

RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your [REDACTED].

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

Risks Related to Our Business and Industry

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

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

- The level of competition in the specialty pharmacy industry is high. Our out-of-hospital pharmacy business faces intense competition from local, regional and national companies, including pharmacy chains, independent pharmacies and various other competitors, such as online and omni-channel pharmacies, some of which are aggressively expanding in markets we serve and may have greater financial, technical, research and development, marketing, distribution, retail and other resources than we do. As competition increases in the markets in which we operate, a significant increase in general pricing pressures could occur, which could require us to reevaluate our pricing structures to remain competitive.
- Markets of insurance services and marketing services to pharmaceutical companies are highly competitive, too. We face intense competition from emerging healthcare solution providers, traditional healthcare IT service companies, health management providers and general technology companies in the healthcare and insurance sectors. Some of these competitors may have longer operating histories, more operating experience, more established brand names, larger customer base and greater financial, technical and marketing resources than we do, and in turn may have an advantage in attracting and retaining customers. Meanwhile, large technology companies with substantial resources, technical expertise and greater brand power could enter or further expand in the markets where we operate to compete with us. If we fail to compete effectively, demand for our services may go down and might not be able to expand as planned, which could result in a material and adverse impact on our results of operations, financial condition and growth prospects.

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

- maintain and develop our relationship with public health organizations to continue to enable direct settlement by the social health insurance system of the medical bills processed through *Yuanxin Pharmacy* (圓心藥房);
- develop and maintain relationships with our existing customers and attract new customers;

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- innovate and adapt our services and solutions to meet evolving needs of current and potential customers;
- enhance and maintain the value of our brand;
- navigate an evolving regulatory environment;
- develop and launch diversified and distinguishable products to effectively address the needs of our customers by collaborating with third-party insurers;
- attract more commercial insurers or deepen our connection with the social health insurance system;
- grow our customer base and enhance our customer engagement in a cost-efficient manner;
- develop or implement additional strategic initiatives to further enhance monetization;
- adopt new technologies or adapt our information infrastructure to changing customer requirements or emerging industry standards;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- maintain our corporate culture and continue to attract, retain and motivate talented employees; and
- defend ourselves against litigation, regulatory interference, claims concerning intellectual property, privacy or other aspects of our business.

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

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

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

The medical bills processed partially through *Yuanxin Pharmacy* are able to be directly settled by the social health insurance system in China. In 2023, 2024 and 2025, our sales settled by the social health insurance system amounted to RMB878.9 million, RMB1,392.9 million and RMB1,718.3 million, respectively. However, there is no assurance that these public health organizations, such as municipal medical insurance bureaus, will continue to cooperate with us at the current levels or at all in the future. If we fail to collaborate with any of these public health organizations, and we are not able to identify new ones in a timely manner, our business, financial condition and results of operations may be adversely affected. In addition, there is no assurance that

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the public health organizations will not negotiate for more favorable terms for them in the future. Under such circumstances, we may have to agree to less favorable terms so as to maintain our ongoing cooperative relationships with the public health organizations, which may weaken our capability to enable direct settlement by the social health insurance system, and increase our costs of customer acquisition. Our profitability, results of operations and financial condition may, therefore, be materially and adversely affected.

According to the Interim Measures for the Management of Medical Insurance in Designated Retail Pharmacies (零售藥店醫療保障定點管理暫行辦法) and the Interim Measures for the Management of Medical Insurance in Designated Medical Institutions (《醫療機構醫療保障定點管理暫行辦法》), our pharmacies and medical institutions have entered into the relevant medical insurance service agreements with public health organizations to enable direct settlement of medical expenses for patient customers. Failure of such direct settlement may prevent us from exercising corresponding rights under applicable laws. If the applicable regulatory eligibility requirements are tightened, or if such agreements are not renewed, or are renewed on terms less favorable to us, our ability to facilitate direct settlement may be restricted or impaired, which could adversely affect the performance of our specialty pharmacy services and, in turn, materially and adversely affect our business, financial condition and results of operations.

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

Due to the complex nature of our business, we are subject to multiple legal and regulatory requirements in the PRC, including those governing our pharmacy and insurance services. Any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

Sales of pharmaceutical and healthcare products are heavily regulated by various government authorities. Applicable laws and regulations govern, among other things, pricing, demand, distribution, drug procurement, prescription and dispensing pharmacy practices, government healthcare funding, and inclusion in national insurance catalogs issued by relevant authorities, such as the National Healthcare Security Administration and the Ministry of Human Resources and Social Security of the PRC. Any unfavorable regulatory changes may increase our compliance costs and operational burden and adversely affect our business, financial condition and results of operations.

In addition, the regulations of both the internet industry and its internet healthcare sector are evolving, and their interpretation and enforcement practices may change over time. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed in violation of applicable laws and regulations, which may materially and adversely affect our business prospects. Future changes in applicable laws may require us to modify our business practices at significant costs, which may materially and adversely affect our financial condition and results of operations.

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

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

We operate in the emerging and dynamic innovative drug commercialization service markets in China. These markets are relatively new and it is uncertain whether such industries would achieve and sustain high levels of demand, consumer acceptance and market reaction. Our total revenues increased from RMB9,737.3 million in 2023 to RMB10,204.6 million in 2024 and further to RMB10,376.7 million in 2025.

Although our business has grown steadily during the Track Record Period, due to our limited operating history, our historical growth and past revenues may not be indicative of our future performance. In addition, we cannot assure you that we can successfully continue to implement our business strategies. As the market and our business develop, we may modify our products and services. These changes may not achieve expected results and may have a material and adverse impact on our results of operations and financial condition. We cannot assure you that we will be able to achieve similar results or grow at the same rate as we had in the past or at all. Rather than relying on our historical operating and financial results to evaluate us, you should consider our business prospects in light of the risks and difficulties we may encounter as an early stage company operating in emerging and dynamic industries, including, among other things, our ability to attract and retain customers, our ability to create value for participants in our ecosystem and increase monetization, our ability to navigate an evolving regulatory environment, our ability to provide high-quality products and satisfactory services, build up our reputation and promote our brand, and our ability to anticipate and adapt to changing market conditions. We may not be able to successfully address these risks and difficulties, which could significantly harm our business, results of operations and financial condition.

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

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

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

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

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

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

If we fail to address, among other things, any of the foregoing challenges, customers may become frustrated by or dissatisfied with our services and products, and may leave our services without making purchases, and existing customers may discontinue using our services and products. As a result, our business, results of operations and financial condition could be materially and adversely affected. Any loss of trust in our services could harm the value of our brand and reputation, and result in participants ceasing to utilize our services as well as reducing their stickiness of and engagement to our services, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, there can be no assurance that our brand promotion efforts would be effective. Such efforts may be expensive, which may, in turn, materially and adversely affect our financial condition and results of operations.

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

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

- inability to successfully execute effective marketing and promotional programs necessary to maintain and increase awareness of our brand and products, to the extent permitted by applicable PRC laws and regulations;
- failure to ensure that our marketing activities comply with the applicable PRC laws and regulations;
- failure to implement effective pricing and other strategies in response to market competition;
- inability to respond to changes in demand and preferences of our patient customers in a timely manner;

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- inability to stock an adequate supply of pharmaceutical and healthcare products that meet the demand of our patient customers;
- our inability to obtain and maintain regulatory or governmental permits, approvals and clearances, or to pass PRC government inspections or audits; and
- the risk of, and resulting liability from, any contamination, injury or other harm caused by any use, misuse or misdiagnosis involving products sold or healthcare services provided by us.

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

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

Sale of prescription drugs is subject to stringent scrutiny, which may expose us to risks and challenges. In particular, under the Measures for Supervision and Management of the Quality of Drug Operation and Use (《藥品經營和使用質量監督管理辦法》) promulgated by the SAMR in 2023, a company is prohibited from either selling prescription drugs to consumers without prescription or offering gifts of prescription drugs directly or in disguised form as accompanying other drugs or goods purchased to the public. A company in violation of such prohibitions shall be instructed to rectify, imposed a fine of no less than RMB5,000 but no more than RMB50,000 on the company that fails to make corrections within a prescribed time limit, and shall be imposed a fine of no less than RMB50,000 but no more than RMB200,000 if harmful consequences are caused. The newly revised Drug Administration Law of the People’s Republic of China, or the Drug Administration Law, abolishes the restriction on online sale of prescription drugs and adopts the principle of keeping online and offline sales consistent. In August 2022, the SAMR issued the Measures for the Supervision and Administration of Online Drugs Sales (《藥品網路銷售監督管理辦法》), or the Measures, aiming to enhance the supervision of online pharmaceutical sales and related platform services, provide specific and explicit rules for the online sales of prescription drugs, which is perceived to be more conducive to online prescription drug sellers including us, but also presents challenges for us to be in compliance. On April 7, 2021, the General Office of the State Council issued the Opinions on Serving the “Six Stables” and “Six Safeguards” and Further Doing a Good Job in the Reform of “Delegating Power, Delegating Regulation and Serving Public” (《關於服務“六穩”“六保”進一步做好“放管服”改革有關工作的意見》) which allow online sales of prescription drugs other than those under special state control on the premise of ensuring the authenticity and reliability of the electronic prescription sources. We will closely monitor and assess the trajectory of the rule-making process.

We cannot assure you that our scrutiny measures and mechanism will be effective or sufficient. Such measures may not be able to detect prescriptions abuse or fraudulent orders effectively and timely. As the methods used to bypass or cheat our scrutiny measures may change frequently and may not be recognized until they succeed, we may be unable to anticipate these methods or to implement adequate preventative measures. Failure to effectively screen the sale of prescription drugs could expose us to liability under PRC laws and regulations, which may incur significant liability and our business, financial condition and results of operations could be materially and adversely affected.

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

We source the pharmaceutical and healthcare products we sell from reputable suppliers, primarily pharmaceutical and healthcare products manufacturers or their sales agents. Our business, results of operations, financial condition and prospects could be materially and adversely impacted

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if (i) we are unable to continue sourcing sufficient volumes of quality pharmaceutical and healthcare products from our current suppliers or (ii) our suppliers fail to supply sufficient quantities of pharmaceutical and healthcare products on time or supply products that do not meet the relevant quality standards. In addition, as the scale of our business continues to grow, there can be no assurance that we will be able to expand our sourcing network to include new suppliers on reasonable terms and prices.

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

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

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

Furthermore, our ability to locate qualified, economically stable suppliers who satisfy our requirements, and to acquire sufficient products in a timely and effective manner, is critical to ensuring, among other things, that patient customer confidence is not diminished. Any failure to develop sourcing relationships with a broad and deep supplier base could adversely affect our operating results and erode patient customer loyalty. Particularly, we source pharmaceutical and medical products from a limited number of major suppliers. Any termination or modification of our existing major supplier relationships could disrupt the availability of drug offerings on our online pharmacy and offline pharmacies network. Should a supplier lose its qualification or eligibility due to regulatory issues or if the quality pharmaceutical and medical products provided deteriorates, we may struggle to secure alternative suppliers promptly, or at all, potentially leading to supply delays. Failure to identify on a timely basis and obtain approval for replacement suppliers could materially impair our financial condition and results of operations.

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

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

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

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

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

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

Our inventories have decreased from RMB763.0 million as of December 31, 2023 to RMB704.6 million as of December 31, 2024 and increased to RMB789.9 million as of December 31, 2025. Our inventory turnover days were 32 days in 2023, 28 days in 2024, and 29 days in 2025. Inventory levels in excess of customer demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. As we plan to continue expanding our product offerings, we expect to include more products in our inventory, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system.

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

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

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

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

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

New brand name drugs can result in increased drug utilization and associated sales, while the introduction of lower priced generic alternatives typically results in relatively lower sales, but relatively higher gross profit margins. Accordingly, a decrease in the number or magnitude of significant new brand name drugs or generics successfully introduced, delays in their introduction, or a decrease in the utilization of previously introduced prescription and innovative drugs, could materially and adversely affect our results of operations.

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

Furthermore, we offer complex and high-cost medications with a focus on five specialty areas including oncology, hematology, immunology, neurology and infectious diseases. Many of such medications are made available by manufacturers to a limited number of pharmacies (so-called limited distribution drugs) that serve a relatively limited universe of patients, the future growth of the specialty pharmacy services depends largely upon expanding our access to key drugs and penetration in certain treatment categories. Any contraction of our base of patients or reduction in

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demand for the prescriptions we currently dispense could have an adverse effect on our specialty pharmacy business, operating results and cash flows. In addition, pharmacies are selected to sell limited distribution drugs based on their expertise and ability to manage and dispense high-maintenance medications and ultimately offer optimal patient outcomes. In the event that we fail to meet the criteria to be selected to sell limited distribution drugs, our pharmacy business and results of operations might be negatively affected.

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

According to the Notice of the General Office of the State Council on Issuance of the Pilot Plan Regarding the Centralized Procurement and Use of Drugs Organized by the State (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》) and the Implementation Opinions on Region Expansion of the Organization of Centralized Procurement and Use of Drugs by the State (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》), the State planned to organize centralized procurement and use of certain types of pilot drugs to lower drug price, reduce the burden on patients of drug costs, and lower the transaction costs of pharmaceutical enterprises. In 2021, the General Office of the State Council further published an updated policy Opinion on Promoting the Normalization and Institutionalization of Centralized Volume-Based Procurement of Drugs (《國務院辦公廳關於推動藥品集中帶量採購工作常態化制度化開展的意見》) to solidify the centralized procurement scheme. In December 2024, the National Healthcare Security Administration and other relevant authorities further issued the Notice on Improving the Mechanism for Centralized Volume-Based Procurement of Pharmaceuticals and Its Implementation (《關於完善醫藥集中帶量採購和執行工作機制的通知》), which further refines the centralized procurement and implementation mechanisms, guide medical institutions and pharmaceutical enterprises to comply with and support the centralized procurement framework, and consolidate the reform outcomes. Although such policies may lower the transaction costs of the pharmaceutical enterprises and increase the amount of drugs purchased, they may also reduce the sales prices of drugs sold in our offline and online pharmacies, resulting in decrease of our sales revenue as well as other financial metrics.

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

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

Product liability or personal injury claims may be asserted against us with respect to any of the products or pharmaceuticals we sell or services we provide. Should a product or other liability issue arise and if we are unable to defend ourselves against such claims, among other things, we may be subject to civil liabilities for physical injury, death or other losses caused by our products, to criminal liabilities, and to the revocation of our business licenses or relevant permits. In addition, we may be required to suspend sales or cease sales of the relevant products.

Any product liability or personal injury claims made against us could cause negative publicity, impairment of patient customers’ confidence in us, significant decrease in sale volume and may result in fines and penalties from regulatory authorities. Any claims made against us that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us and divert the attention of our management team from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation. In the event that such product liability claims are attributable to our suppliers, there can be no assurance that we will obtain full indemnification from them. Even if we do, our reputation may still be severely impaired.

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We may incur liability or become subject to administrative penalties for counterfeit, substandard or unauthorized products sold by us, or for products sold by us that infringe on third-party intellectual property rights, or for other misconduct.

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

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

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

Pursuant to the Notice Regarding the Opinion on Facilitating the Pharmaceutical Pricing Reform (《關於印發推進藥品價格改革意見的通知》), the price ceilings imposed by the PRC government on pharmaceutical products other than narcotic and Class I psychotropic drugs were lifted on June 1, 2015, and these products would be subject to a more market-based pricing system adopted by medical insurance bureaus and relevant authorities. After the lifting of government price regulations on pharmaceutical products, the prices of prescription drugs in public hospitals in China had been mainly determined by the centralized tender process and the prices of OTC drugs in China had been determined by arm’s-length, commercial negotiation and market factors such as brand recognition, market competition and consumer demand. There is, however, no assurance that the application of the more market-based pricing system will result in a higher product pricing compared to the government-controlled pricing, as removing of price regulations may not necessarily bring price inflation, and may in turn stimulate market competition. Competition from public hospitals or other retailers and wholesalers, particularly those offering same products but with lower prices, may force us to lower our sales prices to the previous government-regulated price levels. Consequently, our profitability may suffer and our business, financial condition and results of operations may also be materially and adversely affected.

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

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

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

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

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

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

We have adopted shipping policies that do not necessarily pass the full cost of shipping on to our patient customers. We have also adopted policies that permit the return and exchange of certain of our products in certain circumstances for specified reasons. We may also be required by law to adopt new or amend existing return and exchange policies from time to time. These policies subject us to additional costs and expenses which we may not recoup through increased revenue. Our ability to handle a large volume of returns is unproven. If we revise these policies to reduce our costs and expenses, our patient customers may be dissatisfied, which may result in loss of existing patient customers or failure to acquire patient customers at a desirable pace, which may materially and adversely affect our results of operations.

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

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

Our relationship with our partners, including insurance companies and local authorities, is crucial to our success of our insurance services. Our arrangements with our insurer partners are typically not exclusive, and they may have similar arrangements with our competitors. If our insurer partners are dissatisfied with our services or find us ineffective in enhancing their profitability or brand image, they may terminate their relationships with us and decide to cooperate with our competitors. On the other hand, *Huiminbao* products can function properly if we can have relevant support from local authorities, which is subject to regulation and policy requirements.

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

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

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

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

We had incurred net losses during the Track Record Period.

During the Track Record Period, we had experienced net losses. For the years ended December 31, 2023, 2024 and 2025, we had a net loss of RMB719.0 million, RMB1,094.1 million and RMB400.9 million, respectively. We also incurred net losses prior to the Track Record Period. After the completion of the [REDACTED], we may incur additional compliance, accounting and other expenses that we did not incur as a private company. If our revenue does not grow at a greater rate than our expenses, we may not be able to achieve and maintain profitability. We may incur considerable losses in the future for various reasons, many of which may be beyond our control. If we are unable to achieve or sustain profitability, our share price may decrease significantly. Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected and we may not be able to achieve or maintain profitability.

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A significant decrease in our liquidity level, or potential lack of access to external funding may adversely affect our business and liquidity and financial conditions.

Maintaining adequate liquidity is crucial to our business operations as we continue to expand business. We meet our liquidity needs primarily through cash generated from our operating activities and equity financing. A reduction in our liquidity level could reduce the confidence of our customers or suppliers in us, which may result in a loss of business and customers.

Factors that may adversely affect our liquidity position include, among others, excessive inventory write-downs, delayed settlement of our trade and bills receivables, failure to fulfill our obligations with respect to contract liabilities. We may need to seek further financing or sell assets to meet our liquidity needs. During periods of adverse market conditions, potential sources of external financing could be limited or unavailable at all, and our financing costs could increase. In the event that we determine that our cash requirements exceed our cash on hand, we may seek to issue debt or equity securities or obtain a credit facility. We cannot assure you that we would be able to obtain debt or equity financing on favorable terms, or at all. In addition, any issuance of equity or equity-linked securities could dilute our shareholders, while any incurrence of indebtedness could increase our debt obligations and cause us to be subject to restrictive operating and finance covenants. As a result, we may face liquidity issues and our business, financial condition and results of operations may be materially and adversely affected.

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

We recorded net operating cash outflows of RMB347.0 million for the year ended December 31, 2023, and net operating cash inflows of RMB42.7 million and RMB138.2 million for the years ended 2024 and 2025, respectively. As our operation efficiency and business performance improved, cash flow from our operations turned positive during the Track Record Period.

We cannot assure you that we will be able to generate net profits or continue to generate positive cash flow from operating activities in the future. Our ability to achieve positive cash flow from operating activities depends in large part on our ability to continue improving our operating efficiency and effectively manage our working capital, including accounts receivable, inventory and accounts payable. We intend to continue improving our operating efficiency and strengthening our working capital management, but there can be no assurance that we will achieve this goal, and we may continue to experience negative cash flow from operating activities in the future.

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

Our trade and bills receivables primarily consist of outstanding amounts payable by third parties. Our total trade and bills receivables decreased by 5.6% from RMB963.0 million as of December 31, 2023 to RMB909.2 million as of December 31, 2024, and further decreased by 2.3% to RMB888.1 million as of December 31, 2025. Our trading terms with customers are partially on credit. The credit period is generally from 30 to 90 days. Trade receivables are generally settled in accordance with the terms of the respective contracts. Our trade and bills receivables turnover days were 35 days, 33 days and 32 days in 2023, 2024 and 2025, respectively.

Credit risk for trade and bills receivables arises when our customers default on their contractual obligations resulting in financial losses to our Company. To minimize the credit risk, our management has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, we use an internal credit evaluation mechanism to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each of our customers before entering into agreements or extending credit terms, neither can we guarantee that each of these customers will be able to strictly

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follow and enforce the payment schedules provided in the agreements. Any inability of our customers to pay us in a timely manner may adversely affect our liquidity and cash flows, which in turn has a material adverse effect on our business operations and financial condition.

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

We record goodwill primarily in connection with acquisitions. Our goodwill decreased by 4.0% from RMB414.3 million as of December 31, 2023 to RMB397.9 million as of December 31, 2024 and further decreased by 3.7% to RMB383.3 million as of December 31, 2025.

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

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

Our other intangible assets primarily represent software, licenses, brand and customer relationships arising from previous acquisitions of certain subsidiaries. Our other intangible assets decreased from RMB679.3 million as of December 31, 2023 to RMB403.3 million as of December 31, 2024, and further to RMB312.3 million as of December 31, 2025.

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

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

Our contract liabilities primarily include advance payment of pharmaceutical products. Our contract liabilities increased by 60.2% from RMB104.5 million as of December 31, 2023 to RMB167.5 million as of December 31, 2024, then decreased by 21.6% to RMB131.2 million as of December 31, 2025.

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

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

Fluctuation of fair value change of our current financial assets at fair value through profit or loss, which primarily consist of the wealth management products we purchased, may affect our results of operations. We made investments in wealth management products during the Track Record Period and recorded a fair value of wealth management products of RMB83.7 million, RMB23.9 million and RMB61.4 million as of December 31, 2023, 2024 and 2025, respectively. The wealth management products we purchased were issued by major and reputable commercial banks without guaranteed returns. The expected rates of return for such wealth management products held by us as of December 31, 2025 range from approximately 0.93% to 2.04%.

A portion of our financial assets at fair value through profit or loss also includes unlisted equity and fund investments. As of December 31, 2023, 2024 and 2025, we recorded RMB25.0 million, RMB25.0 million and RMB35.4 million of unlisted equity and fund investments, respectively.

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

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

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

During the Track Record Period, we recorded investments in joint ventures and associates of RMB125.0 million, RMB144.9 million and RMB166.7 million as of December 31, 2023, 2024 and 2025, respectively. We may invest in additional joint ventures or associates in the future. However, investment in a joint venture or associate is not as liquid as compared with other types of investments, which may affect our results of operations. In addition, our results of operations might be affected by the results of any joint venture or associate we invest in, and typically there is no cash flow to us until dividends are received, although the profit is recorded under the equity method of accounting. Furthermore, our joint venture partners, as well as any future partners, may have interests that are different from ours which may result in conflicting views as to the conduct of the business of the joint venture. In the event that we have a disagreement with a joint venture partner as to the resolution of a particular issue of the joint venture, or as to the management or operations of the business of the joint venture in general, we may not be able to resolve such disagreement in our favor and such disagreement could have a material adverse effect on our interest in the joint venture or the business of the joint venture in general.

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

Our current prepayments, other receivables and other assets include prepayments, purchase rebate, value-added tax recoverable and advances to employees. Our current prepayments, other receivables and other assets increased by 14.6% from RMB537.1 million as of December 31, 2023 to RMB615.5 million as of December 31, 2024, and then decreased by 4.9% from RMB615.5 million as of December 31, 2024 to RMB585.2 million as of December 31, 2025.

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

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

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

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

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

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

We face risks of medical liability claims against our in-house physicians, external physicians and us in connection with our online healthcare services. In particular, our in-house physicians and external physicians that we partner with, may provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice, which could subject us to medical liability claims. Although we carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful medical liability claims could result in substantial damage awards that may exceed the limits of our insurance coverage. We carry professional liability insurance for our in-house physicians and external physicians in relation to the provision of online healthcare services. See “Business – Insurance.” Professional liability insurance premiums may increase significantly in the future, particularly as we expand our services. As a result, adequate professional liability insurance may not be available to our in-house and external physicians or us in the future on commercially acceptable terms, or at all.

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

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

Our business is subject to governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the MOFCOM, the MIIT, National Medical Products Administration, or the NMPA, National Health Commission, or the NHC, the SAMR, the Cyberspace Administration of China, or the CAC, National Financial Regulatory Administration, or the NFRA, and their corresponding local regulatory authorities. Such government authorities promulgate and enforce laws and regulations that cover a variety of business activities that our operations concern, such as provision of internet information, online healthcare services, online and offline retail, sales and online operation of pharmaceutical and healthcare products, sales of food, internet advertisement, and insurance brokerage, among other things. These regulations in general

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regulate the entry into, the permitted scope of, as well as approvals, licenses, permits, filings and registrations for, the relevant business activities. In the opinion of our PRC Legal Adviser, we had obtained material licenses and certificates that are material to our operations in all material aspects as of the Latest Practicable Date. See “Business – Licenses, Approvals and Permits” for a summary of the material licenses, approvals and permits we have obtained.

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

Moreover, our online healthcare services are subject to governmental supervision and regulation relating to both general medical institution and internet hospital. In particular, according to the Measures for the Administration of Internet Diagnosis and Treatment (Trial) by the NHC on July 17, 2018, internet-based diagnosis services shall only provide re-diagnoses service after confirming that the patients have been diagnosed with one or more types of such common or chronic diseases in physical medical institutions. In addition, pursuant to the Administrative Regulations on Medical Institutions and its implementation rules, and the Measures for the Administration of Internet Diagnosis and Treatment (Trial), medical institutions including internet hospitals shall carry out diagnosis and treatment activities according to the approved and registered medical subjects. We believe we are compliant with the existing applicable laws and regulations in all material respects. However, it remains uncertain that our online healthcare services are and will be in full compliance with the relevant laws and regulations, which are evolving and subject to changes. In addition, we have established and implemented policies to manage the behaviors of our physicians and patients to comply with applicable laws and regulations, but we cannot assure you that the practice of our physicians and the patients will follow these requirements under such policy. Any failure to comply with such laws and regulations or any misconduct or even fraud of our physicians and patients could result in administrative penalties against us which could materially and adversely affects our business, results of operations, financial condition and prospects.

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

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

The practice of physicians is strictly regulated under PRC laws, rules and regulations. Physicians who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses. Under applicable PRC regulations, a physician shall register the medical institutions where the physician practices on their licenses with the relevant authorities in the PRC (the “**Medical Institution Registration**”). In addition, a physician is allowed to practice

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in multiple institutions if the physician has filed with the competent health administration authorities or conducted other filing procedures as required by applicable laws and regulations (the “**Multi-site Practice Filing**”). If a medical institution allows a physician to issue prescription when such medical institution is not registered or filed as required by applicable laws and regulations, such medical institution would be subject to regulatory penalties, up to and including revocation of its Practicing License. We only allow those external physicians that have completed the Multi-site Practice Filing to provide services through our business.

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

Our failure to properly manage the registration of physicians practicing on our platform may subject us to administrative penalties against our medical institutions, including fines, or, in the worst case scenario, revocation of our Practicing License for Medical Institutions, any of which could materially and adversely affect our business. Meanwhile, if physicians practicing on our platform are found to have deficient registration or found to be practicing beyond the scope permitted by relevant authorities, they may be disciplined and lose their practicing licenses. As a result, we may no longer be able to offer certain of our digital medical services, which could materially and adversely affect our business. In addition, there can be no assurance that we could timely find qualified replacements on commercially reasonable terms, or at all.

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

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

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

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

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

- protecting the data in and hosted on our system, including against attacks on our system by external parties or fraudulent behavior by our employees;
- addressing concerns related to privacy and sharing, safety, security and other factors; and
- complying with applicable laws, rules and regulations relating to the collection, use, provision or security of personal information, including any requests from regulatory and government authorities relating to such data.

The PRC government has promulgated laws and regulations relating to the protection of personal information and data security in recent years, including the Personal Information Protection Law, the Cybersecurity Law and the Data Security Law. Under applicable PRC laws and regulations relating to the protection of personal information, any collection and use of a customer’s personal information by an internet services provider must be subject to the consent of the customer, abide by the principles of legality, rationality and necessity, and be within the specified purposes, methods and scopes. In addition, the Cybersecurity Law provides that personal information and important data collected and generated by an operator of critical information infrastructure in the course of its operations in the PRC must be stored in the PRC. Furthermore, the E-Commerce Law of the People’s Republic of China, or the E-Commerce Law, to regulate the e-commerce activities conducted within the territory of the PRC, which further strengthens the protection of consumers’ personal data and privacy.

With respect to the healthcare data, in May 2014, the National Health and Family Planning Commission of the PRC, or the NHFPC promulgated the Measures for Administration of Population Health Information (Trial), the medical institution shall be responsible for collection, management, utilization, safety and privacy protection of population healthcare information which includes the medical service information. Additionally, in July 2018, the NHC promulgated the Administrative Measures Regarding National Healthcare Big Data Standards, Safety and Service Management (Trial), or Administrative Measures of Healthcare Big Data, to further standardize the standard management, security management and service management of the healthcare data produced in the course of disease treatment and health management.

During the Track Record Period, one of our subsidiaries operating insurance brokerage business was subject to administrative penalties, including fines and warnings, for failing to fully deploy cybersecurity equipment and protocols in accordance with applicable regulations, resulting in high-risk network security vulnerabilities and the leak of business data. The subsidiary subsequently undertook the relevant remedial measures. The relevant regulatory authority considered that such administrative penalty did not constitute a material administrative penalty, and the identified issues have been rectified. For more details, see “Business – Data Privacy And Security – Data Security.” However, we cannot guarantee that cybersecurity risks or data breaches will not occur in the future due to certain circumstances, especially ones beyond our control.

In the opinion of our PRC Data Compliance Adviser, during the Track Record Period and up to the Latest Practicable Date, other than otherwise disclosed, we had complied in all material respects with relevant applicable laws and regulations in the PRC on data privacy, and we have not been subject to any related legal or regulatory proceedings which results in a major adverse effect. Any violation of the provisions and requirements under the Cybersecurity Law, Administrative Measures of Healthcare Big Data, E-Commerce Law and other relevant regulations, rules and measures may subject us to warnings, fines, confiscation of illegal gains, revocation of licenses, suspension of business, shutting down of websites or even criminal liabilities.

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

The interpretation and implementation of laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws, regulations and requirements may change and may impact our business operations.

According to the PRC National Security Law, China has established institutions and mechanisms for national security review and regulation, conduct national security review on certain matters that affect or may affect national security, such as key technologies and IT products and services. According to the PRC Cybersecurity Law and relevant regulations, network operators are obligated to take technical and other necessary measures to ensure the secure and stable network operation, maintain the integrity, confidentiality and availability of network data, and further provide assistance and support in accordance with the law for public security and national security authorities to protect national security or assist with investigations of criminal activities. In addition, according to the Cybersecurity Review Measures, operators of critical information infrastructure must pass a cybersecurity review when purchasing network products and services which do or may affect national security. According to the Regulations on the Security Protection of Critical Information Infrastructure, the identification of operators of critical information infrastructure is determined by the competent authorities responsible for the protection of critical information infrastructure, and the relevant operators will be notified accordingly. If we are identified as an operator of critical information infrastructure by the relevant authorities, we may be required to comply with additional cybersecurity obligations and regulatory requirements, including undergoing cybersecurity review when purchasing network products and services that may affect national security. Compliance with such requirements may increase our compliance costs and could potentially affect our business operations. As of the date of this document, we have not been informed by any relevant PRC governmental authorities that our services are deemed to be provided to any critical information infrastructure operators, nor have we been identified as a critical information infrastructure operator by any relevant PRC governmental authorities. As advised by our PRC Data Compliance Adviser, based on their understanding of the currently effective PRC laws and regulations, our proposed [REDACTED] in Hong Kong does not constitute a “listing overseas” (赴國外上市) under the relevant PRC cybersecurity review regulations, and therefore we are not required to proactively apply for a cybersecurity review with the relevant authorities in connection with our [REDACTED] in Hong Kong.

The PRC Data Security Law introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for data activities that may affect national security and imposes export regulations on certain data and information. The PRC Data Security Law provides that “data” refers to any recording of information by electronic or other means. Data processing includes the collection, storage, use, processing, transmission, availability and disclosure of data and others.

According to the Measures for the Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), where a data processor provides data overseas under certain circumstances specified therein, it shall apply to the provincial-level cyberspace administration at its place of domicile for a security assessment for cross-border data transfer, which will then be submitted to the Cyberspace Administration of China for review. We do not transmit data overseas in the course of our business activities and all of our data storage is located within the PRC. Accordingly, our PRC Data Compliance Adviser is of the view that we are not currently subject to the requirement to apply for a security assessment for cross-border data transfer and that our operations do not involve material risks relating to cross-border data transfer under the currently effective PRC laws and regulations.

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In addition, the Cybersecurity Review Measures further elaborated the factors to be considered when assessing the national security risks of the relevant activities, including, among others, the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or exited the country, or the risk of critical information infrastructure, core data, important data or a large amount of personal information being affected, controlled and maliciously used by overseas governments, as well as the risk of network information security after being listed. Under the Cybersecurity Review Measures, a listing on the Hong Kong Stock Exchange is not deemed a listing overseas. The Cybersecurity Review Measures also provide that in addition to the operators filing the cybersecurity review application according to these measures, any member of the cybersecurity review mechanism has the discretion to review any network product or service, or data processing activity that he/she believes affects or is likely to affect national security after the required approval procedures. It is evolving as to how the measures may be interpreted or implemented and whether the measure may be interpreted or implemented in ways that will negatively affect us. As of the date of this document, we have not received any order or notice from the relevant governmental authorities that we may be subject to the draft measures and thus requiring us to complete the cybersecurity review.

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

Furthermore, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities, which were available to the public on July 6, 2021 and further emphasized to strengthen the cross-board regulatory collaboration, to improve relevant laws and regulations on data security, cross-border data transmission, and confidential information management. In 2023, the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Companies (“關於境內企業境外發行證券和上市相關保密和檔案管理工作的規定”) were issued to reinforce these requirements for companies listing overseas.

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

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

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

- adverse feedback with the third-party-branded products we sell, including with respect to their quality, efficacy or side effects or with the insurance products we distribute;
- lawsuits, regulatory investigations, fines and penalties against us or otherwise relating to our products or services;
- improper or illegal conduct by our employees, suppliers and other business partners, that is not authorized by us; and
- adverse publicity associated with us, our Directors, officers, employees or business partners, our products or services or our industry in general, whether founded or unfounded.

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

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

We invest resources from time to time in a variety of marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products and services. However, our brand promotion and marketing activities may not be well received and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the PRC internet healthcare market are continually evolving, which may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share and materially and adversely affect our financial condition, results of operations and profitability. In addition, we are subject to certain limitations in promoting services and products. Our in-house medical team and external physicians and other relevant parties in the provision of our medical and wellness services have to comply with rules and regulations that restrict the promotion or dissemination of information about the professional healthcare services and practice provided by licensed physicians, and the publication or marketing efforts for the predominant purpose of promoting the products or services of physicians to consumers or potential consumers. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future.

Under PRC laws and regulations, all advertisements published online containing drug names, applicable symptoms treated by such drugs (major functions) or other drug-related content, and advertisements published online containing medical device names and the applicable scope, performance, structure and composition, function and other contents relevant to medical device are subject to examination by relevant government authorities. Any violation of advertisement-related laws and regulations may subject us to fine, or even suspension of our business or revocation of our business license.

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

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

We accept payments using a variety of methods, including payment on delivery, bank transfers, online payments through various third-party online payment platforms such as WeChat Pay and UnionPay. We may be charged interchange and other fees for certain payment methods, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment and cash on delivery options.

We are also subject to various rules, regulations and requirements governing electronic funds transfers, both in China and globally, which could change or be reinterpreted to make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be

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subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

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

We may face risks with respect to fraudulent activities associated with our services. For example, our customers may engage in fictitious transactions by submitting false prescription to purchase prescription drugs through our services. Customers may also provide false information to medical professional on our online healthcare services in order to obtain prescriptions that they are not supposed to get. Although we have implemented various measures to detect and reduce the occurrence of fraudulent activities, there can be no assurance that such measures will be effective in combating fraudulent transactions or improving overall satisfaction among our customers. Such fictitious transactions and fraudulent conduct may subject us to lawsuits, regulatory investigations, fines and penalties against us. Moreover, illegal, fraudulent or collusive activities by our employees, such as fraud, bribery or corruption, could also subject us to liability or negative publicity or cause losses. Although we have internal controls and policies with regard to the review and approval of sales activities and other relevant matters, we cannot assure you that such controls and policies will prevent fraud or illegal activity by our employees. Negative publicity and customer sentiment generated as a result of actual or alleged fraudulent or deceptive conduct associated with our services or by our employees would severely diminish our customers' confidence in us, reduce our ability to attract new or retain current customers, damage our reputation and diminish the value of our brand names, and materially and adversely affect our business, financial condition and results of operations.

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

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

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

Incidents that reflect doubt as to the quality or safety of pharmaceutical and healthcare products manufactured, distributed or sold by other participants in the healthcare industry, including our competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the general health and wellness industry in general, even if such parties or incidents have no relation to us, our management, our employees, our suppliers, our collaborating pharmacies. Such negative publicity

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may indirectly and adversely affect our reputation and business operations. In addition, incidents not related to product quality or safety, or other negative publicity or scandals implicating us or our employees, regardless of merit, may also have an adverse impact on us and our reputation and corporate image.

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

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

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

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

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

Our risk management also depends on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect

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our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by governments.

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

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

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

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

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

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

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

Although we have employed significant resources to develop security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction.

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

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

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property (which we have ownership or legal rights to use) as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete agreements with our employees and others, to protect our proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all.

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

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

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

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

Our future success depends heavily upon the continued services of our senior management and our key employees in various corporate functions, who have contributed significantly to our current achievements. Accordingly, we believe that our ability to attract and retain key personnel is a critical factor in our competitiveness. Competition for these individuals could require us to offer higher compensation and other benefits in order to attract and retain them, which could increase our operating expenses and, in turn, materially and adversely affect our financial condition and results of operations. If we are unable to attract or retain the personnel required to achieve our business objectives, our business could be severely disrupted. Furthermore, if any of our executive officers joins a competitor or forms a competing company, we may lose a significant number of our existing consumers and potentially lose our substantial research and development achievements, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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We have granted, and may continue to grant share-based compensations to our employees, and may grant options and other types of awards under the share incentive plan that we may adopt in the future, which may result in increased share-based compensation expenses and a dilution of our shareholders’ shareholding.

For the years ended December 31, 2023, 2024 and 2025, we recorded share-based compensation expenses of RMB26.2 million, RMB154.2 million and RMB140.7 million, respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. In addition, in the case where we adopt a share incentive plan that involves issuance of new shares in the future, the issuance of H Shares with respect to such share-based compensation under our share incentive plan may dilute the shareholding percentage of our existing shareholders and may result in a dilution in the earnings per H Shares and net asset value per H Shares, as a result of the increase in the number of H Shares outstanding after such issuance.

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

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

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

We are subject to numerous PRC laws and regulations that regulate retailers generally or govern online retailers specifically. If these regulations were to change or if our suppliers were to violate them, the costs of certain products or services could increase, or we could be subject to fines or penalties or suffer reputational harm, which could reduce demand for the products or services offered by us and hurt our business and results of operations. Legal requirements are subject to interpretation and revisions from time to time, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

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

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

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

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

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

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

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

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

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

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

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

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

We have obtained or caused relevant counterparties to obtain insurance to cover certain potential risks and liabilities, such as professional liability insurance for our physicians in connection with their provision of medical consultation services. However, we may not be able to acquire any insurance for certain types of risks such as business liability or service disruption

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

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

We are a company incorporated under the laws of the PRC, and a substantial portion of our business, assets and operations are located in Chinese Mainland. In addition, to the best knowledge of the Company, a majority of our Directors or members of our senior management reside in Chinese Mainland, and a substantial portion of the assets of such Directors or members of our senior management are located in Chinese Mainland. As a result, it may be difficult, cumbersome, and time-consuming to effect service of process outside Chinese Mainland upon us or such Directors or members of our senior management.

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

You may be subject to taxation in Chinese Mainland.

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

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Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “EIT Law”) and its implementation regulations, a non-Chinese Mainland resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its Chinese Mainland-sourced income, including dividends received from a Chinese Mainland company and gains derived from the disposal of equity interests in a Chinese Mainland company, subject to reductions under any special arrangement or applicable treaty between Chinese Mainland and the jurisdiction in which the non-Chinese Mainland resident enterprise resides. The interpretation and implementation of the EIT Law and its implementation regulations by Chinese Mainland tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposal of H Shares will be collected from non-Chinese Mainland resident enterprise holders of H Shares, are to be determined in accordance with the relevant laws and regulations in effect at the time. If such tax is collected in the future, the value of such non-Chinese Mainland resident enterprise holders’ investments in H Shares may be materially and adversely affected.

Payment of dividends is subject to restrictions under PRC laws.

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

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

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. During the Track Record Period and up to the Latest Practicable Date, we had not paid social insurance and housing provident fund in full for some of our employees based on their actual salary level. For each of the three years ended December 31, 2023, 2024 and 2025, the estimated shortfall was RMB10.4 million, RMB9.8 million and RMB12.3 million, respectively. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court.

Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. With respect to a failure to pay the full amount of housing provident fund as required, the housing provident fund management center in China may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

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We have made provision for the shortfall amount of the social insurance and housing provident fund during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds. However, we cannot assure you that the competent local government authorities will not require us to pay the outstanding amount within a specified time limit or impose late fees or fines on us, which may adversely affect our financial condition and results of operations.

We may be subject to the impact of currency conversion system and risks relating to fluctuations in exchange rates.

We receive substantially all of our revenues in Renminbi, and the conversion of Renminbi to other currencies needs to follow a set of relevant measures and requirements. A portion of these revenues must be converted into other currencies in order to meet our foreign currency obligations. Under the PRC’s existing foreign exchange regulations, by complying with certain procedural requirements, following completion of the [REDACTED], we will be able to undertake current account foreign exchange transactions, including payment of dividends without prior approval from the SAFE. It is possible that according to certain new laws or regulations in the future, we may not be able to pay dividends in foreign currencies to holders of our H Shares. The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China’s and international political and economic conditions and the PRC government’s fiscal and currency policies.

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets. Conversely, any devaluation of the Renminbi arising from the fluctuation of exchange rates may affect the value of, and any dividends payable on, our H Shares in foreign currency terms. All of these factors could affect our financial condition and results of operations.

Risks Related to the H Share [REDACTED]

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

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

- actual or anticipated fluctuations in our revenues and results of operations;
- news regarding the recruitment or loss of key personnel by ourselves or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;

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- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares, or sales or perceived sales of additional H Shares by us or other Shareholders.

Pursuant to the applicable PRC law, within the 12 months following the [REDACTED], all existing Shareholders (including the Pre-[REDACTED] Investors) could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and trading volume of the H Shares in the short term following the [REDACTED] may be significantly affected. These factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating performance.

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

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

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

The H Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which trading in our H Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their H Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any H Shares they may own now or in the future. Market sale of H Shares by such shareholders and the availability of these H Shares for future sale may have negative impact on the market price of our H Shares.

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

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

In addition, upon completion of the [REDACTED] and conversion of certain of our Unlisted Shares into H Shares, our Shares will comprise Unlisted Shares and H Shares, both of which are ordinary shares in the share capital of our Company. Our Unlisted Shares may be converted into H Shares under certain circumstances, subject to the applicable PRC laws, regulations and approvals, including internal approval, filing requirements and the approval from the relevant PRC regulatory authorities, and subject to the rules, regulations and procedures of the Hong Kong Stock Exchange. If a significant number of Unlisted Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could materially and adversely affect the prevailing market price

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of our H Shares. Furthermore, if additional funds are raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership for such Shareholders may be reduced. Such new securities may also confer rights and privileges that take priority over those conferred by the H Shares.

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

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

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

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

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

This document, particularly the section headed “Industry Overview,” contains information and statistics relating to the market we operate in. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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

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