to cooperate with our competitors.

Moreover, insurance companies we work with may develop their own service capabilities to serve insurance clients. There can be no assurance that we can maintain relationships with our existing insurer partners on commercially desirable terms. If we fail to prove that our service capabilities could help improve their operating efficiency or are otherwise valuable to them, our business, financial performance and prospects will be materially and adversely affected.

Furthermore, if our insurer partners or the reinsurance companies they partner with fail to properly fulfill their obligations as insurers under the related insurance claim we help process, our customers may lose faith in our services. If our insurer partners or the reinsurance companies they partner with become insolvent, our customers may not be able to realize the protection expected from the insurance policies, which will negatively affect our reputation and results of operations.

If we fail to source, design and develop insurance products catering to the evolving needs of insurance companies, our insurance services may be negatively affected.

The growth of our insurance services depends on our ability to stay abreast of emerging customers preferences and product trends that will appeal to existing and potential insurance customers. We develop insurance products in cooperation with our insurer partners to meet the evolving needs of our insurance customers. Our ability to provide these services is dependent on our insurance expertise and our market data analytical capabilities. However, there is no assurance that the insurance products and services that we design and develop together with our insurer partners will cater to the needs of potential or existing insurance clients, sustain for a period of time that we expect them to, or be welcomed or accepted by the market at all. If insurer clients find their experience with us dissatisfactory, they may lose trust in us and turn to other insurance services providers for their needs for designing and developing suitable insurance products, which in turn may materially and adversely affect our business, financial condition and results of operations.

We help offline hospitals in China build their own internet hospitals. If our applications and services are not adopted by the offline hospitals, or if we fail to continue to innovate and develop new applications and services that are adopted by the offline hospitals, our business and results of operations will be adversely affected.

We help offline hospitals in China build their own internet hospitals, in particular, their prescription management system. Our success in this space depends to a substantial extent on the willingness of the offline hospitals to use, and to increase the frequency and extent of their utilization of, our services and solutions, as well as on our ability to demonstrate the value of telehealth to the offline hospitals. If the offline hospitals do not perceive the benefits of our services and solutions, or if our services and solutions do not improve the operating efficiency of the offline hospitals, then our market may not develop at all, or it may develop more slowly than we expect.

In addition, we have invested, and will continue to invest, significant resources in research and development to enhance our existing services and solutions in this space and introduce new high-quality applications and services. If existing hospital clients are not willing to make additional payments for such new applications, or if new hospital clients do not value such new applications, it could have an adverse effect on our business, financial condition and results of operations. If we are unable to modify our solutions and services on a timely basis, we may lose our hospital clients. Our results of operations would also suffer if our innovations are not responsive to the needs of our hospital clients, appropriately timed with market opportunity or effectively brought to market.

We may not be able to manage the growth of our business and operations or implement our business strategies successfully, or at all.

Our business has become increasingly complex in terms of both type and scale. Any future expansion 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, systems, 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 systems, procedures and control measures successfully. If we are unable to manage our growth effectively, our business and prospects may be materially and adversely affected.

We are also continually exploring a number of new initiatives, strategies and operating plans designed to enhance our business. These initiatives are new and evolving, some of which are still at the inception or trial stage and may prove unsuccessful. We may not be able to successfully complete these growth initiatives, strategies and operating plans and realize all of the benefits that we expect to achieve or it may be more costly to do so than we anticipate. If, for any reason, the benefits we realize are less than our estimates, or the implementation of these growth initiatives, strategies and operating plans adversely affects our operations, or it costs more or takes longer to effectuate than we expect, or if our assumptions prove inaccurate, our business, financial condition and results of operations may be materially and adversely affected. Further, we may incur increasing research and development spending, sales and marketing expenditures, personnel expenses and compliance costs as more efforts on product and service development, brand and service promotion, general administration and legal compliance are required for our businesses newly launched or to be launched, and no guarantee on the effectiveness of our efforts can be given. As a result, we cannot assure you that any of our business initiatives will achieve wide market acceptance, increase the penetration of our addressable market or generate revenues or profit. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenues or recover any associated costs, and our business and results of operations may be materially and adversely impacted.

In addition, we may seek and pursue opportunities via joint ventures or strategic partnerships for expansion from time to time, and we may face similar risks and uncertainties as listed above. Failure to properly address these risks and uncertainties may materially and adversely affect our ability to carry out acquisitions and other expansion plans, integrate and consolidate newly acquired or newly formed businesses, and realize all or any of the anticipated benefits of such expansion, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to properly manage and create values for various participants in the healthcare value chain may materially and adversely affect our business.

Our results of operations depend on our ability to manage and create values for participants in the healthcare value chain and generate more monetization opportunities for us. We provide these participants, including patients, pharmaceutical companies, insurance companies, healthcare product suppliers and wholesale customers, hospitals and medical professionals, with solutions and services to help them create value. By combining these solutions into and channeling these participants with our services, we manage to foster a closed-loop ecosystem where all participants within the healthcare value chain could utilize our resources for all kinds of needs under the healthcare scenario, which in turn may increase monetization opportunities for us.

However, we cannot assure you that we are able to continuously manage and create value for such participants, or at all. Those participants may consider our solutions and other services ineffective. If we fail to manage or create value for those participants, we may not be able to increase their engagement and connection with us and deepen our penetration in the healthcare value chain, which in turn may deprive monetization venues for us to drive our revenue growth.

We face risks related to natural disasters, health epidemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt our operations.

Our business could be adversely affected by the effects of epidemics. In recent years, there have been breakouts of epidemics in China and globally. The outbreak of a novel strain of coronavirus, later named COVID-19, has affected China and many parts of the world. In response to intensifying efforts to contain the spread of the coronavirus, the Chinese government took a number of actions, which included extending the Chinese New Year holiday, quarantining individuals in China who had the COVID-19, asking citizens to remain at home and to avoid gathering in public, and other actions. The COVID-19 has also resulted in temporary closures of many corporate offices, manufacturing facilities and factories across China. We adjusted our operations and instructed our employees to all stay at their homes and work from home during the outbreak. During the early stage outbreak of COVID-19, we have seen a decrease in demand for certain health and wellness products for our pharmacy business. Leveraging the general public's increased awareness and significant unmet need for healthcare products and services, we have resumed normal operations and have seen an increase in demand for our online healthcare services, in particular, the demand for our online hospital services, and a bounce-back in demand for our pharmaceutical and healthcare products later. See "Financial Information – Impact of COVID-19 On Our Operations" for details. China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There were surges of cases in many cities during this time, and there remains uncertainty as to the future impact of the virus, especially in light of this change in policy. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are highly uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. Such uncertainty poses operational challenges to our online service offerings. Consequently, the COVID-19 pandemic may continue to materially and adversely affect our business, financial condition and results of operations in the current and future years. Our operations could be disrupted if one of our employees is suspected of having COVID-19, H1N1 flu, avian flu or another epidemic in our offices, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the PRC economy in general.

We are also vulnerable to natural disasters and other calamities. Our servers and back system are primarily hosted and maintained at cloud servers that are not operated by us. We cannot assure you that our cloud service providers will have adequate measures to protect themselves from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technological failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide our services.

A severe or prolonged downturn in Chinese or global economy could materially and adversely affect our business and financial condition.

COVID-19 has had a severe and negative impact on the Chinese and the global economy so far in 2021. 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. The growth rate of the Chinese economy had already been slowing since 2010, and the impact of COVID-19 on the Chinese economy in 2020 was severe. China began to modify its zero-COVID policy at the end of 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There were surges of cases in many cities during this time, and there remains uncertainty as to the future impact of the virus, especially in light of this change in policy. China may experience lower domestic consumption, higher unemployment, severe disruptions to exporting of goods to other countries and greater economic uncertainty. 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, even before 2020. The war 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.

Heightened tensions in international relations, particularly between the United States and China, may adversely impact our business, financial condition, and results of operations.

Recently there have been heightened tensions in international relations, particularly between the United States and China, but also as a result of the war in Ukraine and sanctions on Russia. These tensions have affected both diplomatic and economic ties between the two countries. Heightened tensions could reduce levels of trade, investments, technological exchanges, and other economic activities between the two major economies. The existing tensions and any further deterioration in the relationship between the United States and China may have a negative impact on the general, economic, political, and social conditions in both countries and, given our reliance on the Chinese market, adversely impact our business, financial condition, and results of operations.

To the extent necessary for our business, we collect, store and handle a large amount of data, and improper use or disclosure of such data could harm our reputation and have a material adverse effect on our business and prospects.

To the extent necessary for our business, we collect, store and handle a large amount of personal, transaction, demographic and behavioral data. We face risks inherent in handling large volumes of data and in securing and protecting such data. In particular, we face a number of data-related challenges related to our business operations, including:

- protecting the data in and hosted on our system, including against attacks on our system by external parties or fraudulent 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, provision or security of personal information, including any requests from regulatory and government authorities relating to such data.

Regulatory requirements regarding the protection of such data are constantly evolving and can be subject to significant change, making the extent of our responsibility in that regard uncertain. Under certain regulations, rules and measures promulgated by the MIIT, since 2011, any collection and use of a customer's personal information by an internet services provider must be subject to the consent of the customer, abide by the principles of legality, rationality and necessity, and be within the specified purposes, methods and scopes. We, as an internet services provider, must keep all information collected strictly confidential and is prohibited from divulging, tampering with or destroying any such information, or selling or providing such information to other parties. In particular, the PRC Cybersecurity Law, which took effect on June 1, 2017, is formulated to maintain network security, safeguard the cyberspace sovereignty, national security and public interests, protect the lawful rights and interests of citizens, legal persons and other organizations, and further enhance personal information protection, such as through requirements on the collection, use, processing, storage and provision of personal information. As a network operator, we are obligated to provide technical assistance and support to public security and national security authorities in order to protect national security or assist with criminal investigations. In addition, the Cybersecurity Law provides that personal information and important data collected and generated by an operator of critical information infrastructure in the course of its operations in the PRC must be stored in the PRC. Furthermore, in August 2018, the Standing Committee of China's National People's Congress, or the SCNPC, promulgated the E-Commerce Law of the People's Republic of China, or the E-Commerce Law, to regulate the e-commerce activities conducted within the territory of the PRC, which further strengthens the protection of consumers' personal data and privacy. OCCAC, MIIT, MPS and SAMR jointly promulgated an announcement on 23 January

2019 to carry out special campaigns against illegal collection and usage of personal information by mobile internet application programs operators, including collecting personal information irrelevant to their services, or forcing users to give authorization in disguised manner.

With respect to the healthcare data, in May 2014, the National Health and Family Planning Commission of the PRC, or the NHFPC (currently known as the National Health Commission of the PRC, or the NHC) promulgated the Measures for Administration of Population Health Information (Trial), the medical institution shall be responsible for collection, management, utilization, safety and privacy protection of population healthcare information which includes the medical service information. Additionally, in July 2018, the NHC promulgated the Administrative Measures Regarding National Healthcare Big Data Standards, Safety and Service Management (Trial), or Administrative Measures of Healthcare Big Data, to further standardize the standard management, security management and service management of the healthcare data produced in the course of disease treatment and health management. Since the Cybersecurity Law, Administrative Measures of Healthcare Big Data, E-Commerce Law and relevant regulations, rules and measures are relatively new, there are uncertainties as to the interpretation and application of these laws and regulations, and it is possible that our data protection practices are or will be inconsistent with regulatory requirements.

In the opinion of our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with relevant applicable laws and regulations in the PRC on data privacy, and we have not been subject to any related legal or regulatory proceedings which results in a major adverse effect. Any violation of the provisions and requirements under the Cybersecurity Law, Administrative Measures of Healthcare Big Data, E-Commerce Law and other relevant regulations, rules and measures may subject us to warnings, fines, confiscation of illegal gains, revocation of licenses, suspension of business, shutting down of websites or even criminal liabilities. Complying with such requirements could cause us to incur substantial expenses or to alter or change our practices in a manner that could harm our business. Any system failure or security breach or lapse that results in the unauthorized release of our customer data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.

Our privacy policies and practices concerning the collection, use and disclosure of customer data are posted on relevant mobile app or website that we operate. Any failure, or perceived failure, by us to comply with our privacy policies or with any applicable regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our service offerings or practices, increase our costs and severely disrupt our business, which may materially and adversely affect our business, financial condition, results of operations and prospects.

Substantial uncertainties exist with respect to the interpretation and implementation of laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements as well as any impact it may have on our business operations.

Laws and regulations governing cybersecurity, information security, privacy and data protection, the use of the internet as a commercial medium, the use of data in artificial intelligence and machine learning and data sovereignty requirements are extensive, complex and rapidly evolving, may contain inconsistencies among one another, all of which subject us to great uncertainties. According to the PRC National Security Law, China shall establish institutions and mechanisms for national security review and regulation, conduct national security review on certain matters that affect or may affect national security, such as key technologies and IT products and services. According to the PRC Cybersecurity Law and relevant regulations, network operators are obligated to take technical and other necessary measures to ensure the secure and stable network operation, maintain the integrity, confidentiality and availability of network data, and further provide assistance and support in accordance with the law for public security and national security authorities to protect national security or assist with investigations of criminal activities. In addition, the PRC Cybersecurity Law provides that personal information and important data collected and generated by operators of critical information infrastructure in the course of their operations in the PRC should be stored in the PRC, and the law imposes heightened regulation and additional security obligations on operators of critical information infrastructure. Furthermore, according to the Cybersecurity Review Measures promulgated by the Cyberspace Administration of China and certain other PRC regulatory authorities in April 2020, which became effective in June 2020, operators of critical information infrastructure must pass a cybersecurity review when purchasing network products and services which do or may affect national security. Due to the lack of further interpretations, the exact scope of "operator of critical information infrastructure" under the Cybersecurity Review Measures remains unclear. If we provide or are deemed to provide such network products and services to critical information infrastructure operators, or if we are deemed to be a critical information infrastructure operator, we would be required to follow cybersecurity review procedures. During the course of such review, we may experience disruptions to our business operations, and such review could also result in negative publicity with respect to our company and diversion of our managerial and financial resources. As of the date of this document, we have not been informed by any relevant PRC governmental authorities that our services are deemed to be provided to any critical information infrastructure operators, nor have we been identified as a critical information infrastructure operator by any relevant PRC governmental authorities.

On June 10, 2021, the Standing Committee of the National People's Congress of China promulgated the PRC Data Security Law, which takes effect on September 1, 2021. The PRC Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information. The PRC Data Security Law provides that "data" refers to any recording of information by electronic or other means. Data processing includes the collection, storage, use, processing, transmission, availability and disclosure of data and others.

In addition, on December 28, 2021, the Cyberspace Administration of China and certain other PRC regulatory authorities promulgated the Cybersecurity Review Measures, which took effect on February 15, 2022. The Cybersecurity Review Measures required that, in addition to "operator of critical information infrastructure," any "online platform operator" carrying out data processing activities that affect or may affect national security and any "online platform operator" that has personal information of more than one million users and is going to list overseas should also be subject to the cybersecurity review, and further elaborated the factors to be considered when assessing the national security risks of the relevant activities, including, among others, the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or exited the country, or the risk of critical information infrastructure, core data, important data or a large amount of personal information being affected, controlled and maliciously used by overseas governments, as well as the risk of network information security after being listed. Under the Cybersecurity Review Measures, a listing on the Hong Kong Stock Exchange is not deemed a listing overseas. The Cybersecurity Review Measures also provide that in addition to the operators filing the cybersecurity review application according to these measures, any member of the cybersecurity review mechanism has the discretion to review any network product or service, or data processing activity that he/she believes affects or is likely to affect national security after the required approval procedures. We still face substantial uncertainties as to how the measures may be interpreted or implemented and whether the measure may be interpreted or implemented in ways that will negatively affect us. As of the date of this document, we have not received any order or notice from the relevant governmental authorities that we may be subject to the draft measures and thus requiring us to complete the cybersecurity review.

There can be no assurance that we would be able to complete the applicable cybersecurity review procedures in a timely manner, or at all, if we are required to follow such procedures. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance or perceived non-compliance with the PRC Cybersecurity Law or related regulations may prevent us from using or providing certain network products and services, and may result in fines or other penalties such as making certain required rectification, suspending our related business and reputational damages or proceedings or actions against us by PRC regulatory authorities, customers or others, which may have material adverse effect on our business, operation and financial conditions.

Furthermore, recently, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities, which were available to the public on July 6, 2021 and further emphasized to strengthen the cross-board regulatory collaboration, to improve relevant laws and regulations on data security, cross-border data transmission, and confidential information management, and provided that efforts will be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities overseas, to implement the responsibility on information security of overseas listed companies, and to strengthen the standardized management of cross-border information provision mechanisms and procedures. However, these opinions were newly issued, and there were no further explanations or detailed rules or regulations with respect to such opinions, and there are still uncertainties regarding the interpretation and implementation of these opinions.

We are monitoring the development of such laws and regulations and making the necessary preparations to the extent practicable. These and other similar legal and regulatory developments could contribute to legal and economic uncertainty, affect how we operate our business and how we process and store user data, and could negatively impact the demand for our services. We may incur substantial costs to comply with such laws and regulations, to meet the demands of our customers relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies.

Any damage to the reputation and recognition of our brand names, including negative publicity against us, may materially and adversely affect our business operations and prospects.

We depend on our reputation and brand names in many aspects of our business operations. However, we cannot assure you that we will be able to maintain a positive reputation or brand names for all of our businesses in the future. Our reputation and brand names may be materially and adversely affected by a number of factors, many of which are beyond our control, including:

- adverse feedback with the third-party-branded products we sell, including with respect to their quality, efficacy or side effects or with the insurance products we distribute;

- lawsuits, regulatory investigations, fines and penalties against us or otherwise relating to our products or services;

- improper or illegal conduct by our employees, suppliers and other business partners, that is not authorized by us; and

- adverse publicity associated with us, our Directors, officers, employees or business partners, our products or services or our industry in general, whether founded or unfounded.

Any damage to our brand names or reputation as a result of these or other factors may cause our products and services to be perceived unfavorably by customers, regulators, medical professionals and other business partners, and our business operations and prospects could be materially and adversely affected as a result.

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

We invest resources from time to time in a variety of marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products and services. However, our brand promotion and marketing activities may not be well received and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the PRC internet healthcare market are continually evolving, which may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share and materially and adversely affect our financial condition, results of operations and profitability. In addition, we are subject to certain limitations in promoting services and products. Our in-house medical team and external physicians and other relevant parties in the provision of our medical and wellness services have to comply with rules and regulations that restrict the promotion or dissemination of information about the professional healthcare services and practice provided by licensed physicians, and the publication or marketing efforts for the predominant purpose of promoting the products or services of physicians to consumers or potential consumers. 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 websites that we operate and must ensure that any advertisement of medical treatment, drugs or medical devices does not include any assertion or guarantee as to the function and safety or any statement of curative rate and effectiveness of such medical treatment, drugs or medical devices. Any violation of advertisement-related laws and regulations may subject us to fine, or even suspension of our business or revocation of our business license.

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

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 Weixin Pay and UnionPay. 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. For example, in November 2017, the PBOC published a notice, or the PBOC Notice, on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting the unlicensed payment settlement services, so as to safeguard the fund security and information security. As the laws and regulations in this area are still evolving and subject to interpretation, we cannot assure you that the PBOC or other governmental authorities will not scrutinize our cooperation with third-party online payment service providers. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, 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 results of operations might be subject to seasonal fluctuations.

During the Track Record Period, the majority of pharmacy revenues generally are not seasonal in nature. However, we may experience seasonal fluctuations with different types of products, depending on their respective efficacy. Uncharacteristic or extreme weather conditions can adversely affect consumer shopping patterns and pharmacy revenues, expenses and operating results. During the Track Record Period, we observed increase in demands for respiratory drugs during flu seasons. The seasonality of our business is subject to a variety of uncertainties and may increase further in the future. Our financial condition and results of operations for future periods may continue to fluctuate.

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 associated with our services. For example, our customers may engage in fictitious transactions by submitting false prescription to purchase prescription drugs through our services. Customers may also provide false information to medical professional on our online healthcare services in order to obtain prescriptions that they are not supposed to get. Although we have implemented various measures to detect and reduce the occurrence of fraudulent activities, there can be no assurance that such measures will be effective in combating fraudulent transactions or improving overall satisfaction among our customers. 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 the review and approval of sales activities 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 customer sentiment generated as a result of actual or alleged fraudulent or deceptive conduct associated with our services or by our employees would severely diminish our customers' confidence in us, reduce our ability to attract new or retain current customers, damage our reputation and diminish the value of our brand names, and materially and adversely affect our business, financial condition and results of operations.

We are subject to risks associated with other parties with which we collaborate. If we cannot effectively cooperate with such other parties, or if such other parties fail to perform their obligations, provide reliable or satisfactory services, or operate their businesses, in each case in compliance with applicable laws and regulations, our business, financial condition and results of operations may be materially and adversely affected.

We collaborate with certain other parties in providing products and services to our customers. For example, we may work with hospitals, pharmaceutical and healthcare product suppliers, offline pharmacies and other purchasers. These parties may not be able to properly perform their duties under their agreements with us. Any failure by these parties to continue with good business operations, comply with applicable laws and regulations or any negative publicity on these parties could damage our reputation, expose us to significant penalties and decrease our total revenues and profitability. Also, if we fail to retain existing or attract new parties to collaborate with us, the normal operations of our business may be affected, and our customers may lose confidence in our products and services. In addition, certain of these other parties that we collaborate with have access to our customer data to a limited extent in order to provide their services. If these other parties engage in activities that are negligent, illegal or otherwise harmful to the trustworthiness and security of our system, including the leak or negligent use of data, or if our customers are otherwise dissatisfied with their service quality, we could suffer reputational harm, even if these activities are not related to, attributable to or caused by us.

Our business may be materially and adversely affected by adverse news, scandals or other incidents associated with China's healthcare industry.

Incidents that reflect doubt as to the quality or safety of pharmaceutical and healthcare products manufactured, distributed or sold by other participants in the China's healthcare industry, particularly the internet healthcare industry, including our competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the general health and wellness industry in general, even if such parties or incidents have no relation to us, our management, our employees, our suppliers, our collaborating pharmacies. Such negative publicity may indirectly and adversely affect our reputation and business operations. In addition, incidents not related to product quality or safety, or other negative publicity or scandals implicating us or our employees, regardless of merit, may also have an adverse impact on us and our reputation and corporate image.

We may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including complaints to regulatory agencies, negative blog postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose market share, customers and revenues and adversely affect the [**REDACTED**] ***of our H Shares.***

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. Our brand name and our business may be harmed by aggressive marketing and communications strategies of our competitors. PRC laws and regulations also prohibit agreements and activities which amount to unfair business competition and an abuse of a dominant market position. We cannot assure you that we will not, in the future, be subject to such unfair business competition or dominant market position abuse imposed by third parties. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted in internet chat-rooms or on blogs or websites by anyone, whether or not related to us, on an anonymous basis. Consumers value readily available information concerning retailers, manufacturers, and their goods and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate, as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our financial performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues and adversely affect the [**REDACTED**] of our H Shares.

If our risk management system is not adequate or effective, and if it fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

We have established our internal control system, such as an organizational framework and policies and procedures that are designed to monitor and control potential risk areas relevant to our business operations. However, due to the inherent limitations in the design and implementation of our risk management system, our risk management system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

Furthermore, our new business initiatives may give rise to additional risks that are currently unknown to us, despite our efforts to anticipate such issues. If our risk management system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management also depends on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by governments.

We may be held liable for information or content displayed on, retrieved from or linked to our platform or created by us, which may adversely affect our business and results of operations.

China has enacted laws and regulations governing internet access and the distribution of products, services, news, advertisements, information and other content through the internet. In particular, our digital marketing business is subject to relevant laws and regulations in the PRC. Even though we implement measures to review digital marketing materials in light of the relevant laws and regulations as well as our internal guidelines before they are published on our platform, such measures may not be effective and may still subject us to potential liabilities. Our business, financial condition and results of operations may suffer as a result. In addition, the internet content providers and internet publishers are prohibited from posting or displaying over the internet any content that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, frightening, gruesome, offensive, fraudulent or defamatory. In November 2016, China promulgated the Cybersecurity Law, which came into effect on June 1, 2017, to protect cyberspace security and order. The Cybersecurity Law tightens control of cyber security and sets forth various security protection obligations for network operators. If any of our internet information were deemed by the PRC government to violate any content restrictions, we would not be able to continue to display such content and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions by customers of the websites we operate or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be prevented from operating these websites in China.

The proper functioning of our technology platform is essential to our business. Any failure to maintain the satisfactory performance of our platform could materially and adversely affect our business and reputation.

The satisfactory performance, reliability and availability of our technology platform are critical to our success and our ability to attract and retain customers and provide superior customer experience. Any system interruptions caused by telecommunications failures, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our platform or reduced order fulfillment performance could reduce the volume of products sold and the attractiveness of product offerings on our platform. 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 customer orders. Security breaches, computer viruses and hacking attacks have become more prevalent in our industry.

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

If we fail to adopt new technologies or adapt our platform to changing customer requirements or emerging industry standards, or if our efforts to invest in the development of new technologies are unsuccessful or ineffective, our business may be materially and adversely affected.

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our platform. The industries we operate in are characterized by rapid technological evolution, changes in customer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices, such as mobile internet, in a cost-effective and timely way. We have invested, and will continue to invest in, resources to enhance the technology and capabilities of our services. The development of websites, mobile apps and other proprietary technologies entails significant technical and business risks. We cannot assure you that we will be able to successfully develop or effectively use new technologies, recoup the costs of developing new technologies or adapt the websites and mobile apps that we operate, and our proprietary technologies and systems to meet customer requirements or emerging industry standards. If we are unable to develop technologies successfully or adapt in a cost-effective and timely manner in response to changing market conditions or customer requirements, whether for technical, legal, financial or other reasons, our business, prospects, financial condition and results of operations may be materially and adversely affected.

Security breaches and attacks against our system and network, and any potential resultant breach or failure to otherwise protect confidential and proprietary information, could damage our reputation and adversely affect our business, financial condition and results of operations.

We rely heavily on technology, particularly the internet, to provide high-quality online services. However, our technology operations are vulnerable to disruptions arising from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our technology or external technology that supports the offering of our online services and products could materially harm our business and reputation.

Although we have employed significant resources to develop security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us, we may be unable to anticipate, or implement adequate measures to protect against, these attacks. During the Track Record Period, we had not been subject to these types of attacks that had materially and adversely affected our business operations. However, there can be no assurance that we would not in the future be subject to such attacks that may result in material damages or remediation costs. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction.

In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our customers or other participants of our ecosystem, or the information infrastructure on which we depend. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants. Cybersecurity breaches may harm our reputation and business, and materially and adversely affect our financial condition and results of operations.

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

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property (which we have ownership or legal rights to use) as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete agreements with our employees and others, to protect our proprietary rights. Although we are not aware of any copycat websites that attempt to cause confusion or diversion of traffic from us at the moment, we may become an attractive target to such attacks in the future because of our brand recognition in online retail, pharmaceutical and internet healthcare industries in China. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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

We cannot be certain 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 have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by our products or services or other aspects of our business. There could also be existing patents of which we are not aware that our products may inadvertently infringe. We cannot assure you that holders of patents purportedly relating to some aspects of our technology platform or business, if any such holders exist, would not seek to enforce such patents against us in China, the United States or any other jurisdictions. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question. Finally, we use open source software in connection with our products and services. Companies that incorporate open source software into their products and services have, from time to time, faced claims challenging the ownership of open source software and compliance with open source license terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licensing terms. Some open source software licenses may require customers who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavorable terms or at no cost. Any requirement to disclose our source code or pay damages for breach of contract could be harmful to our business, results of operations and financial condition.

Our success depends on the continued efforts of our senior management and key employees. If one or more of our senior management or key employees were unable or unwilling to continue in their present positions, our business may be severely disrupted.

Our future success depends heavily upon the continued services of our senior management and our key employees in various corporate functions, who have contributed significantly to our current achievements. Accordingly, we believe that our ability to attract and retain key personnel is a critical factor in our competitiveness. Competition for these individuals could require us to offer higher compensation and other benefits in order to attract and retain them, which could increase our operating expenses and, in turn, materially and adversely affect our financial condition and results of operations. If we are unable to attract or retain the personnel required to achieve our business objectives, our business could be severely disrupted.

If we lose the services of any senior management, we may not be able to identify suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely disrupt our business and prospects and prolong our expansion strategies and plans. Furthermore, if any of our executive officers joins a competitor or forms a competing company, we may lose a significant number of our existing pharmacy customers and consumers and potentially lose our substantial research and development achievements, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have granted, and may continue to grant options and other types of awards under our share incentive plan, which may result in increased share-based compensation expenses.

For the year ended December 31, 2020, 2021 and 2022, we recorded share-based compensation expenses of RMB50.1 million, RMB134.7 million and RMB83.2 million, respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

If we are unable to recruit, train and retain qualified personnel or if we fail to do so in a cost-efficient manner, our business may be materially and adversely affected.

We intend to hire additional qualified employees to support our business operations and planned expansion. Our future success depends, to a significant extent, on our ability to recruit, train and retain qualified personnel, particularly healthcare, technical, fulfillment, marketing and other operational personnel with experience in the internet industry, pharmaceutical industry and insurance industry.

Since our industry is characterized by high demand and intense competition for talent, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. We have observed an overall tightening of the labor market and an emerging trend of shortage of labor supply. Failure to obtain stable and dedicated personnel may lead to underperformance of our operation. Labor costs in China have increased with China's economic development, particularly in the large cities where we operate our business. Therefore, to maintain and enhance our competitiveness, we may from time to time need to adjust certain elements of our operations in response to evolving economic conditions and business needs. Any failure to address these risks and uncertainties could materially and adversely affect our financial performance and prospects of achieving profitability, which could have a material adverse impact on our business development, financial conditions and results of operations. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth on a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

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 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.

We are subject to consumer protection laws that could require us to modify our current business practices and incur increased costs.

We are subject to numerous PRC laws and regulations that regulate retailers generally or govern online retailers specifically, such as the Consumer Protection Law. If these regulations were to change or if we or our suppliers were to violate them, the costs of certain products or services could increase, or we could be subject to fines or penalties or suffer reputational harm, which could reduce demand for the products or services offered by us and hurt our business and results of operations. For example, the amended Consumer Protection Law, which became effective in March 2014, further strengthens the protection of consumers and imposes more stringent requirements and obligations on business operators, especially on businesses that operate on the internet. Pursuant to the Consumer Protection Law, except for certain types of products (such as drugs), consumers are generally entitled to return goods purchased within seven days upon receipt without giving any reasons if they purchased the goods over the internet. In addition, if business operators deceive consumers or knowingly sell substandard or defective products, they should not only compensate consumers for their losses, but also pay additional damages equal to three times the price of the goods or services. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

We may from time to time become party to litigation, other legal or administrative disputes and proceedings that may materially and adversely affect our reputation, business, financial condition or results of operations.

Our business operations entail substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to medical disputes, fraud and misconduct, sales and customer services and control procedures deficiencies, as well as the protection of personal and confidential information of our customers and business partners, among others. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects. In addition, events or activities attributed to our Directors or senior management, and related publicity, whether or not justified, may affect their ability or willingness to continue to serve our company or dedicate their efforts to our company and negatively affect our brand and reputation, resulting in an adverse effect on our business, operating results and financial condition.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations, further adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results, meet our reporting obligations or prevent fraud.

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

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

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

Our use of some leased properties could be challenged by third parties or government authorities, which may cause interruptions to our business operations.

Some of the lessors of our leased properties have not provided us with their property ownership certificates or any other documentation proving their right to lease those properties to us. 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. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Some of our leased properties were also subject to mortgage at the time the leases were entered into. Such lease may not be binding on the transferee of the property in the event that the mortgage holder forecloses on the mortgage and transfers the property to another party. In addition, a substantial portion of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines if we fail to remediate after receiving any notice from the relevant PRC government authorities. Also, in the event that the actual use of our leased properties is inconsistent with the use registered on the land use right certificate or our leased properties are on allocated land, the competent authorities may require the lessors to return the land and impose fines on the lessors, or confiscate the proceeds from the leasing of the properties and imposed fines on the lessor if such properties are leased without their consent or handing in such income, as applicable. We can provide no assurance that we will not be subject to the aforementioned penalties as a lessee to the properties, and the relevant lease agreements may be deemed to be in breach of the law and therefore be void.

As of the Latest Practicable Date, we were not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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 net losses and 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 industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

Our insurance coverage may not be adequate, which could expose us to significant costs and business disruptions.

We have obtained or caused relevant counterparties to obtain insurance to cover certain potential risks and liabilities, such as professional liability insurance for our physicians in connection with their provision of medical consultation services, and product liability insurance for us with respect to certain products sold under our direct sale model. However, we may not be able to acquire any insurance for certain types of risks such as business liability or service disruption insurance for all of our operations in the PRC, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. For example, we do not maintain business interruption insurance, nor do we maintain key-man life insurance. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies 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.

Customer growth and activity on mobile devices depends upon effective use of mobile operating systems, networks and standards that we do not control.

Purchases using mobile devices by consumers generally, and by our customers specifically, have increased significantly, and we expect this trend to continue. To optimize the mobile shopping experience, we may need to attract our customers to download mobile apps for their particular devices as opposed to accessing our sites from an internet browser on their mobile device. As new mobile devices and systems are released, it is difficult to predict the problems we may encounter in developing applications for these alternative devices and systems, and we may need to devote significant resources to the development, support and maintenance of such applications. In addition, our future growth and our results of operations could suffer if we experience difficulties in the future in integrating the mobile apps that we operate into mobile devices or if problems arise with our relationships with providers of mobile operating systems or mobile app download stores, if the mobile apps we operate receive unfavorable treatment compared to competing apps on the download stores, or if we face increased costs to distribute or have customers use mobile apps that we operate. We are further dependent on the interoperability of the sites we operate with popular mobile operating systems that we do not control, such as iOS and Android, and any changes in such systems that degrade the functionality of our sites or give preferential treatment to competitive products could adversely affect the usage of our sites on mobile devices. In the event that it is more difficult for our customers to access and use our sites on their mobile devices, or if our customers choose not to access or to use our sites on their mobile devices or to use mobile products that do not offer access to our sites, our customer growth could be harmed and our business, financial condition and operating results may be adversely affected.

Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China, as well as the effectiveness of mobile operating systems and networks.

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

Acquisitions, strategic alliances and investments could be difficult to integrate, which may disrupt our business, and adversely affect our results of operations.

We may evaluate and consider strategic investments and acquisitions or enter into strategic alliances to develop new services or solutions and enhance our competitive position. During the Track Record Period and up to the Latest Practicable Date, we made investments and acquisitions in companies which we believe would complement our business. Investments or acquisitions involve numerous risks, including the potential failure to achieve the expected benefits of the combination or acquisition; difficulties in, and the cost of, integrating operations, technologies, services and personnel; potential write-offs of acquired assets or investments; and downward effect on our operating results. In particular, we may experience volatility in earnings due to the fair value change in contingent consideration related to acquisition liabilities estimates as we classified such change as financial liabilities at FVTPL. See "Financial Information – DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS – Current Assets/Liabilities – Other Payables and Accruals" for more details on our contingent consideration. These transactions will also divert the management's time and resources from our normal operations and we may have to incur unexpected liabilities or expenses. We may also in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with potential leakage of proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business.

Risks Related to Doing Business in China

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

Substantially all of our operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also 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.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy, and the rate of growth has been slowing. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese 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.

In addition, the global macroeconomic environment is facing challenges. For example, the COVID-19 pandemic has caused significant downward pressure for the global economy, and many major economies have lowered their expected growth rate. In addition, the impact of the United Kingdom's withdrawal from the European Union, commonly referred to as "Brexit", and the resulting effect on the political and economic future of the U.K. and the European Union is uncertain. Brexit could adversely affect European and worldwide economic and market conditions, and could contribute to instability in global financial and foreign exchange markets. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

Legal protections available to you under the PRC legal system may be limited.

Our operations in China are subject to PRC laws and regulations. We and all of our material subsidiaries are organized under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be quoted for reference but have limited precedential value, although the PRC courts are moving towards the principle of "treat like cases alike." The PRC government has promulgated laws and regulations dealing with such economic matters as securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as some of these laws and regulations are relatively new and continue to evolve, the effect of these laws and regulations on the rights and obligations of the parties involved may involve uncertainty. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that disputes between holders of H Shares and us, our Directors, Supervisors, senior officers or holders of non-listed shares, arising out of our Articles of Association or the rights or obligations conferred or imposed upon by the PRC Company Law and related rules and regulations concerning our affairs, including the transfer of our Shares, are to be resolved through arbitration rather than by a court of law. A claimant may elect to submit a dispute to arbitration organizations in Hong Kong or the PRC. Awards that are made by the PRC arbitral authorities recognized under the Arbitration Ordinance of Hong Kong can be enforced in Hong Kong. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, we cannot assure you that any action brought in the PRC by any holder of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares would succeed.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC, and a substantial portion of our business, assets and operations are located in mainland China. In addition, to the best knowledge of the Company, a majority of our Directors, Supervisors or members of our senior management reside in mainland China, and a substantial portion of the assets of such Directors, Supervisors or members of our senior management are located in mainland China. As a result, it may be difficult, cumbersome, and time-consuming to effect service of process outside mainland China upon us or such Directors, Supervisors or members of our senior management. Moreover, mainland China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. As a result, recognition and enforcement in mainland China or Hong Kong of a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Although we will be subject to the Hong Kong Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the [**REDACTED**] of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

You may be subject to taxation in mainland China.

Individual holders of H Shares who are not residents of mainland China and whose names appear on the register of members of H Shares ("non-mainland China resident individual holders") are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號), dated June 28, 2011, issued by the SAT, dividends paid to non-mainland China resident individual holder of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, dependent on whether there is any applicable tax treaty between mainland China and the jurisdiction in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20.0% withholding tax on dividends received from us. For additional information, see "Appendix III – Taxation and Foreign Exchange – Taxation in the PRC." In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, non-mainland China resident individual holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. As of the Latest Practicable Date, no aforesaid provisions have expressly provided that whether individual income tax shall be levied from non-mainland China resident individual holders on the transfer of shares in mainland China resident enterprises listed on overseas stock exchanges, and to our knowledge, in practice the mainland China tax authorities had not collected individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law") and its implementation regulations, a non-mainland China resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its mainland

China-sourced income, including dividends received from a mainland China company and gains derived from the disposal of equity interests in a mainland China company, subject to reductions under any special arrangement or applicable treaty between mainland China and the jurisdiction in which the non-mainland China resident enterprise resides. See "Appendix III – Taxation and Foreign Exchange – Taxation in the PRC." There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation regulations by mainland China tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposal of H Shares will be collected from non-mainland China resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-mainland China resident enterprise holders' investments in H Shares may be materially and adversely affected.

Payment of dividends is subject to restrictions under PRC laws.

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Failure to make adequate contributions to various 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, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has 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 and up to the Latest Practicable Date, we had not paid social insurance and housing provident fund in full for some of our employees based on their actual salary level. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court.

Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. With respect to a failure to pay the full amount of housing provident fund as required, the housing provident fund management center in China 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 have made provision for the shortfall amount of the social insurance and housing provident fund during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative actions, fines or penalties with respect to the shortfall amount or payment through third-party human resources agencies, and had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds. However, we cannot assure you that the competent local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may adversely affect our financial condition and results of operations.

We are subject to the PRC government controls on currency conversion and risks relating to fluctuations in exchange rates.

We receive substantially all of our revenues in Renminbi, which is currently not a freely convertible currency. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. Under the PRC's existing foreign exchange regulations, by complying with certain procedural requirements, following completion of the [**REDACTED**], we will be able to undertake current account foreign exchange transactions, including payment of dividends without prior approval from the SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. In this case, we may not be able to pay dividends in foreign currencies to holders of our H Shares. The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. It is expected that China may further reform its exchange rate system in the future.

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency terms. Furthermore, we are also currently required to obtain the approval of SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our financial condition and results of operations.

Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

In the past, local governments in China granted certain financial incentives from time to time to our subsidiaries as part of their efforts to encourage the development of local businesses. The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. We cannot assure you of the continued availability of the government incentives currently enjoyed by our subsidiaries. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

Risks Related to the H Share [REDACTED]

There has been no previous public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the [**REDACTED**], there has been no public market for our H Shares. The initial [**REDACTED**] for our H Shares resulted from negotiations between us and the [**REDACTED**] and the [**REDACTED**] may differ significantly from the market price for our H Shares following the [**REDACTED**]. We have applied for the [**REDACTED**] of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A [**REDACTED**] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop or, if it does develop, will be sustained following the [**REDACTED**] or that the market price of our H Shares will not decline following the [**REDACTED**]. Furthermore, the price and trading volume of our H Shares may be volatile. The following factors may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenues and results of operations;
- news regarding the recruitment or loss of key personnel by ourselves or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;

- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares, or sales or perceived sales of additional H Shares by us or other Shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated, or not directly related, to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

Future sales or perceived sales or conversion of substantial amounts of our Shares in the public market, including any future [**REDACTED**] ***of H Shares or conversion of our unlisted Shares into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.***

The market price of our H Shares could decline as a result of future sales or issuances of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or perceived sales may also adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at favorable time and price.

In addition, upon completion of the [**REDACTED**] and conversion of the Foreign Shares into H Shares, our Shares will comprise Domestic Shares and H Shares, both of which are ordinary shares in the share capital of our Company. Our Domestic Shares may be converted into H Shares under certain circumstances, subject to the applicable PRC laws, regulations and approvals, including internal approval, filing requirements and the approval from the relevant PRC regulatory authorities, and subject to the rules, regulations and procedures of the Hong Kong Stock Exchange. If a significant number of Domestic Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could materially and adversely affect the prevailing market price of our H Shares. Additionally, if any of our [**REDACTED**] Shares were to be converted and traded as H Shares on the Hong Kong Stock Exchange, our Shareholders would experience a dilution in their holdings upon such issuance and [**REDACTED**]. Furthermore, if additional funds are raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership for such Shareholders may be reduced. Such new securities may also confer rights and privileges that take priority over those conferred by the H Shares.

Since there will be a gap of several days between the pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before the trading of our H Shares begins.

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

Because the [**REDACTED**] ***price of our H Shares is substantially higher than the consolidated net tangible book value per share, purchasers of our H Shares in the*** [**REDACTED**] ***may experience immediate dilution upon such purchases.***

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per share immediately prior to the [**REDACTED**], [**REDACTED**] of our H Shares in the [**REDACTED**] will experience an immediate dilution in pro forma adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the [**REDACTED**] exercise the [**REDACTED**] or if we issue additional shares in the future to raise additional capital.

There can be no assurance whether and when we will pay dividends in the future.

Since our inception, we have not declared or paid any dividends on our Shares. We expect to continue to invest in technology and innovation to implement our growth strategies, which we believe will contribute to the value creation for customers, employees and Shareholders. Our Board of Directors regularly review our dividend policy by taking into consideration a number of factors, including our evolving strategies, results of operations, financial condition, operating and capital investment requirements and other factors it may deem relevant. Any declaration and payment, as well as the amount of the dividends, will be subject to our Articles and the relevant PRC laws and regulations, according to which the dividends may be paid only out of the distributable profits as determined under PRC GAAP or IFRS, whichever is lower, although there is no significant difference between PRC GAAP and IFRS in this respect. In addition, as a holding company, we rely on dividends and other distributions on equity from our subsidiaries for our cash requirements to pay dividends. Our ability to pay dividends may be adversely affected if our subsidiaries fail to adequately pay dividends and other distributions to us in a timely manner due to their respective capital needs. As a result, there can be no assurance whether, when and in which form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. See "Financial Information – Future Dividends" for more details of our dividend policy.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the internet 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. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, 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 or not comparable to statistics produced for other economies. 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 and the [**REDACTED**]. 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.