

RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The [REDACTED] of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in China and most of our operations are conducted in China, which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, see “Regulatory Overview” in this document and “Appendix V – Summary of Principal Legal and Regulatory Provisions” and “Appendix VI – Summary of Article of Association” to this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Any failure to continue to retain and grow our customer base could adversely affect our business, financial condition and results of operations.

The success of our business is highly dependent on the receptiveness of our customers to our products and services. Whether we are able to retain our current customers and attract new customers are critical to sustaining our growth momentum. A number of factors could affect the market acceptance of our products and services, including, but not limited to, the following:

- our ability to address the evolving needs and preferences of our customers in China’s weight management industry and chronic condition management industry;
- timing of market introduction, brand recognition, sales channel and research and development progress of our products and services as well as those competing products and services;
- safety and efficacy of our products and services and the prevalence and severity of side effects, if any;
- pricing and cost effectiveness of our products and services;
- perceived advantages and publicity of our products and services over competing products and services and the availability of competing products and services; and
- effectiveness of our sales and marketing efforts.

If there is insufficient demand for our products and services, we might not be able to maintain and/or increase our revenue as we expect, and our business, financial condition and results of operations may be adversely affected.

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During the Track Record Period, all of our revenue was derived from our weight management and chronic condition management businesses. We expect to continue to derive our revenue from these two businesses for the foreseeable future. As such, our success depends largely on our ability to retain existing customers and acquire new customers for our weight management and chronic condition management businesses. Our customers may not continue to purchase our products and services if we are not able to maintain the quality of our products and services or to provide a wide selection of products and services that are responsive to customer demands. Any such event or circumstance may materially and adversely affect our business, financial condition and results of operations.

Competition from other weight management and chronic condition management market players or the development of more effective or more favorably perceived products and services could result in decreased demand for our products and services.

The weight management and chronic condition management industries in which we operate are highly competitive. We compete against a wide range of weight management and chronic condition management service providers. Our major competitors in the weight management industry include weight management product producers, service and solution providers, including, but not limited to, hardware and software-based mobile APP and web-based weight management programs and approaches, dietary supplements and meal replacement sellers, and weight management services administered by doctors, nutritionists and dietitians. We also compete with other chronic condition management service providers. Existing competitors may enter new markets or expand their offerings. More effective or more favorably perceived diets and solutions, such as new drugs or surgical treatment, including fat and sugar substitutes or other technological, medical and scientific advancements, also may be developed and widely adopted. This competition may reduce demand for our products and services. Further, we may face potential competition from global market players that seek to enter the Chinese market, whether independently or through the formation of strategic alliances with, or acquisition of, existing market players in China. Increased competition could result in less sales, price reductions, reduced margins and loss of market share.

The purchasing decisions of weight management and chronic condition management-related products and services by customers are highly subjective and can be influenced by many factors, such as brand image, marketing programs, cost, consumer trends and perception of the efficacy of the service and product offerings. Moreover, consumers can, and frequently do, change approaches easily and at little cost. For example, fad diets and weight loss trends, such as low-carbohydrate diets, may adversely affect our revenues from time to time. Any decrease in demand for our products and services may adversely affect our business, financial condition or results of operations.

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Any unexpected or undesirable side effects or injury caused by our products to customers could result in costly product recalls or product liability claims, which in turn could lead to severe reputational damage, monetary losses or lawsuits.

We may become subject to product liability claims or product recalls if the use of our products is alleged to have resulted in side effects or injury. Our products contain a number of ingredients, some or the combination of which may cause side effects or injuries that are unknown to us. Likewise, some of the raw materials we use in our products may contain harmful chemicals or substances of which we are not aware and may cause undesirable side effects or injuries to our customers. Our smart hardware products may also cause injuries to our customers due to unknown product defects. We provide quality assurance to our customers, and allow them to return products to us in case of quality defects. If our products cause any serious side effect or injury or if our products are perceived to cause such side effect or injury, our products may have to be recalled from the market. Moreover, a product liability claim could generate substantial negative publicity about our products and services, which would materially and adversely affect our brand, business, prospects, cash flows and results of operations. Any insurance coverage might not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages may materially and adversely affect our reputation, business, financial condition and results of operations.

Any failure to maintain product safety and consistent quality could have a material and adverse effect on our brand image, business, financial condition or results of operations.

Product safety and quality are critical to our reputation and success. Maintaining consistent quality and product safety depends significantly on the effectiveness of our quality management, which in turn depends on a number of factors, including the design of our quality assurance systems and our ability to ensure that our employees and other third parties involved in our operations adhere to those quality control standards. There is no assurance that our quality assurance management would be effective at all times, or that we can identify any defects in our quality control systems in a timely manner. We face an inherent risk of food contamination and liability claims. Any food contamination that we fail to detect or prevent could adversely affect the quality of the products sold, which could lead to liability claims, reduced consumer satisfaction and the imposition of penalties or fines by relevant authorities.

We may be required to negotiate with, or institute litigation when negotiation fails against, our suppliers for the losses arising out of contaminated raw materials or, third-party products. Such litigation could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects. The compensation clauses in the procurement contract may not be adequate enough to remedy our damages. Even if any such litigation is resolved in our favor, we may not be able to successfully enforce the judgment and remedies awarded by the court, and such remedies may not be adequate to compensate us for our actual or anticipated related losses, whether tangible or intangible.

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If our products and services are not effective in facilitating customers in achieving their respective goals, it could have a material adverse effect on our business, financial condition and results of operations.

During the Track Record Period, we generated the majority of our revenue from weight management business and chronic condition management business. See "Business – Weight Management" and "Business – Chronic Condition Management." The effectiveness of our products and services is critical to the success of our business. However, the effectiveness of our products and service packages could be affected by a number of factors, such as whether customer strictly follows our guidance during the service period, which are beyond our control and we cannot assure you that every product and service package will always be effective. Thus, in the event that our products and service packages no longer have effective features that facilitate customers to achieve their respective goals, we may receive customer complaints and refund may be incurred. See "Business – Customers – Customer Complaints" and "Business – Customers – Refund Policies." The demand in our products and service packages may also decrease and it could have an adverse effect on our business, financial condition and results of operations.

We are subject to customer complaints in the regular course of our operations.

We attach great importance to the conduct of our sales team and service team in the regular course of our business operations in order to reduce the likelihood of customer complaints. We have implemented strict policies and internal procedures to regulate the conducts of sales and service team. See "Business – Marketing, Branding and Promotion." However, we cannot assure you that every team member will always comply with our requirements. Any deviation from the appropriate service standard by our sales team and service team may result in unsatisfactory outcomes. We may be subject to complaints, and even claims or legal proceedings initiated by our customers. In addition, given the nature of the weight management and chronic condition management industry and the subjectiveness of the level of satisfaction with products and services provided, we have been and will continue to be susceptible to other types of complaints associated with our products and services from time to time. These primarily include (i) dissatisfaction with our customer service; (ii) disputes over pricing; (iii) over-promising of product and service effects; and (iv) general dissatisfaction with the results of our services. In addition, due to the fact that the volume of service and number of customers have generally increased over the years as part of our growth, the absolute number of such complaints, allegations and other claims, regardless of merits, has increased and may continue to increase. In 2020, 2021 and 2022, the refund rate of our weight management business was 2.5%, 2.4% and 2.2%, respectively, while the refund rate of our chronic condition management business was 1.2%, 1.3% and 2.1%, respectively. See "Business – Customers – Refund Policies." If we are not able to properly manage complaints, allegations and claims, if not managed properly, could have a material adverse effect on our reputation, business, results of operations, financial condition and prospects.

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

We are subject to legal and regulatory requirements of multiple industries in the PRC due to the nature of our business. These legal and regulatory requirements primarily cover the industries of weight management and chronic conditions management. Our business is subject to governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the NHC, the NMPA, the SAMR 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 and, online and offline sales of healthcare products. These laws and 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.

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

If the contents contained in videos, livestreaming sessions or other formats published by us are deemed to violate any PRC laws or regulations or platform rules or are considered inappropriate, or there is any change in the applicable laws and regulations, our business, financial condition and results of operations may be materially and adversely affected.

The PRC government and regulatory authorities have adopted regulations governing contents contained within videos, livestreaming sessions and other information over the Internet. Under these regulations, Internet content providers are prohibited from posting or displaying contents that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or promotes counterfeit or substandard goods. Similarly, Internet content providers are also bound by livestreaming and content production rules imposed by livestreaming and other online social media platforms, which prohibit Internet content providers from, among others, displaying and discussing contents that involve politics, violates PRC laws and regulations, contain misleading information about goods, or other contents that are against morality, public interests upon its further dissemination. We will closely monitor the contents provided by us during our business operation. However, there can be no assurance that we can identify all the content that may violate relevant laws and regulations in a timely manner, or at all.

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In particular, failure to identify and prevent illegal or inappropriate content from being disseminated may subject us to liability as a provider for livestreaming sessions. In addition, PRC laws and regulations are subject to interpretation by the relevant authorities while social media platforms and livestreaming platforms typically have the sole right to interpret and apply platform rules, and it may not be possible to determine in all cases the types of content that could result in our liability as a provider for livestreaming sessions. Our financial position and results of operations might be materially and adversely affected by any decision by end consumers or our customers to reduce their purchase as a result of adverse media reports, complaints or other negative publicity involving us. During the Track Record Period, we were required to close our livestreaming rooms on livestreaming platforms due to violations of the platform livestreaming rules. Although we are currently allowed to conduct livestreaming on these livestreaming platforms, there can be no assurance that we can continuously sell our products through livestreaming sessions in the future. Further, laws and regulations concerning livestreaming in the PRC as well as platforms rules for online social media and livestreaming platforms are relatively new and constantly evolving, and their interpretation and enforcement involve significant uncertainties. Therefore, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be inappropriate or noncompliant with the platform rules or even in violation of the applicable laws and regulations. In addition, if new requirements are imposed by any new platform rules and laws and regulations in the future, we may not be able to continue our livestreaming sessions in the promotion of our products.

The success of our business depends significantly on our ability to maintain and enhance our brand awareness, and any negative publicity involving our Group, our products and services and our suppliers could adversely affect our brand image.

We believe that brand image plays an important role in influencing consumers’ decisions in purchasing our products and services. Our brands are critical to the success of our business. Maintaining and enhancing our brand awareness and our reputation depends primarily on the perceived effectiveness and quality of our products and services as well as the success of our marketing and promotion efforts. We have devoted significant resources to brand awareness promotion in recent years, including through our official website, social media accounts, and cooperation with public relation companies. However, our marketing and brand awareness promotion may not be successful or may inadvertently negatively impact our brand image.

In addition, negative publicity involving our Group, our products and services and our suppliers may adversely affect our brand image and overall reputation, and may cause deterioration in the level of market recognition of and trust in our products and services, resulting in reduced revenue and potential loss of our customers. Since we operate in a direct sales model, we may receive customer complaints from time to time. To the best knowledge of us, the total number of complaints made to 12315 platform and Heimaotou (黑猫投诉) in relation to our products and services in 2022 was 3,011. According to Frost & Sullivan, these two external channels represent the mainstream customer complaint platforms in the PRC, and our complaint level is lower than the industry average. See “Business – Customers.” Negative publicity may also result in diversion of management’s attention, governmental investigations or other forms of scrutiny, which may have an adverse impact on our business, financial condition and results of operations.

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Our business success depends on the effectiveness of our advertising and marketing campaigns to attract and retain customers. If our advertising and marketing campaigns are not able to secure a stable and growing customer base, our business, financial condition and results of operations would be adversely affected.

Our business success depends on our ability to attract and retain customers to our products and services. Our ability to attract and retain customers depends significantly on the effectiveness of our advertising and marketing campaigns. We acquire customers through diversified traffic entries, such as Douyin, Kuaishou and mainstream search engines. However, these diversified traffic entries could be affected by a number of factors, many of which are beyond our control, such as regulatory changes in laws and regulations and economic conditions, and any substantial negative changes on such diversified traffic entries could have adverse impact on our advertising and marketing campaigns. From time to time, we use official websites and social media channels as customer touch points to communicate with our customers. Unauthorized or inappropriate use of these channels could result in harmful publicity or negative consumer experiences, which could have an adverse impact on the effectiveness of our advertising and marketing campaigns in these channels. In particular, substantial negative commentary on social media channels could have an adverse impact on our reputation and ability to attract and retain customers. If our advertising and marketing campaigns are not able to secure a sufficient customer base, our business, financial condition and results of operations would be adversely affected.

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

We face risks of, or administrative penalties for, violation of the Administrative Standard of Pharmaceutical Operating Quality and Regulations on the Administration of Medical Institutions or medical liability claims against our service team. Also, our doctors may provide substandard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice, which could subject us to medical liability claims. Despite our background check relating to our doctors' qualification and their contractual obligations to strictly adhere to the specified work scope and quality requirements and comply with applicable laws, there can be no assurance that our risk management procedures would be sufficient to monitor their performance and control the quality of their work. In the event that the doctors fail to comply with the contractual obligations and applicable laws in relation to the provision of our online consultation services, our customer experience could deteriorate, and we may be subject to claims. If we are unable to defend ourselves against such claims, among other things, we may be subject to relevant liabilities, administrative penalties including fines and, in the worst scenario, the revocation of our Medical Institutions Practice Licenses. We might also be required to pay substantial damages or refrain from further sale of the relevant products. Moreover, such claims or administrative penalties could result in negative publicity and our reputation could be severely damaged, which may adversely affect customer trust in our ecosystem.

In addition, we rely on our service team at Lv Shou Fitness Camp, Body Aesthetic Center, Liyuan Women Club and a medical check-up center to provide weight management services, beauty management services and others. Any misevaluation, incorrect decision or misconducts

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from our service team thereof, may result in undesirable or unexpected outcomes, including complications, unexpected side effects and injuries. Any medical incidents, malpractice, medical negligence, or misconducts occurring at these offline operations may result in claims or legal proceedings against us, which could adversely affect our industry reputation and cause us to incur significant costs.

We may not be able to successfully implement our strategic initiatives, which could adversely impact our business, financial condition or results of operations.

We are continuously evaluating changing customer preferences and the competitive environment of the weight management and chronic condition management industries in order to seek out opportunities to improve our business, financial condition or results of operations through the implementation of strategic initiatives. The goal of these efforts is to develop and implement a comprehensive and competitive business strategy which addresses the continuing changes in the weight management and chronic condition management industries and our market position. For example, as the health management industry continues to evolve its response to the obesity epidemic, so do the requirements, both regulatory and business, for providers. If we do not successfully meet these requirements, we may not be able to secure our leading market position. We may not be able to successfully implement our strategic initiatives and realize the intended business opportunities, growth prospects, including expanding business channels, and competitive advantages. Our efforts to capitalize on business opportunities may not bring the intended results. Assumptions underlying expected financial results or customers’ demand may not be met or economic conditions may deteriorate. We also may be unable to attract and retain highly qualified and skilled personnel to implement our strategic initiatives. If these or other factors limit our ability to successfully execute our strategic initiatives, our business, financial condition or results of operations may be adversely affected.

We may not be able to sustain our historical profitability.

In 2020, 2021 and 2022, our revenue was RMB2,051.6 million, RMB1,795.9 million and RMB2,423.0 million, respectively, representing a CAGR of 8.7% from 2020 to 2022. We recorded net profits of RMB187.9 million in 2020 and RMB112.1 million in 2022, though we recorded a net loss of RMB18.4 million in 2021 mainly due to our revenue decrease resulting from our restricted operations during lockdown caused by the COVID-19 pandemic. However, this only reflects our historical performance and may not be indicative of our future performance. Our ability to generate revenue and achieve profitability will depend on the performance of our existing products and services and the success of the implementation of our strategic initiatives. Our profitability could also be affected by a number of factors, many of which are beyond our control, including regulatory evolvement, changes in economic and public health conditions, epidemics, pandemics and competition, and our results of operations may be adversely affected by any of such factors. If we are not able to effectively manage our business growth and further expand our business operations, we may not be able to successfully implement the strategies necessary to further our business prospects on schedule or within our budget, or at all. Accordingly, there can be no assurance that we can sustain the profitability as we have achieved in the past.

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Our manufacturing operations in relation to our products are subject to a variety of product safety, environmental protection, fire safety and other safety laws and regulations.

We produce some of our products through our own production facilities, and, as such, we are subject to extensive government laws and regulations in relation to product safety in the PRC, and we are required to maintain various licenses and permits in order to operate our business. For example, the Food Safety Law of the PRC (中華人民共和國食品安全法) requires all enterprises engaged in food production to obtain the Food Production License. This sets out stringent safety standards with respect to food and food additives, packaging and information to be disclosed on packaging, as well as safety requirements for food production and sites, facilities and equipment used for the transportation and sale of food. In addition, relevant government authorities are empowered to conduct random testing of food. Further, relevant administrative authorities in relation to product safety and quality supervision are empowered to enter into production facilities to conduct on-site inspection and sample testing of food, food additives and food related products being produced.

Failure to comply with food safety laws or other legal requirements applicable to our business may result in fines, suspension of operations, loss of licenses, and, in more extreme cases, criminal proceedings against us and our management. Any of these events would have an adverse impact on our business, results of operations and financial condition.

Further, there is no assurance that the PRC government will not impose additional or more stringent laws or regulations on product safety or otherwise related to our business in the future, the compliance with which may require us to incur significant capital expenditure.

In relation to our manufacturing operations, we are also subject to a variety of laws and regulations imposed by the PRC government relating to environmental protection, health, fire safety and other safety. Compliance with existing and future environmental protection, health, fire safety and other safety laws could subject us to costs or liabilities, including monetary damages and fines; impact our production capabilities; result in suspension of our business operations; and generally impact our financial performance. We currently do not carry any insurance relating to environmental protection. If we are held liable for damages in the event of any pollution, injury or other violation of applicable environmental protection, health, fire safety or other safety laws, we may also be subject to adverse publicity and our financial condition and results of operations could be materially and adversely affected.

We may be negatively impacted by supply and quality issues in relation to third-party products sold via our platform which are manufactured by third-party manufacturers.

As we are not involved in the manufacturing operations of third-party products, which are manufactured by third-party manufacturers, we cannot guarantee that there will not be any unexpected interruption of their supply of products to us or any increase in the manufacturing costs for any reason beyond our control or expectation, such as introduction of new regulatory requirements, import restrictions, loss of their certifications or licenses, power interruptions,

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fires or other events. We are also exposed to the risks of increased pricing for our outsourced manufacturing, and we may be unable to appoint or re-appoint third-party manufacturers on commercially acceptable terms. If any of these events occurs, this could result in disruption to our supply of products and generate negative publicity that could damage our reputation and cause our customers to switch to competing peers, which could have a material adverse impact on our business, financial condition and results of operations.

In addition, we may have limited control over the manufacturing operations of third-party manufacturers, and we cannot guarantee that the products sourced from third-party manufacturers are free from product defects or any other quality issues. The risks of such products not being produced in accordance with our manufacturing or product specifications, in the necessary volume or at the appropriate quality levels are higher than if we manufacture these products through our own product plants. Quality issues related to products which our third-party manufacturers manufacture for third parties may also be imputed to the products they manufacture for us and adversely affect our reputation. Any of the above situations could negatively impact our business, financial condition and results of operations.

We may encounter inadequate supply or oversupply if we fail to accurately project demand for our products and services.

We generally procure raw materials and part of products from third-party suppliers. We project demand for our products and services based on, among other things, our marketing plan, sales targets, our sales reports and our internal database of historical customer purchases. We may fail to accurately forecast demand and coordinate our procurement and production to meet demand on a timely basis. If we underestimate demand, we may not have sufficient raw materials for manufacturing our products or sufficient third-party products to meet demand and capture sales. If we overestimate such demand, we may purchase more raw materials or source more products than required. In addition, we may have resolved and incurred substantial costs and efforts in developing new product extensions or varied or refined product formulations or expanding the production capacity for a product that will not provide the anticipated returns. Our inability to accurately predict market demand and to timely meet such demand could adversely affect our business, financial condition and results of operations.

If our suppliers do not deliver quality products and services at competitive prices or in a timely manner due to deteriorated relationships with us or insufficient supply capacity, we may experience supply shortages and increased procurement costs.

It is crucial for our business to source quality products and services at competitive prices in a timely manner. Our ability to maintain consistent quality of products and services and maintain our offerings depends in part upon our ability to acquire quality products and services from reliable sources that meet our quality requirements in sufficient quantities. Our major suppliers primarily consist of (i) Internet traffic suppliers, including media platforms which provide us with online traffic for business promotion; and (ii) product suppliers, including OEM manufacturers and pharmaceutical companies. Charges from our largest supplier for the years ended December 31, 2020, 2021, and 2022, accounted for 16.8%, 13.8%, and 30.1%,

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respectively, of our total purchase expenses and capital expenditure during those periods. Charges from our five largest suppliers for the years ended December 31, 2020, 2021, and 2022, accounted for 38.9%, 39.8%, and 49.5%, respectively, of our total purchase expenses and capital expenditure during those periods.

There can be no assurance that we will be able to maintain business relationships with our key suppliers. Our suppliers may be affected by higher costs to produce products and services supplied to us, rising labor costs and other expenses that they pass through to their customers, which could result in higher costs for products and services we procured. Where our suppliers initiate the negotiation of procurement prices due to the aforementioned reasons, we cannot assure you that we will be able to maintain the procurement prices for products and services. Neither can we assure you that our current suppliers will always be able to meet our stringent quality control requirements in the future. In addition, the supply capabilities of our suppliers may also be negatively affected by staffing shortages, unexpected mechanical failures, utility shortages or outage, fire, acts of God or other calamities, which would render our suppliers unable to maintain their supply at the same or similar level in the future. Moreover, we cannot assure you that we will maintain good and stable relationships with our suppliers. If any of our suppliers do not perform adequately or otherwise fail to distribute quality products and services to us in a timely manner due to deteriorated relationships with us or insufficient supply capacity, we cannot assure you that we will be able to secure alternative suppliers on commercially acceptable terms in a timely manner, or at all, which will further adversely affect our business and results of operations.

If our products and services become obsolete, our business, financial condition and results of operations will be adversely affected.

We believe that the health management industry is characterized by changes in technologies, constant enhancement of industry know-how and constant emergence of new products. Future technological improvements, rapid changes in industry standards and product and service developments may lead to the emergence of new or substitute products and services that compete directly or indirectly with our existing products and services. Consequently, this may affect the viability of our products and services and render our existing products and services obsolete. Our products and services, as well as our raw materials and finished goods, may also become obsolete as a result of adverse changes in demand and customers' preference or overstock due to overestimation of demand.

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If we fail to respond to these changes by adjusting our technologies and product and service portfolio, or manage our inventory effectively in a timely fashion, or if future products we carry do not achieve adequate market acceptance, we may be subject to a heightened risk of product and services 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. Any of the above may adversely affect our business, financial condition and results of operations.

We may have difficulties managing our production facilities and developing new, innovative products from time to time.

We produce some products through our own production facilities. Any damage or malfunction to our production facilities may affect our ability to fulfill sale orders. In addition, operation of our manufacturing equipment requires employees with experience, technical know-how and qualifications. Any failure to effectively manage our manufacturing operations due to loss of employees or otherwise could have a material adverse effect on our business, financial condition and results of operations.

Management of production capacity is also critical to results of operations. If our production capacity is insufficient for satisfying sale orders, our customer relationships and reputation could be adversely affected. If we do not have sufficient demand for our products, we may suffer under utilization of our capacity and accordingly higher cost of production. We cannot guarantee that our forecasted or anticipated product demand will materialize. If our production facilities are underutilized, we may suffer a decrease in profitability and our results of operations could be adversely affected.

Our production operations are also subject to a number of risks, such as fire, theft, machinery breakdowns, sub-standard performance of our production equipment, raw material contamination, natural disasters, power outages or water shortages. The occurrence of any of these factors may severely disrupt our production operations. Our production facilities may also be subject to repairs, upgrades, refurbishments or modifications from time to time which may require suspension of operations. In addition, the operations of a production facility can be substantially interrupted due to a suspension or loss of licenses, certifications or permits, or changes in governmental planning for the land underlying these facilities and regulatory changes. If the operations of our production facilities are substantially disrupted, we may not be able to replace or repair the damaged equipment or facilities, or utilize a different facility to continue our production in a timely and cost-effective manner, or at all. As a result, we may fail to fulfill contractual obligations or meet sale orders for our products, and our business, financial condition and results of operations could be adversely affected.

In addition, if we do not continue to develop new and innovative products or if our products or brands do not continue to appeal to the market, or if we are unable to successfully expand into new sale channels or respond to consumer trends, our business may suffer.

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The weight management industry is subject to changing consumer demands based, in large part, on the efficacy and popular appeal of weight management products and service packages. The popularity of weight management products and service packages is dependent, in part, on their ease of use, cost and sales channels as well as consumer trends. Our future success depends on our ability to continue to develop and market new, innovative services and products and to enhance our existing services and products, each on a timely basis, to respond to new and evolving consumer demands, achieve market acceptance and keep pace with new nutritional, weight management, wellness, technological and other developments. During the Track Record Period, our research expenditure amounted to RMB25.9 million, RMB27.0 million and RMB21.1 million, respectively, accounting for 1.3%, 1.5% and 0.9% of our total revenue during the same period, respectively.

We may not be successful in timely developing, introducing or marketing any new or enhanced products and services. Additionally, new or enhanced products or services may not appeal to the market or the market’s perception of us. As we announce new brands and as we adopt new trademarks, the marketplace may not embrace or accept them and it may take time to build their reputation and goodwill, both with consumers and with our partners. Our future success also will depend, in part, on our ability to successfully distribute our products and services through appealing sales channels, such as mobile or social media. Our failure to develop new, innovative services and products and to enhance our existing services and products, the failure of our services, products or brands to continue to appeal to the market or the failure to expand into appealing new sales channels could have an adverse impact on our ability to attract and retain customers and thus adversely affect our business, financial condition or results of operations.

To manage and mitigate any ESG risks, we may incur additional costs and expenses, which may adversely affect our financial performance.

To manage and mitigate any ESG risks that we may identify, and to better fulfill our social responsibilities, we may incur additional costs and expenses which may adversely affect our financial performance. For instance, as we aim to gradually switch to using more environmentally friendly packaging materials, which are usually more costly, expenses in relation to packaging may increase. Moreover, our operating costs may increase as we may consider adopting measures to optimize our office premises and production facilities’ safety and energy-saving. See “Business – Environmental, Social and Governance.”

Compliance with the rapidly evolving landscape of data privacy and security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect the collection, use, storage, retention, transfer, disclosure, and other processing of personal data, could damage our reputation and deter current and potential consumers from using our services.

In recent years, privacy and data protection have become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of personal data in the past few years. We have adopted strict information security policies, and use a variety of technologies to protect the data we manage. We mainly collect and store data relating to the usage of our

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products and services, as well as data collected through our mobile APPs and other sales channels. We implement access control and account authority control, and desensitize customer data. We then analyze such information to improve our products and services. See “Business – Data Privacy and Protection.”

On August 20, 2021, the Standing Committee of the National People’s Congress (the “SCNPC”) issued the Personal Information Protection Law, taking effect from November 1, 2021, which clarifies the scope of application, the definitions of personal information and sensitive personal information, the legal basis of personal information processing and the basic requirements of notice and consent. Among other compliance requirements, the Personal Information Protection Law requires that personal information processors shall obtain individual consent when processing sensitive personal information.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law, which took effect in September 2021. The Data Security Law provides for a security review procedure for the data activities that may affect national security. On December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022. Pursuant to the revised Cybersecurity Review Measures, critical information infrastructure operators (the “CIIOs”) procuring network products and services, and online platform operators carrying out data processing activities which affect or may affect national security, shall conduct a cybersecurity review pursuant to the provisions therein. In addition, online platform operators possessing personal information of more than one million users seeking to be listed on foreign stock markets (國外上市) must apply for a cybersecurity review. In the meantime, the Cybersecurity Review Measures grant the governmental authorities the discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security. Furthermore, on November 14, 2021, the CAC published the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Data Security Regulations”), which reiterate the circumstances under which data handlers shall apply for cybersecurity review, including, among others: (i) the data handlers who process personal information of at least one million users apply for listing in a foreign country (國外上市); and (ii) the data handlers’ listing in Hong Kong affects or may possibly affect national security. As advised by our PRC Legal Advisors, we believe our proposed [REDACTED] in Hong Kong should not give rise to the above risks associated with the cybersecurity review, for the following reasons: (i) Article 13 of the Draft Data Security Regulations, which have not come into effect yet, expressly distinguishes between “listing in Hong Kong” and “listing in foreign countries.” Since “listing abroad (國外上市)” under the revised Cybersecurity Review Measures exempts listing in Hong Kong from the mandatory obligation of ex-ante declaration of cybersecurity review, we do not need to initiate the application for cybersecurity review pursuant to Article 7 of the revised Cybersecurity Review Measures; (ii) we had not received any notice from any Protection Authorities that identify us as a CIIO as of the Latest Practicable Date; and (iii) we have set up appropriate technical and organizational measures and will continually make great effort to prevent risks that may arise in connection with those that “affect or may affect national security.” However, the Draft Data Security Regulations provide no further explanation or

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interpretation as to how to determine what constitutes “affect or may affect national security.” As such, there remain uncertainties of interpretation, application and enforcement of the evolving relevant laws and regulations, and future regulatory changes may impose additional restrictions. As of the Latest Practicable Date, the Draft Data Security Regulations had not been formally adopted. See “Regulatory Overview – Laws and Regulations on Information Security and Data Privacy.”

The relevant regulatory authorities in China continue to monitor the websites and Apps in relation to the protection of personal data, privacy and information security, and may impose additional requirements from time to time. The relevant regulatory authorities also release, from time to time, their monitoring results and require relevant enterprises listed in such notices to rectify their noncompliance. See “Regulatory Overview – Laws and Regulations on Information Security and Data Privacy.” We have not been but may in the future be subject to the modification and rectification imposed by the relevant regulatory authorities, including those issued publicly. There are uncertainties as to the interpretation and application of laws in one jurisdiction which may be interpreted and applied in a manner inconsistent with another jurisdiction and may conflict with our current policies and practices or require changes to the features of our system. If we are unable to address any information protection concerns, any compromise of security that results unauthorized disclosure or transfer of personal data, or to comply with the then applicable laws and regulations, we may incur additional costs and liability and result in governmental enforcement actions, litigation, fines and penalties or adverse publicity and could cause our users and customers to lose trust in us, which could have a material adverse effect on our business, results of operations, financial condition and prospects. We may also be subject to new laws, regulations or standards or new interpretations of existing laws, regulations or standards, including those in the areas of data security and data privacy, which could require us to incur additional costs and restrict our business operations.

We also confirm that, as of the Latest Practicable Date, we had not received any warning or sanctions from applicable government authorities in relation to national security, including, but not limited to, cybersecurity review initiated by governmental authorities. In addition, we cannot predict the impact of the draft regulations, if any, at this stage, and we will pay close attention to and assess any development in the rule-making process. If the enacted version of the draft regulations mandate clearance of cybersecurity review and other specific actions to be completed by companies like us for the [REDACTED] or our future capital raising activities, or if we are subject to such *ex officio* cybersecurity reviews initiated by the government authorities, we may face uncertainties as to whether such clearance can be timely obtained, or at all. Failure to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, may prevent us from using certain network products and services and subject us to government enforcement actions and investigations, fines, penalties, suspension of our noncompliant operations and revoking relevant business permits or business licenses, among other sanctions.

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We have adopted various measures, including data protection policies, management supervision and internal control systems, to ensure compliance with privacy and data protection regulations. As confirmed by our legal advisor as to PRC data security law, during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with applicable PRC laws and regulations with respect to privacy and personal data protection in all material aspects. During the Track Record Period and up to the Latest Practicable Date, as advised by the director of the Company, we had not been subject to any material claims, investigations or legal proceedings settled, pending or threatened for any material noncompliance with or violations of applicable PRC laws and regulations with respect to privacy and personal data protection. However, the laws and regulations regarding privacy and data protection in China are generally complex and evolving, with uncertainties as to the interpretation and application thereof. We may also become subject to additional or new laws and regulations regarding the protection of personal information or privacy-related matters in connection with our methods for data collection, analytics, storage and use. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the integrity of our privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, deter existing and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences.

We may be subject to any litigation, legal or contractual disputes, government investigations or administrative proceedings, and may not always be successful in defending ourselves against such claims or proceeding.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to the risk of lawsuits or other legal actions relating to our products and service packages, fraud and misconduct, control procedures deficiencies and sales practices. We may also be subject to inquiries, inspections, investigations and administrative proceedings by regulatory and other government agencies. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management’s attention and consume their time and our other resources. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the subject matter of the disputes, the likelihood of loss, the monetary amount at stake and the parties involved. Actions brought against us may result in settlements, awards, injunctions, fines, penalties or other results adverse to us. Even if we are successful in defending against these actions, the defences of such matters may result in our incurring significant expenses. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against the directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations and prospects. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and products, which further materially and adversely affect our business.

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We may be subject to administrative or criminal penalties arising from our External Salary Payment imposed by competent authorities.

During the period from 2018 to 2020, for the purpose of reducing PRC individual income tax (“IIT”) burden for employees, we paid part of the salaries and/or benefits to certain employees not from our corporate bank account but through third parties and the personal bank accounts of certain former and existing employees of us and/or their relatives. Such arrangement is herein referred to as the “External Salary Payment.” In 2018, 2019 and 2020, the aggregate amount of the External Salary Payment was approximately RMB69.8 million, RMB52.2 million and RMB61.4 million, respectively, which accounted for approximately 13.3%, 8.2% and 10.9% of the total staff costs of our Group based on its unaudited management account, respectively. We had not fully withheld nor collected IIT for our employees nor made full payment of VAT due to the External Salary Payment arrangement in 2018 to 2020, which was not in strict compliance with the applicable PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been penalized for the External Salary Payment. We have ceased all the External Salary Payment arrangements and implemented a series of rectification measures in December 2020. See “Business – Legal Proceedings and Compliance – External Salary Payment.” As advised by our independent tax consultant, based on the confirmations on communications with the competent authorities, the External Salary Payment will not be identified as tax evasion and attract tax administrative penalties. However, there can be no assurance and if in the unlikely scenario that the competent government authorities will not identify the External Salary Payment as tax evasion and impose administrative or criminal penalties on us, which may adversely affect our financial condition and results of operations. In addition, since 2020 we have enhanced our internal measures to ensure such incidents will not happen again. However, there can be no assurance that our internal control measures are adequate and effective. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage such incidents may be affected.

We may be subject to additional social insurance fund and housing provident fund contributions and late fees or fines imposed by relevant regulatory authorities.

Pursuant to PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the actual income of our employees, together with the minimum and maximum level as from time to time prescribed by national laws and regulations and local authorities. Any failure to make timely and adequate social welfare contributions for employees may trigger an order of correction from the competent authorities requiring the employer to make up the full amount of such overdue social welfare contribution within a specified period of time, and the competent authority may further impose fines or penalties. During the Track Record Period, we did not pay social insurance and housing provident fund contributions in full for our employees based on the actual income of the relevant employees. As of the Latest Practicable Date, no

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competent government authorities have imposed administrative actions, fines or penalties on us with respect to this incident, or required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. As advised by our PRC Legal Advisors, the likelihood that we would be ordered to make up the contributions or imposed on material administrative penalties by the relevant competent government authorities due to our failure to pay social insurance and housing provident fund contributions for certain employees is remote. See “Business – Employees – Social Insurance and Housing Provident Funds.” However, there can be no assurance that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us, which may adversely affect our financial condition and results of operations.

Our rights to use some of our leased properties may be queried by property owners, governmental authorities or other third parties due to title defects of such leased properties.

Under the relevant PRC laws, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, 39 lease agreements with respect to our leased properties had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register the leases with the local government authorities. As advised by our PRC Legal Advisors, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. See “Business – Properties – Leased properties.”

In addition, as of the Latest Practicable Date, with respect to 14 of 43 of our leased properties in the PRC, the lessors have not provided valid title certificates or relevant authorization documents evidencing their rights to lease the properties. These leased properties are mainly used as offices and production facilities. See “Business – Properties – Leased Properties.” As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties leased by us for which the relevant lessors do not hold valid title certificates. Any disputes or claims in relation to the titles of the properties that we occupy, including any litigations involving allegations of illegal or unauthorized use of these properties, could require us to relocate our offices and staff quarters occupying these properties. If any of our leases are terminated or voided as a result of the challenges from property owners, governmental authorities or other third parties, we would need to seek alternative premises or utilize other production facilities to continue production and adjust production volume of such production facilities, which may incur additional costs. Such additional costs may adversely affect our business, financial condition, results of operations and growth prospects.

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

Our Internet hospital operation is subject to governmental supervision and regulation by various PRC governmental authorities. Such government authorities promulgate and enforce laws and regulations that cover a variety of activities that our Internet hospital operations concerns. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses, permits, filings and registrations for, the relevant business activities.

In addition to obtaining necessary approvals, licenses and permits for conducting our Internet hospital operations, we must comply with relevant laws and regulations. Our Internet hospital operations is 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 Internet hospital operations. As a result, we may be in violation or noncompliance with such laws and regulations.

In particular, according to the Measures for the Administration of Internet Diagnosis and Treatment (Trial) published by the NHC on July 17, 2018, Internet-based diagnosis services shall only be permitted to provide re-diagnosis services after first confirming that the relevant patients have been diagnosed with one or more types of common or chronic diseases in physical medical institutions. In addition, pursuant to the Administrative Regulations on Medical Institutions promulgated by the State Council on March 29, 2022 and its implementation rules, medical institutions including Internet hospitals shall carry out diagnosis and treatment activities according to certain approved and registered medical conditions. It remains uncertain that our relevant operations will be in full compliance with new laws and regulations in this area, which are evolving and subject to change. Due to the uncertainty and complexity of the legal and regulatory requirements relating to Internet hospitals, we cannot assure you that our Internet hospital operations would not be rendered noncompliant in the future. In order to ensure compliance, we may need to adjust our business and devote significant additional financial resources. Any failure to comply with such laws and regulations, even though we exert commercially reasonable caution and preventive measures, could result in administrative penalties against us which could materially and adversely affects our business, financial condition and results of operations.

Our business operations have been adversely affected by the COVID-19 pandemic.

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, had materially and adversely affected the global and China’s economy. During the outbreak of the COVID-19 pandemic, our business was affected, particularly due to the abrupt and temporary closure of our major office premises for weight management business for nearly two months in 2021 as required by the lockdown measures in respond to the sudden resurgence of the COVID-19 pandemic. See “Financial Information – Impact of COVID-19 Outbreak.”

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Since December 2022, those measures have been revoked or replaced with more flexible measures. However, we cannot assure you that we will not be impacted by COVID-19 in the future. We may also need to take further preventive measures if variants emerge, which may incur additional costs.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations and adversely affect our business, financial condition or results of operations.

In addition to the impact of the COVID-19 pandemic, our business could be adversely affected by the effects of Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome (SARS) or other epidemics. Our business operations could be disrupted if any of our employees is suspected of having contracted Ebola virus disease, H1N1 flu, H7N9 flu, avian flu, SARS or other epidemics, 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 any of these epidemics harms the Chinese and global economy in general.

We are also vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures, technology platform failures or Internet failures, which could cause the loss or corruption of data or malfunction of software or hardware as well as adversely affect our ability to provide products and services through our online platforms.

In addition, our results of operations could be adversely affected to the extent that any health epidemic, natural disaster or other calamity harms the Chinese and global economies in general. Our headquarters are located in Guangzhou, where the majority of our management and employees currently reside. Most of our system hardware and back-up systems are hosted in facilities located in Guangzhou and Wuhan. Consequently, if any natural disasters, health epidemics or other public safety concerns were to affect Guangzhou, our operation may experience material disruption, which may materially and adversely affect our business, financial condition and results of operations.

A severe and prolonged economic downturn may negatively impact customers’ discretionary spending and demand for our products and services, thus adversely affect our results of operations and financial condition.

Our products and services may be considered as discretionary items for customers. Factors affecting the level of customer spending for such discretionary items include general economic conditions and other factors, such as customers’ confidence in future economic conditions, consumer sentiment, the availability and cost of consumer credit, levels of unemployment and tax rates. Unfavorable economic conditions may cause customers to delay or reduce their purchases of our products and services and customers’ demand for our products and services may not grow as we expect. Our sensitivity to economic cycles and any related fluctuations in consumers’ demand for our products and services may have an adverse effect on our business, financial condition and results of operations.

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Our insurance coverage may be inadequate to cover risks related to our business and operations.

We have maintained insurance coverage which includes mandatory social insurance. While our Directors are of the view that the amount of our insurance coverage is in line with the industry practice and is adequate for our operations, it may not be adequate to fully compensate for all kinds of losses we may suffer in the future. For example, we do not carry business interruption insurance to compensate for losses that could occur to the extent not required. We do not maintain key-man insurance, insurance policies covering damages to our network infrastructures or information technology systems, nor any insurance policies for our properties. 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 adversely affected.

We may fail to attract, train, motivate and retain skilled service personnel in a cost-effective manner.

Our professional service personnel mainly includes weight management planner, exercise consultant, nutritionist, psychological counselor, doctor, pharmacist and health butler. As the key to success of our business, we intend to continue to attract and retain skilled professional service personnel to support our weight management and chronic condition management businesses. However, as there is a limited supply of qualified personnel with the necessary experience and expertise, we have to provide competitive compensation and benefits packages to attract and retain talent. We cannot assure you that we will always be able to hire and retain the requisite number of qualified personnel to keep pace with our anticipated growth while maintaining consistent service quality. We may become exposed to the risk of continuous increases in staff expenses along with the growth our business. In addition, we may not always be successful in training our professionals to quickly adapt to technological advances, evolving standards and changing customer needs, and the quality of our services may therefore be severely affected.

Loss of key personnel, strategic partners or failure to effectively manage and motivate our workforce could negatively impact our business, financial condition and results of operations.

We depend on senior management and other key personnel, and the loss of certain personnel could result in the loss of management continuity and institutional knowledge and negatively affect our brand image and goodwill. Changes in factors such as overall unemployment levels, local competition for qualified personnel, prevailing wage rates and employment law, as well as rising employee benefits costs, including insurance in the areas in which we operate, could increase our labor costs and interfere with our ability to adequately retain qualified individuals to provide support to customers.

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Employee misconduct could expose us to significant legal liability and reputational harm.

We operate in an industry in which the trust and confidence of our customers in us is of critical importance. During our daily operations, we are subject to the risks of errors and misconduct by our employees, especially our sales and service teams, which include:

- engaging in improper representations, false advertising, promises of product and service package effects, fraudulent activities or other severe misconducts when marketing or performing services to our customers;
- improperly advising customers to purchase products and service packages, as our employees may be remunerated based on their performance and number of purchasers and thus incentive to boost their performance;
- improperly using or disclosing confidential information of our customers or other parties;
- concealing unauthorized or unsuccessful activities;
- providing unprofessional advice to customers, without obtaining relevant qualification as required by laws, regulations or our internal rules, or in a manner inconsistent to the requirements of laws, regulations or our internal rule; or
- otherwise not complying with applicable laws and regulations or our internal policies or procedures.

If any of our employees engages in illegal or suspicious activities or other misconducts, we could be punished by enforcement agencies, be sued in courts or arbitral tribunals, or suffer serious harm to our reputation, financial condition, customer relationships and ability to attract new customers and even be subject to regulatory sanctions and significant legal liability. If any sanction was imposed against an employee during his employment with us, even for matters unrelated to us, and his ability to perform certain regulated functions at his current employment with us was temporary impaired due to the sanction, we may also be subject to negative publicity from the sanction that would adversely affect our brand, public image and reputation, as well as triggering potential challenges, suspicions, investigations or alleged claims against us. In addition, misconducts by our employees may result in customer complaints. See “Business – Customer Complaints.” It is not always possible to deter misconducts by our employees or senior management during the ongoing operations of our business or uncover any misconducts occurred in their past employment, and the precautions we take to detect and prevent any misconduct may not always be effective. Misconducts by our employees, or even unsubstantiated allegations of misconduct, could result in a material adverse effect on our reputation and our business.

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We may be exposed to intellectual property infringement claims by third parties, which could disrupt our business and cause us to incur substantial legal costs, or damage our reputation.

Although we are not aware of any third-party intellectual property rights that our products and services currently infringe, we cannot assure you that our products and services will not infringe any intellectual property rights held by third parties. We may receive claims of infringement of third parties’ proprietary rights or claims for indemnification resulting from infringement arising from our products and services. Also, we may be unaware of intellectual property registrations or applications relating to our products and services or business operations that may give rise to potential infringement claims against us. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by third parties. We are subject to additional risks as a result of our recent and future acquisitions and the hiring of our current and new employees, especially those that were previously employed by our competitors, who may misappropriate intellectual property from their former employers.

Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our products and services or using technology involving the allegedly infringing intellectual property. Intellectual property litigation is expensive and time-consuming and could divert management’s attention from our business. A successful infringement claim against us could, among other things, require us to pay substantial damages, develop non-infringing technology, or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and cease manufacturing, selling or using products and services that have infringed a third party’s intellectual property rights. Any intellectual property claims or litigation, whether we ultimately win or lose, could damage our reputation and have a material adverse effect on our business, results of operations or financial condition.

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 proprietary copyrights, trademarks, patents and other intellectual property as critical to our success. We rely a combination of patents, copyrights, trademarks, trade secret laws and restrictions on disclosure to protect our proprietary intellectual rights.

We have invested significant resources to develop our own intellectual property. Failure to maintain or protect these rights could harm our business. In addition, any unauthorized use of our intellectual property by third parties may adversely affect our reputation, business and financial condition.

The interpretations of PRC intellectual property laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involves uncertainties. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive. We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of the Latest Practicable Date, we had registered 1,291 trademarks, 31 patents, 6 copyright of works, and 128 software copyrights in China. See “Appendix VII – Statutory and General Information – Further Information about our Business – B. Our Intellectual Property Rights.”

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Despite our efforts to protect our intellectual property, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot assure you that the steps we have taken or will take will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

Our brands, products or services may be subject to counterfeiting, imitation, and/or infringement by third parties, and we may not be able to prevent the existence of counterfeit products or services on the market.

We rely on intellectual property laws in the PRC and other jurisdictions to protect our brands and trademarks. We are actively taking measures to prevent counterfeit products or services and infringement of our intellectual property rights. However, we cannot assure you that such counterfeiting, forgery or imitation of our products or services, trademarks or brands in the market will not occur in the future or, if it does occur, that we will be able to detect or address the problem effectively. Such counterfeit or forged products or services are usually difficult to detect or ban in a timely manner. Any occurrence of counterfeiting or imitation of our products or services or other breaches of our intellectual property rights could adversely affect our reputation and brand name, and lead to the loss of customers' confidence in our brand.

We are dedicated to fight against counterfeit products or services by constantly monitoring various social e-commerce platforms and reporting to the relevant regulatory authorities once we detect any infringements or misappropriations regarding our products or services. Regardless, these efforts may not be sufficient and effective to protect our brand and intellectual property rights, which, in turn, could damage our reputation and customers' perception towards our products' and services' quality as a result. In addition, litigation to prosecute infringements upon our rights in relation to our products and services may be expensive and will divert management's attention as well as other resources away from our business. Moreover, if there are any concerns about the quality of the counterfeit products or services and customers are not fully able to distinguish such counterfeit products or services from ours, our reputation and brand value may be impaired. As a result, our business, financial condition and results of operations may be adversely affected.

If we fail to maintain adequate internal controls, we may not be able to effectively manage our business and may experience errors or information lapses affecting our business.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our risk management and internal control system to meet our evolving business needs. If we are unable to improve our risk management and internal control systems, 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 risk management and internal control systems 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.

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We are subject to anti-corruption and anti-bribery and similar laws, and noncompliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery and similar laws and regulations in various jurisdictions in which we conduct activities. We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. These interactions subject us to an increased level of compliance-related concerns. We have implemented policies and procedures designed to ensure compliance by us and our directors, officers, employees, representatives, consultants, agents and business partners with laws and regulations, including anti-corruption risk management policies, an anti-corruption committee and a whistle-blower mechanism encouraging the internal reporting of suspicious behavior. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Noncompliance with anti-corruption or anti-bribery laws and regulations could subject us to whistleblower complaints, adverse media coverage, investigations and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation.

Our results of operations are subject to seasonal fluctuations.

We have experienced and expect to continue to experience fluctuations in our quarterly results of operations due to the seasonal nature of our business. The sales of our products and service packages are subject to seasonality. We typically experience relatively low sales of our weight management products and services in the first quarter due to the effect of the Chinese New Year holiday. As we continue to grow and expand our business and as the industry we are in continues to evolve, the seasonality of our business is subject to a variety of uncertainties and may change in patterns in the future, and the impact of seasonality on our results of operations may also increase in the future. As a result, comparing our operating results on a period-to-period basis may not be meaningful, and our results of operations may fluctuate from time to time due to seasonality.

We recorded net current liabilities as of December 31, 2021 and 2022 and we may continue to record net current liabilities in the future.

We recorded net current liabilities of RMB93.4 million and RMB67.9 million as of December 31, 2021 and 2022, respectively. Although we recorded net current assets of RMB197.1 million and RMB100.7 million as of December 31, 2020 and April 30, 2023, respectively, we cannot assure you that we will not have net current liabilities in the future. A net current liabilities position exposes us to liquidity risks, and our liquidity position may be materially and adversely affected, which in turn may impact our ability to execute our business strategies and constrain our business operation. In such event, our business, financial condition and results of operations could be materially and adversely affected.

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

We incurred contract liabilities of RMB48.7 million, RMB29.9 million, RMB51.0 million and RMB125.0 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. Our contract liabilities represent the advances received from customers arising from sales orders of both weight management business and chronic condition management business before the performance obligations are satisfied. See “Financial Information – Discussion of Certain Key Balance Sheet Items – Contract Liabilities.” If we fail to fulfill such performance obligations, our customers may require us to refund, which may adversely affect our cash flow and our ability to meet our working capital requirements, and in turn cause our business, financial condition and results of operations to be materially and adversely affected. In addition, if we fail to fulfill our performance obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations.

We are subject to various risks relating to third-party payment applications and services.

We accept a variety of payment methods including WeChat Pay and Alipay through third-party payment services. We pay service fees for such payment services, which may increase over time and raise our operating costs. We may also be subject to fraud, security breaches and other illegal activities in connection with the various payment methods we offer. If any of these happens, we may be subject to fines or higher service fees for these payment services, and our business, financial condition and results of operations may be materially and adversely affected.

We received government grants during the Track Record Period, and any significant reduction of government grants offered to us may adversely affect our financial condition and results of operations.

During the Track Record Period, we received government grants from local government authorities in connection with the enterprise development support, fiscal subsidy and various tax incentive. In 2020, 2021 and 2022, we recognized government grants of RMB9.5 million, RMB6.0 million and RMB11.5 million as other income, respectively. We cannot assure you that we will continue to receive such government grants or that the amount of such grants will not be reduced in the future. Any significant reduction of government grants received by us may adversely affect our financial condition and results of operations.

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If our preferential tax treatment becomes unavailable or if the calculation of our tax liability is challenged by the PRC tax authorities, our results of operations may be adversely affected.

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies. During the Track Record Period, our subsidiaries accredited as “High-tech Enterprise” or located in the western regions and engaged in the encouraged industrial activities were eligible for a preferential EIT rate of 15%. In addition, our subsidiaries in Kashi Economic Development Zone enjoyed a five-year tax exemption and a five-year special tax benefit, which reduces the income tax rate of these subsidiaries to nil in the first five-year term and 9% in the second five-year term. Our subsidiaries in Tibet and subsidiaries qualified as small-scale and low profit enterprises also enjoyed relevant preferential tax treatment. See Note 13 to the Accountants’ Report in Appendix I to this document for details. However, we cannot assure you that the calculation of our tax liability with regard to our preferential tax treatments will not be challenged by the PRC tax authorities, and we will continue to enjoy similar preferential tax treatment in the future. The PRC Enterprise Income Tax Law and its implementation rules have adopted a flat statutory enterprise income tax rate of 25% to all enterprises in China (if not entitled to any preferential tax treatment). If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations.

Our Level 3 assets are subject to uncertainties in accounting estimates, and fluctuations in the changes in fair value of these assets or liabilities would affect our financial results.

Financial assets at FVTOCI are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. As of December 31, 2020, 2021 and 2022, we had Level 3 assets in equity instrument of RMB6.0 million, RMB29.9 million and RMB29.9 million, respectively. See Note 39(c) to the Accountants’ Report in Appendix I to this document. If the fair value of our Level 3 assets were to fluctuate or decline, our business, financial condition and results of operations could be adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in economic, political and social conditions, as well as policies of the PRC government, could have a material adverse effect on our business and prospects.

During the Track Record Period, we generated substantially all of our revenue in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in China. Generally, the PRC government regulates the economy and related industries by imposing industrial policies and regulating the PRC’s macro-economy through fiscal and monetary policies. In the past decades, the PRC government has taken various measures to promote the market economy and the

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establishment of sound corporate governance in business entities. The PRC government also exerts significant influence over China’s economic growth through strategically allocating resources, controlling payment obligations in foreign currencies, setting monetary policies and providing preferential treatment to particular industries or companies. While the PRC economy has experienced significant growth over the past decades, the growth rate of the PRC economy gradually slowed as it experienced the impact of the COVID-19 pandemic in 2020 and 2021, and such impact may still persist. It may be difficult for us to predict all the risks and uncertainties that we may face as a result of the current economic, political, social and regulatory developments, and any prolonged slowdown in the growth of the PRC economy may reduce customer demand for our products and services and materially and adversely affect our business and results of operations. Furthermore, any major changes in the policies of the PRC government or in the laws and regulations in China could have a material impact on the overall economic growth of China.

Deterioration in political conditions and abrupt changes may also adversely affect our business, results of operations and financial condition. There have been concerns about the relationship between China and other 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. The ongoing conflict between Russia and Ukraine may also affect the macroeconomy of China or bring about sanctions to certain associated entities. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on global political and economic conditions in the long term.

The PRC legal system is evolving, which leads to uncertainties that could adversely affect us.

Our operations are principally governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. The legislation in China and the PRC legal system has continued to evolve rapidly over the past decades and the PRC government has made significant progress in promulgating laws and regulations related to economic affairs and matters. For example, such laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, many of these laws and regulations are relatively new and there is a limited volume of published decisions and enactments. In particular, there exist substantial uncertainties surrounding the evolution, interpretation and enforcement of regulatory requirements of cybersecurity, data security, privacy protection as well as anti-monopoly, and we may need to take certain corresponding measures to maintain our regulatory compliance, such as adjusting the relevant business or transactions and introducing compliance experts and talents, which may incur additional related costs and adverse impact on our business. As a result, the interpretations of many laws, regulations and rules are not always uniform, and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal

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protections available to us. Therefore, there are uncertainties involved in their implementation and interpretation, and it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available to you and us.

Such uncertainties, including uncertainty regarding the scope and effect of our contracts, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China, could materially and adversely affect our business and impede our ability to continue business operations.

The PRC government’s control over foreign currency conversion may limit our foreign exchange transactions, including dividend payment to holders of our H Shares.

Currently, Renminbi still cannot be freely converted into any foreign currencies, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. A portion of our revenue 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. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. The value of Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in political and economic conditions in China and internationally and the fiscal and foreign exchange policies prescribed by the PRC government. Any devaluation of Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currencies.

Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following the completion of the [REDACTED], do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved, registered or filed in advance by SAFE in certain cases.

Under existing foreign exchange regulations, following completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will be continuously effective in the future. In addition, due to restrictions resulting from government foreign exchange regulations, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to holders of our H Shares or to satisfy any other foreign exchange requirements.

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Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profit. Our distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which could significantly affect the amount of capital available to support the development and growth of our business.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or *vice versa*. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to distribute dividends to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

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

We are incorporated under the laws of the PRC and all of our business and operations are located in the PRC. In addition, almost all of our directors, supervisors and officers reside in the PRC and substantially all of their assets are located in the PRC. It may be difficult for investors to effect service of process upon those persons residing in China or to enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or even impossible.

On July 14, 2006, the Supreme People’s Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people’s court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant

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people’s court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement remains uncertain.

On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**New Arrangement**”). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as at the Latest Practicable Date, the New Arrangement has not become effective, and no specific date has been determined as its effective date. We cannot assure you that any action brought in China by holders of H Shares to enforce a Hong Kong arbitration award made in favor of holders of H Shares would succeed.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the [REDACTED] of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeover Code does not have the force of law and provide only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

Disputes between holders of H Shares and us, our Directors, Supervisors, senior officers or holders of non-[REDACTED] 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 H 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 in China. 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 China by any holder of H Shares to enforce a Hong Kong arbitral award made in favor of holders of H Shares would succeed.

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Holders of H Shares may be subject to PRC taxation.

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from the PRC and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements and that the number of stockholders is large for a listed company, to simplify the tax administration, generally a domestic non-foreign-investment enterprise with shares listed in Hong Kong can withhold dividend income tax at a rate of 10%. There remains uncertainty as to whether gains realized by non-PRC resident individuals on disposition of H Shares are subject to PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and other applicable PRC tax rules and regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

There remains substantial uncertainty as to the interpretation and implementation of the PRC EIT Law and other applicable PRC tax rules and regulations by the PRC tax authorities, including whether and how non-PRC resident H shareholders are subject to enterprise income tax rates on gains realized upon the sale or other dispositions of their H shares. In addition, the value of your investment in our H Shares may be materially affected by unfavorable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

See “Appendix III – Taxation and Foreign Exchange.”

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, and their liquidity and market price may be volatile.

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the

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[REDACTED] and us, and may not be an indication of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares could be materially and adversely affected.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade.

In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before [REDACTED] 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 [REDACTED] on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or [REDACTED] in our H Shares during that period. The price and trading volume of the H Shares may be highly volatile. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for other weight management and wellness companies could cause the market price of our H Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our H Shares will trade. We cannot assure you that these developments will not occur in the future. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before [REDACTED] begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time [REDACTED] begins.

Substantial future sales or the expectation of substantial sales of our H Shares in the public market could cause the price of our H Shares to decline.

Although our Controlling Shareholders are subject to restrictions on their sales of H Shares within 12 months from the [REDACTED] as described in “[REDACTED]” in this document, future sales of a significant number of our H Shares by our Controlling Shareholders or other existing shareholders in the public market after the [REDACTED], or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our H Shares. We cannot assure you that our Controlling Shareholders, or other existing shareholders, will not dispose of H Shares held by them or that we will not issue H Shares pursuant to the general mandate to issue shares granted to our Directors as described in “Appendix V – Summary of

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Principal Legal and Regulatory Provisions” to this document upon the expiration of restrictions set out above. We are currently applying for part of the Company’s Domestic Shares to circulate on the Hong Kong Stock Exchange after the completion of the [REDACTED]. According to the Company Law, the Shares issued by the Company prior to the [REDACTED] are restricted from trading within one year from the [REDACTED]. Such restriction from trading will limit the number of H Shares to be circulated on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant Domestic Shares on the Hong Kong Stock Exchange after the completion of the [REDACTED] is successful, any future sales (after the expiration of the restrictions set out above) of Domestic Shares by relevant Shareholders in the public market may affect the market price of the H Shares. Moreover, if we convert a substantial number of domestic shares into H shares to be [REDACTED] and traded in the future at the Stock Exchange of Hong Kong, it may further increase the supply of the H shares in the market, which may affect the market price of the H Shares. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders or other existing Shareholders, or the Shares available for sale by our Controlling Shareholders or other existing Shareholders, or the issuance of Shares by the Company may have on the market price of the H Shares. Sale or issuance of a substantial number of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the H Shares.

We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [REDACTED] from the [REDACTED], we may require additional cash resources to finance our continued growth or other future developments. To the extent that we raise additional capital through equity or exchangeable equity-linked loan, the value of your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our Shares. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

As the [REDACTED] of our H Shares is higher than our 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], purchasers of our H Shares in the [REDACTED] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible asset value per Share of their H Shares. In addition, holders of our H Shares may experience further dilution of their interest if we issue additional H Shares in the future to raise additional capital.

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We cannot assure you whether and when we will declare and pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including, but not limited to, our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See “Financial Information – Dividends.”

Certain statistics contained in this document are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain statistics contained in this document relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this document, however, we cannot assure you of the quality or reliability of such source materials. They have not been prepared or independently verified by us, the [REDACTED] or any of their respective affiliates or advisors (excluding Frost & Sullivan) and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue” and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those

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assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

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

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