
RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.

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 "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If our product and service offerings do not meet users' expectation or if we fail to provide superior user experience or maintain users' trust in our brand, our business and reputation may be materially and adversely affected. Maintaining users' trust in our product and service offerings is critical to our success, and any failure to do so could severely damage our reputation and brand.

Our business is highly dependent on the receptiveness of our users to our product and service offerings as well as their willingness to use, and to increase the frequency and extent of their utilization of, our product and service offerings. Their degree of receptiveness to our product and service offerings 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. In addition, negative publicity concerning our product and service offerings or the Internet healthcare market as a whole could limit market acceptance of our product and service offerings. Meanwhile, there can be no assurance that our efforts and ability to demonstrate the value of our product and service offerings and the relative benefits of our product and service offerings over those of our competitors to our users would be successful. We may fail to achieve an adequate level of acceptance and trust by our users of our product and service offerings, and we may not be able to effectively expand our registered user base, promote user engagement or convert existing registered users to active users. 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.

The success of our business also hinges on our ability to provide superior user experience, which depends on our ability to continue to deliver quality care to our users, to maintain the quality of our product and service offerings, to provide a wide selection of products that are responsive to user demands and to provide timely and reliable delivery, flexible payment options and superior customer 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 product and service offerings. Their failure to provide high-quality user experience to our users may adversely affect our users' receptiveness of, and willingness to utilize, our product and service offerings, which may damage our reputation and cause us to lose users.

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The digital health and wellness market is immature and volatile, and if it does not develop, or develops more slowly than we expect, or if our services do not drive user engagement, the growth of our business will be harmed.

The digital health and wellness market is relatively new and unproven, and it is uncertain whether it will continue to have high levels of demand, user acceptance and market adoption. Our success will depend to a substantial extent on our users' willingness and frequency to use our product and service offerings, as well as on our ability to demonstrate the value of our product and service offerings to users, hospitals, medical professionals and other participants in the healthcare value chain. If our users or healthcare service providers do not perceive the benefits of our product and service offerings, or if our product and service offerings do not drive user engagement, then the digital health and wellness market may not develop at all, or it may develop more slowly than we expect. Similarly, individual and healthcare industry concerns regarding patient confidentiality and privacy in the context of online healthcare services in general could limit market acceptance of our online healthcare services. If any of such events occurs, our business, financial condition or results of operations will be materially and adversely affected.

We are in the early stage of development with a limited operating history in an emerging and dynamic industry. We may not be able to sustain our historical growth rates, and our historical performance may not be indicative of our future growth or financial results.

We operate in the emerging and dynamic digital health and wellness market in the PRC. The digital health and wellness market is relatively new, and it is uncertain whether it would achieve and sustain high levels of demand, user acceptance and market adoption. Risks and challenges we may face in this emerging and dynamic industry include our ability to, among other things:

- develop and maintain relationships with our existing business partners and attract new business partners to our ecosystem;
- enhance and maintain the value of our brand;
- navigate an evolving regulatory environment;
- develop and launch diversified and distinguishable product and service offerings to effectively address the needs of our users and ecosystem participants, by collaborating with third-party partners;
- attract more commercial insurers or connect to the social medical insurance system;
- grow our user base and enhance our user engagement;
- develop or implement additional strategic initiatives to further enhance monetization;
- maintain a reliable, secure, high-performance and scalable technology infrastructure;
- maintain our innovative 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.

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Meanwhile, we have a limited operating history. In 2019, 2020 and 2021, our revenue was RMB1,275.6 million, RMB2,228.6 million and RMB3,678.7 million, respectively, and we experienced losses of RMB273.9 million, RMB919.7 million and RMB1,599.0 million, respectively. Our historical results and growth may not be indicative of our future performance. Nevertheless, there can be no assurance that we would be able to generate profits in the future. Our ability to achieve profitability is affected by a variety of factors, many of which are beyond our control, and our results of operations may vary from period to period in response.

Although our business has grown rapidly during the Track Record Period, our relatively short operating history, together with the emerging and dynamic characteristics of the digital health and wellness industry, makes it difficult to assess our future prospects or forecast our future results. In addition, as our business develops and in response to competition and changes in the industry and regulatory environment, we may continue to introduce new product and service offerings, improve our existing product and service offerings or adjust and optimize our business model. There can be no assurance that we may be able to achieve the expected results for any such changes, and our financial condition and results of operations may be materially and adversely affected as a result. 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 users, 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. In particular, our various monetization strategies are new and evolving, some of which are still at the inception or trial stage and may prove unsuccessful. If our current or future monetization strategies do not succeed as we anticipate, we may not be able to maintain or increase our revenue, generate profits or achieve positive operating cash flows, which may materially and adversely affect our business, financial condition and results of operations.

We face intense competition in our business. If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

The health and wellness market in China, in particular the digital health and wellness market, is intensely competitive. We compete for users, sales orders, products and third-party partners. Our current or potential competitors include other major players in China’s digital retail pharmacy market and online consultation market. See “Business — Competition.” In addition, new and enhanced technologies may increase the competition in the digital retail pharmacy industry. New competitive business models may appear, for example based on new forms of social media or social commerce.

Increased competition may reduce our margins and market share and impact brand recognition, or result in significant losses. When we set prices, we have to consider how competitors have set prices for the same or similar products. When they cut prices or offer additional benefits to compete with us, we may have to lower our own prices or offer additional benefits or risk losing market share, either of which could harm our financial condition and results of operations.

Some of our current or future competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger user bases, higher penetration in certain regions or greater financial, technical or marketing resources than we do. Those smaller companies or new entrants may be acquired by, receive investment from, or enter into strategic relationships with, well-established and well-financed companies or investors which might help enhance their competitive positions. Some of our competitors may be able to secure more favorable terms from suppliers, devote greater resources to marketing and promotional campaigns, adopt more aggressive pricing or inventory policies and devote substantially more resources to their websites, mobile apps and systems development than us. We cannot assure you that we will be able to compete successfully against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

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

We are subject to legal and regulatory requirements of multiple industries in the PRC because of the complex nature of our business. These legal and regulatory requirements primarily cover the industries of Internet, healthcare, and digital healthcare.

Various regulatory authorities of the PRC government are authorised to promulgate and implement regulations governing aspects of the Internet and healthcare industries. The health and wellness industry is under heavy regulation, and, any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

Also, the regulations of both the Internet industry and its digital healthcare sector are relatively new and evolving, and it is uncertain how they will be interpreted or enforced. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed to be in violation of applicable laws and regulations. These uncertainties entail risks that may materially and adversely affect our business prospects. See “— The legal system in China embodies uncertainties which could limit the legal protections available to us.” In a regulatory climate that is uncertain, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. We may need to change our business models and practices at an undeterminable and possibly significant financial cost to ensure compliance. These additional monetary expenditures may increase future overheads, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

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

Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that subsequent laws and regulations would not render our operations non-compliant or that we would always be in full compliance with applicable laws and regulations. In the event that we must remedy any violations, we may be required to modify our business models as well as product and service offerings in a manner that undermines our product and service offerings’ attractiveness to our users. We may also become subject to fines or other penalties or, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

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

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If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

Our business has continued to grow in recent years, and we expect continued growth in our business and revenues. We plan to further expand the scale of our business, further expand our healthcare product and services offerings, improve our end-to-end capabilities to enhance user experience, further enhance our investment in technologies to improve products and services, and selectively pursue strategic alliances, investments and acquisitions for long-term development. In addition, as we continue to increase our product and service offerings, we will need to work with a large number of new suppliers and third-party partners efficiently and establish and maintain mutually beneficial relationships with our existing and new suppliers and third-party partners. To support our growth, we also plan to implement a variety of new and upgraded managerial, operating, financial and human resource systems, procedures and controls. All these efforts will require significant managerial, financial and human resources. We cannot assure you that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully or that our new business initiatives will be successful. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful, and our business and prospects may be materially and adversely affected.

Our substantial development in the current product and service offerings and our expansion into new product and service offerings may expose us to new challenges and more risks.

In recent years, we have been working to provide more convenient access to a wider spectrum of healthcare product and service offerings. We create and provide various applications and solutions designed for different scenarios based on users' respective needs. In addition, we have been expanding our product offerings to include a wide range of products covering OTC drugs, prescription drugs and health and wellness products. Our lack of familiarity with these product and service offerings and a lack of relevant user data relating to these product and service offerings may make it more difficult for us to anticipate user demand and preferences. We may misjudge user demand, which would result in inventory buildup and possible inventory write-down as well as adverse user experience. We may face more difficulties in inspecting and controlling quality, overseeing proper handling, storage and delivery of our products and ensuring the quality and user reception of our services. We may experience higher return rates on certain new products, receive more user complaints about them and face costly product liability claims as a result of selling them, which would harm our brand and reputation and our financial performance. Furthermore, we may not have much purchasing power in new categories, of products and we may not be able to negotiate favorable terms with suppliers. We may need to price aggressively to gain market share or remain competitive in new categories of products. It may be difficult for us to achieve profitability in the new product categories, and, our profit margin, if any, may be lower than we anticipate, which would adversely affect our overall profitability and results of operations. Our new services offerings may not be able to replicate our success in sales of pharmaceutical and healthcare products to our new services offerings. Our new services offering may not succeed or generate results as we anticipate. We cannot assure you that we will be able to recoup our investments in introducing these new product categories and service offerings.

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If our new smart pharmacies or our expansion into new geographical areas or new cities in China is unsuccessful, our business and prospects may be materially and adversely affected.

We have a track record of successfully setting up new smart pharmacies and expanding into new geographical areas. We cannot assure you, however, that we will be able to maintain this momentum in the future. We are opening new smart pharmacies and expanding into more lower-tier cities and towns across China. Expansion of business involves new risks and challenges. Our lack of familiarity with, and relevant user data relating to, these geographical areas may make it more difficult for us to choose reasonable locations layout that can satisfy our promise of timely delivery and keep pace with the evolving user demands and preferences. In addition, there may be one or more existing market leaders in any geographical area that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that market, as well as their deeper data insight and greater brand recognition among users. Unsuccessful expansion may have a material adverse effect on our revenue and profitability as well as on our business and prospects. We may lose market share, and our financial condition and results of operations may deteriorate significantly if we fail to expand effectively.

Growth of our business will depend on our strong brands, and any failure to maintain, protect and enhance our brands or reputation would limit our ability to retain or expand our user base, which would materially and adversely affect our business, financial condition and results of operations.

We believe that strong recognition of our brands among users and business partners has reduced our user acquisition costs through word-of-mouth marketing and contributed significantly to the growth and success of our business. Accordingly, maintaining, protecting and enhancing the recognition of our brands is critical to our business and market position. Many factors, some of which are beyond our control, are important to maintaining, protecting and enhancing our brands. These factors include our ability to:

- maintain the breadth, quality and attractiveness of the product and service offerings we provide;
- maintain the quality and integrity of the information available on our mobile apps and websites;
- increase brand awareness through marketing and brand promotion activities;
- maintain or improve satisfaction with our user services;
- compete effectively against existing or future competitors;
- preserve our reputation and goodwill generally and in the event of any negative publicity on our product and service offerings, user safety, Internet security, or other issues affecting us or other service e-commerce companies in China; and
- maintain our cooperative relationships with other participants.

A public perception that we do not provide satisfactory services to users, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brands, undermine the trust and credibility we have established and have a negative impact on our ability to attract and retain users and business partners, and our business, financial condition and results of operations may be materially and adversely affected.

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

We are exposed to risks inherent in marketing and selling pharmaceutical and healthcare products and providing online healthcare services in China. Claims, user 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 or infringe on any third-party's intellectual property rights. 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.

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

Any product liability claims made against us could cause negative publicity, impairment of users' confidence in us, significant decrease in sale volume and may result in fines and penalties from regulatory authorities. Any claims made against us 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 or business partners, there can be no assurance that we will obtain full indemnification from them. Even if we do, our reputation may still be severely impaired.

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

We face risks of, or administrative penalties for, violation of the Administrative Standard of Pharmaceutical Operating Quality or medical liability claims against our medical team. We have in the past received claims alleging our violation of relevant licensing requirements and food labelling and packaging regulations, and may in the future continue to receive such claims, among others. Also, our full-time and part-time doctors, external doctors we are connected to, and other medical professionals such as our pharmacists, smart pharmacies, hospitals and other medical institutions, as well as healthcare institutions, may provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice, which could subject us to medical liability claims. With respect to external doctors, as they are not working physically with us, we have limited control over them as well as the quality of their online consultation services. Despite our background check relating to their qualification and their contractual obligations to strictly adhere to the specified work scope and quality requirements and comply with applicable laws, there can be no assurance that our risk management procedures would be sufficient to monitor their performance and control the quality of their work. In the event that the external doctors fail to comply with the contractual obligations and applicable laws in relation to the provision of our online consultation services, our user experience could deteriorate, and we may be subject to claims. If we are unable to defend ourselves against such claims, among other things, we may be subject to the revocation of our business licenses or relevant permits. We might also be required to pay substantial damages or refrain from further sale of the relevant products. Moreover, such claims or administrative penalties could result in negative publicity and our reputation could be severely damaged, which may adversely affect users' trust in our ecosystem.

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Furthermore, successful medical liability claims could result in substantial damage awards. As of the Latest Practicable Date, we have purchased professional liability insurance for our full-time doctors. 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 medical team 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 medical team from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation. In addition, in the event that any use or misuse of the products we sell results in personal injury, suicide or death, product liability claims may be brought against us for damages. See "Business — Insurance."

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

Sale of prescription drugs is subject to stringent scrutiny, which may expose us to risks and challenges. In particular, under the Administrative Measures for the Supervision and Administration of Circulation of Pharmaceuticals promulgated by the CFDA in 2007, a company is prohibited from either selling prescription drugs to users without prescription or selling prescription drugs via Internet or by post. A company in violation of such prohibitions will be instructed to rectify any such misdemeanor, given a disciplinary warning, and/or issued with administrative penalty of no more than RMB30,000 per violation. The newly revised Drug Administration Law of the People's Republic of China, or the Drug Administration Law, abolishes the restriction on online sale of prescription drugs and adopts the principle of keeping online and offline sales consistent. In November 2020, NMPA published for public comment the Draft Measures for the Supervision and Administration of Online Pharmaceuticals Sales (the "**Draft Measures**") (《藥品網絡銷售監督管理辦法(徵求意見稿)》), aiming to enhance the supervision of online pharmaceutical sales and related platform services. The Draft Measures provides specific and explicit rules for the online sales of prescription drugs, which is perceived to be more conducive to online prescription drug sellers including us, but also presents challenges for us to be in compliance. The Draft Measures provide that, among others, online prescription drug sellers shall (i) ensure the accuracy and reliability of the source of e-prescription, (ii) keep records of any e-prescription for at least five years and no less than one year after the expiration date of the prescription drugs, and (iii) disclose safety warnings including that "prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists" when displaying information of prescription drugs. As advised by our PRC Legal Advisors, the Draft Measures were released for public comment only and their operative provisions and anticipated adoption or effective date may be subject to change, with substantial uncertainty. We believe that we would be able to fully comply with the requirements set out in the Draft Measures if the Draft Measures, in particular, those intended to "ensure the accuracy and reliability of the source of e-prescription", were implemented in the current form as of the Latest Practicable Date. We will closely monitor and assess the trajectory of the rule-making process. On April 7, 2021, the General Office of the State Council issued the Opinions on Serving the "Six Stables" and "Six Safeguards" and Further Doing a Good Job in the Reform of "Delegating Power, Delegating Regulation and Serving Service (《關於服務“六穩”“六保”進一步做好“放管服”改革有關工作的意見》) which allows online sales of prescription drugs other than those under special state control on the premise of ensuring the authenticity and reliability of the electronic prescription sources.

The above mentioned new laws and regulations dispel to a great extent concerns on the policy level, however, it remains uncertain how they will be enforced, since there has yet been precedents of their application that we can draw reference from. As a result, it is uncertain whether our sales model will be in full compliance with the enforcement of any new laws and regulations that may be promulgated in the future, which are evolving and subject to changes. Any failure to comply with such laws and regulations could subject us to disciplinary warnings and administrative penalties, which may in turn materially and

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adversely affect our business, results of operations, financial condition and prospects. Additionally, we cannot assure you that our scrutiny measures and mechanism will be effective or sufficient. There may be loopholes in our scrutiny measures and such measures may not be able to detect prescriptions abuse or fraudulent sales 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 prescriptions abuse or fraudulent sales orders could expose us to liability under PRC laws and regulations, which may incur significant liability and our business, financial condition and results of operations could be materially and adversely affected. In addition, failure by our partner pharmacies and merchants on online platform to effectively screen the prescriptions abuse or fraudulent sales orders could expose them to liability under PRC laws and regulations, which, in turn, may have a negative impact on our reputation and on our financial condition and results of operations.

We will comply with these rules after the Draft Measures takes effect, by taking the following actions: (i) ensuring the accuracy and reliability of the source of e-prescription, (ii) keeping records of the e-prescription for five years and no less than one year after the expiration date of the prescription drugs, and (iii) disclosing safety warnings including that "prescription drugs should only be purchased and used with prescriptions and guidance of licensed pharmacists" when displaying information of prescription drugs. In addition, to ensure the accuracy and reliability of the source of e-prescriptions, we have already adopted internal control measures in response to the requirements under the Draft Measures. We re-direct the users purchasing prescription drugs with e-prescriptions to our online medical consultation services. Our doctors are responsible to check the e-prescriptions provided by the users to ensure the information on e-prescriptions is sufficient and valid, following which, our doctors issue new e-prescriptions after consultations. Users are only able to place orders for prescription drugs with prescriptions issued by our doctors. Our pharmacists are responsible to check if sufficient and accurate information is included on the prescriptions before arranging deliveries. All e-prescriptions are required to be printed, signed and filed at our prescription management centre. Furthermore, approvals from our compliance and legal department are required before the disclosure of drug information on our platforms, and our compliance and legal department is also responsible to ensure such information is accurate and complied with relevant rules and regulations. As advised by our PRC Legal Advisors, the Draft Measures was released for public comment only and its operative provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. Our compliance and legal department is responsible to monitor and assess the trajectory of the rule-making process and provide trainings to relevant staff accordingly.

We rely on third-party partner pharmacies over which we have limited control.

We have been enhancing our engagement with partner pharmacies on our platforms, empowering them with our traffic while simultaneously promoting our own brands. We also provide a broad portfolio of product and service offerings for partner pharmacies on our platform. However, we do not have as much control over the procurement, storage and delivery of products sold by, or quality of services provided by, partner pharmacies on our online platforms as we do over the products and services that we sell or provide directly ourselves. Many of our partner pharmacies use their own or third-party facilities to store their products. Many of our partner pharmacies also use their own or third-party delivery partners to deliver their products to our users, which makes it more difficult for us to ensure that our users get the same high quality services for all products sold on our platform. If any of our partner pharmacies does not adequately control the quality of the products or services that it sells or provides on our online marketplace or under our omni-channel initiative, fails to timely deliver its products to users, delivers products or provides services that are faulty or materially different from description, sells products or provides services that are counterfeit or unlicensed, sells products or provides services without licenses or permits as required by the relevant laws and regulations, sells products or provides services that infringe upon the intellectual property rights of a third party, sells products or provides services that lead to serious physical harm or property damage, or sells substandard products or provide substandard services, the reputation of our

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platform and our brand may be materially and adversely affected. In addition, we could face claims and lawsuits for the losses, and may also be subject to administrative inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies for misconduct by any of our partner pharmacies. 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. Moreover, despite our efforts to prevent it, some products sold or services provided on our online marketplace may compete with the products we sell or services we provide directly, which may cannibalize our online retail.

We may fail to retain our current medical professionals or attract new medical professionals to maintain and expand the size of our medical team. In that case, our business, financial condition and results of operations may be materially and adversely affected.

Our medical team is staffed by our full-time and part-time doctors, external doctors we are connected to, and other medical professionals such as our pharmacists. We believe our offerings and online healthcare services provide compelling value propositions to those medical professionals by offering them access to Internet traffic and an innovative healthcare venue. However, we cannot assure you that such medical professionals would be attracted to join, or motivated to stay in our medical team. For example, as our external doctors 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 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 user experience. In that case, our business, financial condition and results of operations may be adversely affected.

We may fail to successfully expand our user base or continue to expand our business. In that case, our business, financial condition and results of operations may be materially and adversely affected.

We offer convenient access to a wide spectrum of healthcare product and service offering. In order to attract and retain users for our online healthcare services, we must continue to build our brand and reputation as an effective on-demand healthcare service provider, as well as effectively market and precisely target our services to prospective users. To retain and engage our user base, we must provide personalized, superior user experience, offer quality services covering a wide range of user demands and cultivate users' stickiness to our infrastructure. However, we cannot assure you that our users will consider their experience satisfactory or our services effective. For example, users who do not get satisfactory results following the recommendations from our online consultation and prescription renewal service may attribute such failure to the ineffectiveness of our services. In addition, some users may encounter trouble navigating our product and service offerings or experience technical difficulties. If we fail to address, among other things, any of the foregoing challenges, users may become frustrated by, or dissatisfied with, our online healthcare services, may leave without making purchases, and may discontinue using our online healthcare services. If we are unable to solve these problems, we may not be able to successfully expand our user base or continue to expand our business, and our results of operations and financial condition could be materially and adversely affected.

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

Our business is subject to governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the MOFCOM, the MIIT, and the NHC, National Medical Products Administration, or the NMPA, the SAMR, the Cyberspace Administration of China, or the CAC, and the 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, and Internet advertisement, among other things. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses, permits, filings and registrations for, the relevant business activities.

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

In addition, our business may be subject to governmental supervision and regulation relating to both general medical institutions and online hospitals. In particular, according to the Measures for the Administration of Internet Diagnosis and Treatment (Trial) published by the NHC on July 17, 2018, Internet-based diagnosis services shall only be permitted to provide re-diagnosis services after first confirming that the patients have been diagnosed with one or more types of such common or chronic diseases in physical medical institutions. In addition, pursuant to the Administrative Regulations on Medical Institutions promulgated by the State Council on February 6, 2016 and its implementation rules, and the Measures for the Administration of Internet Diagnosis and Treatment (Trial), medical institutions including online hospitals shall carry out diagnosis and treatment activities according to the approved and registered medical subjects. It remains uncertain that our relevant services will be in full compliance with new laws and regulations in this area, which are evolving and subject to change.

We may fail to manage our full-time and part-time doctors, external doctors we are connected to, and other medical professionals such as our pharmacists for licensing problems. Failure of our full-time and part-time doctors, external doctors we are connected to, or other medical professionals such as our pharmacists to provide adequate and proper medical services on our platform may have a material and adverse effect on our reputation, business and results of operations.

Our management of our doctors and pharmacist in particular requires certain approvals, licenses, permits, certificates and registration for such doctors and pharmacists. Particularly, the practice of doctors is strictly regulated under PRC laws, rules and regulations. Doctors who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions as stated in their licenses. As advised by our PRC Legal Advisors, under applicable PRC regulations, a doctor is required to register the medical institutions at which he or she practices in his or her license. If a doctor is found practicing at a medical institution not registered in his or her license, the doctor would be subject to regulatory penalties from warning to suspension of practice and, in the worst-case scenario, revocation of licenses. A doctor practicing in multiple institutions must apply to register or file with competent in-charge administrative authorities and can only have the right to prescribe

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medicine at the registered or filed practicing institution (the “**Multi-site Practice Filing**”). If the doctor issues a prescription in a medical institution not registered in his or her license, the relevant medical institution would also be subject to regulatory penalties, including a fine of up to RMB5,000 and, in the worst-case scenario, revocation of the medical institution’s Practicing License for Medical Institutions.

We have established and implemented platform policies to manage the behaviors of our doctors and patients to comply with applicable laws and regulations, but we cannot assure you that the practice of our doctors and patients will follow these requirements under such policy. We face the risk that our full-time and part-time doctors and external doctors we are connected to may fail to complete the registration and relevant government procedures in a timely manner, or at all, or that our full-time and part-time doctors and external doctors we are connected to may practice outside the permitted scope of their respective licenses or not take their individual responsibilities strictly under the applicable laws and regulations in connection with medical services especially Internet healthcare services. Our failure to properly manage or check the registration of our full-time and part-time doctors and external doctors we are connected to may subject us to administrative penalties against our medical institution, including fines, or, in the worst-case scenario, revocation of our Practicing License for Medical Institutions, which could materially and adversely affect our business. Meanwhile, if our full-time and part-time doctors and external doctors we are connected to are found to have deficient registration or found to be practicing beyond the scope permitted by relevant authorities, they may be disciplined and lose their practicing licenses. In the event that the multi-institution practices of our full-time and part-time doctors and external doctors we are connected to are in breach of their contractual obligations owed to other institutions, such as non-compete obligations, we may be exposed to indemnity or other legal liabilities if we are deemed to have aided in these breaches, and are therefore susceptible to legal disputes and potential damages. As a result, we may no longer be able to employ them in offering our online consultation and prescription renewal service, 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.

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

We had net loss and total comprehensive expense and accumulated losses, and we recorded net liabilities during the Track Record Period. We cannot assure future profitability.

In 2019, 2020 and 2021, we incurred a net loss and total comprehensive expense of RMB273.9 million, RMB919.7 million and RMB1,599.0 million, respectively, partially due to the fair value change of preferred shares. Such preferred shares were subject to further amendments pursuant to a preferred share purchase agreement entered on May 25, 2021 and our Company designated the then Preferred Shares as financial liabilities at FVTPL consequently. We expect that continuous fluctuation of the fair value of our Preferred Shares will affect our financial performance until the [REDACTED]. All Preferred Shares will be reclassified from financial liabilities to equity as a result of the automatic conversion into our Shares upon the [REDACTED]. Afterwards, our net liabilities position would turn into net assets position. Thereafter, we do not expect to recognize any further loss or gain on fair value changes from Preferred Shares. As of December 31, 2019, 2020 and 2021, we had accumulated losses of RMB531.4 million, RMB1,456.9 million and RMB3,035.1 million, respectively, and depending on, among other things, our

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actual results, we may continue to incur additional accumulated losses until Listing. As a result of our significant accumulated loss, we recorded negative equity during the Track Record Period. As of December 31, 2019, 2020 and 2021, we recorded negative equity of RMB437.4 million, RMB1,305.0 million and RMB2,589.8 million, respectively. We cannot assure you that we will be able to generate net income or positive cash flow from operating activities in the future.

Our profitability depends on our ability to grow our business to the point where our revenue generated exceeds expenses associated with growing and operating the business. We cannot guarantee that we can reach such point in the near future.

We have had net operating cash outflow, which may expose us to certain liquidity risks, constrain our operational flexibility as well as adversely affect our financial conditions and ability to expand our business.

In 2019, 2020 and 2021, we had net operating cash outflow of RMB265.9 million, RMB193.0 million and RMB295.5 million, respectively. If 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 in the current economic environment. In addition, any issuance of equity or equity-linked securities could dilute our shareholders, while any incurrence of indebtedness could increase our debt service obligations and cause us to be subject to restrictive operating and finance covenants. If we do not have sufficient working capital and are unable to generate sufficient revenues or raise additional funds, we may delay the completion of or significantly reduce the scope of our current business plan or substantially curtail our operations, any of which could materially and adversely affect our business, financial condition and results of operations.

Certain pharmaceutical products we provide may be subject to price restrictions and price competition, which could adversely affect our profitability and results of operations.

Certain pharmaceutical products are currently subject to a relatively market-based pricing system adopted by medical insurance bureaus and relevant authorities. Historically, some of pharmaceutical products have been subject to government price controls in the form of fixed retail prices or retail price ceilings and periodic downward adjustments imposed by the NDRC and other authorities. Pursuant to the Notice Regarding the Opinion on Facilitating the Pharmaceutical Pricing Reform jointly issued by the NDRC, the NHFPC and five other PRC government agencies in May 2015, the price controls imposed by the PRC government on pharmaceutical products other than the narcotic drugs and Class I psychotropic drugs were lifted on June 1, 2015.

Prior to the lifting of government price controls on pharmaceutical products, the prices of prescription drugs in China had been determined by the centralized tender process and the prices of OTC drugs in China had been determined by arm's-length, commercial negotiation and market factors such as brand recognition, market competition and user demand. There is 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 competition from other retailers, particularly those offering the same products but with lower prices, may force us to lower our sales prices to the previous government-controlled price levels. Consequently, our profitability may suffer and our business, financial condition and results of operations may also be materially and adversely affected.

In addition, the State Council and other relevant authorities issued a series of policies on deepening the reform of the medical and healthcare system in 2019. According to the Notice on Issuance of the Pilot Plan regarding the Organization of Centralized Procurement and Use of Drugs and the Implementation Opinions on Region Expansion of the Organization of Centralized Procurement and Use of Drugs, the State Council planned to organize centralized procurement and use of certain types of pilot drugs to lower

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drug price, reduce the burden on patients of drug costs, and lower the transaction costs of pharmaceutical enterprises. The Guidance on Improving "Internet +" Medical Service Price and Medical Insurance Payment Policies issued by the National Healthcare Security Administration proposed to improve project management, optimize the pricing mechanism and clarify the payment policy of "Internet +" medical services. 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 and increase market competition within the health and wellness industry, which may materially and adversely affect our business, results of operations and financial condition. There are still uncertainties relating to the actual implementation of such policies.

On February 1, 2020, SAMR issued the Guidance on Investigating and Dealing with Illegal Acts of Price Inflation during the Prevention and Control of the New Coronavirus Infection Pneumonia Epidemic to impose restrictions on the pricing of antiviral drugs, disinfection-related products and personal daily protective materials, and such restrictions shall be lifted after the COVID-19 pandemic.

There is no narcotic drugs or Class I psychotropic drugs sold on our platforms, and our pricing of antiviral drugs, disinfection-related products and personal daily protective materials offered on our platforms complies with the relevant laws and regulations. Up to the Latest Practicable Date, we have not received any administrative penalty from the PRC government in respects of the sale of relevant pharmaceutical products. Therefore, the PRC Legal Advisors are of the view that the pricing of pharmaceutical products sold on our platform complies with the relevant price controls policies, laws and regulations in the PRC.

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 product and service offerings, 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 product and service offerings. 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 digital health and wellness 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 user 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 our own product and service offerings. Our full-time and part-time doctors, external doctors we are connected to, and other medical professionals such as our pharmacists 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 doctors, and the publication or marketing efforts for the predominant purpose of promoting the products or services of doctors to users or potential users. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future. Furthermore, if the advertisements for our product and service offerings contain inaccurate or misleading information, our reputation and trust of users in our brand may be adversely affected, and we may be subject to administrative penalties or litigations.

We are also subject to certain limitations in promoting products and services for our partners. Under PRC laws and regulations, all advertisements published online containing drug names, applicable symptoms treated by such drugs (major functions) or other drug-related aspects, and advertisements published online containing medical device names and the applicable scope, performance, structure and

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composition, function and other contents relevant to medical device are subject to examination by relevant government authorities. We are subject to risks related to advertisements, as we provide advertising services to our pharmaceutical enterprises partners. Unless we are granted a waiver, we are prohibited from publishing advertisements of prescription drugs on the websites that we operate and must ensure that any advertisement of medical treatment, drugs or medical devices does not include any assertion or guarantee as to the function and safety or any statement of curative rate and effectiveness of such medical treatment, drugs or medical devices. Any violation of advertisement-related laws and regulations may subject us to fine, or even suspension of our business or revocation of our business license. Although we have implemented internal procedures to examine the content of advertisements displayed on the websites that we operate, we cannot assure you that all such content meets the requirements under PRC advertising-related laws and regulations at all times.

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 doctors 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.

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

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

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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Failure to maintain optimal inventory levels could increase our operating costs or lead to unfulfilled sales orders, either of which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We need to ensure optimal inventory levels for our business. We manage inventories of certain products in our business.

For those products for which we manage inventories, we are exposed to inventory risk as a result of rapid changes in product life cycles, changing user preferences, uncertainty of product developments and launches, manufacturer back orders and other related problems as well as the volatile economic environment in the PRC. There can be no assurance that we can accurately predict these trends and events and avoid over-stocking or under-stocking of products. Furthermore, demand for products could change significantly between the time when the products are ordered and the time when they are ready for delivery. When we begin to sell a new product, it is particularly difficult to forecast product demand accurately. We may be unable to sell such inventory in sufficient quantities or during the relevant sales seasons. Inventory levels in excess of user demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. Conversely, if we underestimate user demand or if our suppliers fail to provide products to us or deliver products to our users in a timely manner, we may experience inventory shortages, which may, in turn, result in unfulfilled sales orders, leading to an adverse effect on our user relationships.

We face risks related to our leased properties.

Most 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. In case of failure to register or file a lease, the parties to the unregistered lease may be ordered to make rectifications (which would involve registering such leases with the relevant authority) before being subject to penalties. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. Although we have proactively requested that the applicable lessors complete or cooperate with us to complete the registration in a timely manner, we are unable to control whether and when such lessors will do so. In the event that a fine is imposed on both the lessor and lessee, and if we are unable to recover from the lessor any fine paid by us, such fine will be borne by us.

The ownership certificates or other similar proof of certain of our leased properties has not been provided to us by the relevant lessors. Therefore, we cannot assure you that such lessors are entitled to lease the relevant real properties to us. If the lessors are not entitled to lease the real properties to us and the owners of such real properties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners. As of the date of this document, we are not aware of any claim or challenge brought by any third parties against us or our lessors with respect to the defects in our leasehold interests. If our lease agreements are claimed as null and void by the owners of the leased real properties, we could be required to vacate the properties and incur additional costs, in the event of which we could only initiate the claim against the lessors under relevant lease agreements for indemnities for their breach of the relevant leasing agreements. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our officers in a timely manner, our operations may be interrupted.

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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, warehouses and smart pharmacies. 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.

Any interruption in the operation of our smart pharmacies or warehouses for an extended period may have an adverse impact on our business.

Our smart pharmacies may be vulnerable to damage caused by fire, flood, power outage, telecommunications failure, break-ins, earthquake, human error and other events. If any of our smart pharmacies were to operate at a lower capacity or were rendered incapable of operations, then we may be unable to fulfill any sales orders in a timely manner or at all in any of the regions that rely on that center. For example, business operations at our smart pharmacies could be disrupted if any of our employees working therein are suspected of being infected with COVID-19, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, those events that could damage our smart pharmacies infrastructure, such as fire and flood, may also result in damages to our inventory stored in or delivered through our smart pharmacies, and in such event, we would incur losses as a result.

If we fail to manage and expand our relationships with pharmaceutical enterprises and pharmaceutical distribution enterprises, or otherwise fail to procure products on favorable terms, our business and growth prospects may suffer.

We source products from pharmaceutical enterprises and pharmaceutical distribution enterprises for our retail business. We cooperate with more than 6,000 pharmaceutical enterprises and pharmaceutical distribution enterprises as of December 31, 2021. Maintaining strong relationships with these companies is important to the growth of our business. In particular, we depend significantly on our ability to procure products from these companies on favorable pricing terms. We typically enter into framework agreements with these companies, and these framework agreements do not ensure the availability of products or the continuation of particular pricing practices or payment terms beyond the end of the contractual term. In addition, our agreements with these companies typically do not restrict them from selling products to other buyers. We cannot assure you that our current pharmaceutical enterprises and pharmaceutical distribution enterprises will continue to sell products to us on commercially acceptable terms, or at all, after the term of the current agreement expires. Even if we maintain good relationships with these pharmaceutical enterprises and pharmaceutical distribution enterprises, their ability to supply products to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, customs and import restrictions, natural disasters or other causes. In the event that we are not able to purchase merchandise at favorable prices, our revenues and cost of revenues may be materially and adversely affected. In addition, our trade payable turnover days were 32.6 days in 2019, 40.6 days in 2020 and 36.6 days in 2021. If these pharmaceutical enterprises and pharmaceutical distribution enterprises cease to provide us with favorable payment terms, our requirements for working capital may increase and our operations may be materially and adversely affected. We will also need to establish new relationships to ensure that we have access to a steady supply of products on favorable commercial terms. If we are unable to develop and maintain good relationships with pharmaceutical

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enterprises and pharmaceutical distribution enterprises that would allow us to obtain a sufficient amount and variety of authentic and quality merchandise on acceptable commercial terms, it may inhibit our ability to offer sufficient products sought by our users, or to offer these products at competitive prices. Any adverse developments in our relationships with these companies could materially and adversely affect our business and growth prospects. Any disputes with these companies could adversely affect our reputation and subject us to damages and negative publicity. In addition, as part of our growth strategy, we plan to further expand our product offerings. If we fail to attract new pharmaceutical enterprises and pharmaceutical distribution enterprises to sell their products to us due to any reason, our business and growth prospects may be materially and adversely affected.

Our failure to properly manage participants in our ecosystem may materially and adversely affect our business.

We rely on various participants, including, but not limited to, medical professionals, pharmacies, pharmaceutical enterprises, insurance companies, among others, in the provision of services and products in our ecosystem, and the success of our business depends on our ability to properly manage them.

We consider a variety of factors before entering into contractual arrangements with them. Nevertheless, we have limited control over the quality of work and performance of our ecosystem participants in their provision of services and products over our mobile platform, and they may breach such contractual arrangements and subject us to claims and liabilities that may affect our business operations.

We have also implemented quality control standards and procedures to manage our ecosystem participants work and performance in our ecosystem. For example, users access our product and service offerings through mobile devices. To optimize the mobile experience, we are, to some extent, dependent on our users downloading the specific mobile apps for their particular devices.

In the event that it becomes more difficult for our users to access and use our product and service offerings on their mobile devices, or if our users choose not to access or use our product and service offerings on their mobile devices or to use mobile products that do not offer access to our product and service offerings, our user growth could be harmed and our business, financial condition and results of operations may be adversely affected. However, there can be no assurance that our monitoring of their work and performance would be sufficient to control the quality of their work. In the event that a third party fails to meet our quality and operating standards contracted in our agreements or as required by relevant PRC laws and regulations, our operations may suffer and our business, financial condition and results of operations may be materially and adversely affected. Furthermore, because of our contractual relationships, we could be perceived as responsible for the actions of such participants and, as a result, suffer reputational damage. This may adversely affect our ability to attract new business partners and to engage them as providers of our healthcare solution.

Furthermore, for those products for which we actively manage inventories, we sometimes rely on contracted third-party couriers to deliver our products. Interruptions or failures in our delivery services could prevent the timely and successful delivery of our products. These interruptions may be due to unforeseen events that are beyond our control or the control of our third-party couriers, such as inclement weather, natural disasters, transportation disruptions or labor unrest. If our products are not delivered on time or are delivered in a damaged state, users may refuse to accept our products and have less confidence in our services. We have received user complaints from time to time regarding our delivery and return and exchange services during the Track Record Period. Any failure to provide high-quality delivery services to our users may adversely affect the user experience and adversely affect our business as a whole.

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We distribute our products through independent distributors over whom we have limited control.

During the Track Record Period, a portion of our products were sold through distributors. Although we have established measures to monitor the distributors' performance and adopted measures to avoid potential competition among distributors, including requiring the distributors to abide by selling restrictions stipulated in the distribution agreement, we have limited control over daily business activities of our distributors and our control over the ultimate retail sales may be limited. Non-compliance by any of our distributors with the relevant distribution agreements or our sales policies may adversely affect the overall sales of our products and our ability to implement development strategies. Our distributors may engage in activities that violate applicable laws and regulations in connection with the sales or marketing of our products. If our distributors violate laws or otherwise engage in unlawful practices, we could be liable for damages or fines, which could negatively affect our financial condition and results of operations. In light of the above, our brand and reputation and our sales activities could be adversely affected if we become the target of any negative publicity as a result of any actions taken by our distributors.

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

Under PRC laws, we are required to monitor our websites and mobile interfaces for items or content deemed to be factually incorrect, socially destabilizing, obscene, superstitious or defamatory, as well as content, products or services that are illegal to sell online, and promptly take appropriate actions with respect to such content, products or services. We may also be subject to potential liabilities for any unlawful actions of our users or users of our websites or mobile interfaces 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 subject to fines, have our relevant business operation licenses revoked, or be prevented from operating our websites or mobile interfaces in the PRC.

In particular, our advertising business is subject to relevant laws and regulations in the PRC. Even though we implement measures to review advertising materials in light of the relevant laws and regulations as well as our internal guidelines before they are published on our platforms, 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, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, tort (including personal injury), other unlawful activity or other theories and claims based on the nature and content of information posted on our mobile portals, including news feeds, product reviews and message boards, by our participants such as our users, suppliers and marketplace vendors, among others. Regardless of the outcome of such a dispute or lawsuit, we may suffer from negative publicity and reputational damage as a result, which may adversely affect our business.

During our course of business, a large amount of data is generated and processed. Any improper use or disclosure of such data, security breaches or attacks against our platform, and any potential breach or failure to protect confidential and proprietary information, as a result, could damage our reputation and adversely impact our business, results of operations and financial condition.

Our platforms generate and process a large amount of personal, transaction, demographic and behavioral data. Sensitive user information in our business operations is stored in the Internet data center established and owned by us. Such information includes, but is not limited to, personal information (such as username, cell phone number, delivery address, age and gender), consultation record, order record and activity log. We have kept all sensitive user information in our database, such as order records and consultation records, since inception. We face risks inherent in handling large volumes of data and in securing and protecting such data, in particular, the risks of protecting the data in and hosted on our

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

Any systems failure or security breach or lapse that results in the unauthorized release of our user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.

In the PRC, the rules governing the collection, use, disclosure or security of personal information are separately stipulated in various laws, regulations and rules. On November 7, 2016, the Cyber Security Law was promulgated by the Standing Committee of the National People’s Congress, as the PRC’s first basic law comprehensively regulating cyberspace security management. Regulatory requirements regarding the protection of such data are constantly evolving and can be subject to significant change, making the extent of our responsibility in that regard uncertain. See “Regulatory Overview — Regulations relating to Personal Information or Data Protection.”

Any failure, or perceived failure, by us to comply with our privacy policies or 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 business model or practices, increase our costs and severely disrupt our business. As we expand our operations, we may be subject to additional laws in other jurisdictions where our users and business partners of our ecosystem are located. The laws, rules and regulations of other jurisdictions may impose on us more stringent or conflicting requirements with harsher penalties for non-compliance than those in the PRC, and the compliance with such requirements could require significant resources and result in substantial costs, which may materially and adversely affect our business, financial condition, results of operations and prospects.

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

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

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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 users 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 smart pharmacies, pharmaceutical companies or other users who rely on our technologies in the operation of their businesses, which may have a material adverse effect on our reputation, business, results of operations and prospects.

Our technology platforms may contain undetected errors, or may not operate properly, which could adversely affect our business, financial condition and results of operations.

Our self-developed technology platforms provides our users and other participants in our ecosystem with the ability to conduct a variety of actions essential to our business operations and the delivery of our solution. Developing technology platforms by ourselves is time-consuming, expensive and complex, and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our technologies from operating properly and, consequently, adversely affect our platforms and other aspects of our business where we apply our technologies. If our technology platforms do not function reliably or fail to achieve users' and business partners' expectations in terms of performance, we may lose existing, or fail to attract new, users or business partners, which may damage our reputation and adversely affect our business.

Moreover, data services are complex and those we offer 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. These defects and errors, and any failure by us to identify and address them, could result in loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential users from utilizing our 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.

If we fail to adopt new technologies or adapt to changing user requirements or emerging industry standards, our business may be materially and adversely affected.

We operate in an industry that features rapid technological evolution, changes in user requirements and preferences, frequent introductions of new product and service offerings embodying new technologies and the emergence of new industry standards and practices. To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our platforms. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices, such as mobile Internet, in a cost-effective and timely way. The development of websites, mobile apps and other proprietary technologies entails significant technical and business risks. We cannot assure you that we will be able to successfully develop or effectively use new technologies, recoup the costs of developing new technologies or adapt the websites and mobile apps that we operate, and our proprietary technologies and platforms to meet user requirements or emerging industry standards. If we are unable to develop technologies successfully or adapt in a cost-effective and timely manner in response to changing market conditions or user requirements, whether for technical, legal, financial or other reasons, our business, prospects, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

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

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

Change in business prospects of acquisitions may result in goodwill impairment acquired in a business combination, which could negatively affect our results of operations.

Goodwill represented a significant portion of the assets on our consolidated balance sheet. Our goodwill as of December 31, 2019, 2020 and 2021 were RMB85.5 million, RMB256.4 million and RMB255.8 million, respectively, representing 11.3%, 14.4% and 8.7% of our total assets, respectively. Our goodwill primarily arose from our acquisition activities. The value of goodwill is based on a number of assumptions made by the management. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of cash-generating units which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value-in-use calculation requires us to estimate the future cash flows expected to arise from the group of cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and record a significant impairment loss, which could in turn adversely affect our results of operations. In addition, technological changes and advancements may render our existing technologies less effective or even obsolete, or may cause our services to be less attractive to users and merchants, each of which may in turn result in impairment losses for goodwill associated with our cash generating units. Any significant impairment of goodwill could have a material adverse effect on our business, financial condition and results of operations.

We are subject to credit risk.

Our trading terms with some of our customers are on credit. Trade receivables are generally settled in accordance with the terms of the respective contracts. As of December 31, 2019, 2020 and 2021, the majority of our trade receivables were due within six months. During the Track Record Period, our trade receivables increased from RMB23.4 million as of December 31, 2019 to RMB49.6 million as of December 31, 2020 and then further to RMB91.0 million as of December 31, 2021. Such increases are primarily attributable to the increase in our sales order from users as a result of our expansion of business. If our customers delay settlement of trade receivables with us, we may be subject to credit risk, which could, in turn, adversely affect our results of operations and financial conditions.

RISK FACTORS

The other intangible assets represents a significant portion of the assets on our consolidated statements of financial position. The impairment losses for intangible assets can adversely affect our results of operations, and our financial condition may be adversely affected.

As of December 31, 2021, we had other intangible assets of RMB199.2 million. Our other intangible assets primarily consist of intangible assets other than goodwill.

Other intangible assets represented a significant portion of the assets on our consolidated balance sheet. We determine the estimated useful lives and related amortization for our other intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. Management will revise the amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods. In addition, if any of the estimates does not materialize, or if the performance of our business is not consistent with such estimates, we may be required to have a significant write-off of our intangible assets and record a significant impairment loss, which could in turn adversely affect our results of operations. Any significant impairment of other intangible assets could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.

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 user services and control procedures deficiencies, as well as the protection of personal and confidential information of our users and business partners, among others. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

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 as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality agreements with our employees and third parties, 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. In addition, although we are not aware of any copycat websites or mobile apps that attempt to cause confusion or traffic diversion from us at the moment, we may become an attractive target to such attacks in the future because of our brand recognition in the PRC digital health and wellness industry.

In addition, there can be no assurance that our patent applications would be approved, that any issued patents would adequately protect our intellectual property, or that such patents would not be challenged by third parties or found by a judicial authority to be invalid or unenforceable.

RISK FACTORS

With respect to certain registered trademarks, because the relevant licensing agreement has not been filed with the relevant trademark authorities in the PRC for record, these trademarks may be challenged by any bona fide third party against us. The unauthorized reproduction of our trademarks could diminish the value of our brand and market reputation as well as competitive advantages.

In addition, it is often difficult to register, maintain and enforce intellectual property rights in the PRC. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. For example, when a party files a trademark registration application, it is not able to exclude the possibility that a third party may have filed an application to register the same or a similar trademark before it because such application may not have appeared in the relevant trademark authority's database.

Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in the PRC. Policing any unauthorized use of our intellectual property is difficult and costly and the steps that 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. There can be no assurance that we would prevail in such litigation, and even if we manage to prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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

We cannot promise you that our operations or any aspects of our business do not or would not infringe or violate patents, copyrights or other intellectual property rights held by third parties. There could be claims for products sold on or content posted on our platforms that infringe third-party intellectual property rights. There could also be existing patents of which we are not aware that our products may inadvertently infringe. There can be no assurance that holders of patents purportedly relating to some aspect of our technology platforms or business, if any such holders exist, would not seek to enforce such patents against us in the PRC or any other jurisdictions as applicable. Furthermore, the application and interpretation of PRC patent laws and the procedures and standards for granting patents in the PRC are still evolving and are uncertain, and there can be no assurance that PRC courts or regulatory authorities would agree with our interpretation. 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 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, which could be costly. Successful infringement or licensing claims made against us may cause significant monetary liabilities and may materially disrupt our business and operations.

RISK FACTORS

Our success depends on the continuing efforts of our key management and experienced and capable personnel generally as well as our ability to preserve our corporate culture and values. As our business expands, we need to continuously recruit talents to develop our online and offline capabilities. If we fail to hire, retain and motivate our staff, our business may suffer.

Our future success is significantly dependent upon the continued service of our management and key personnel. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth, therefore materially and adversely affecting our business, financial condition, results of operations and prospects.

Meanwhile, the size and scope of our ecosystem may require us to hire and retain a wide range of effective and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels, including qualified healthcare professionals, to become our full-time and part-time doctors, external doctors we are connected to, and other medical professionals such as our pharmacists, as we expand our business and operations. Competition for talent in the PRC Internet healthcare industry is intense, and the availability of suitable and qualified candidates in the PRC is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. In addition, even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals would choose to join or continue working for us.

Our key employees are subject to confidentiality terms that prohibit them from disclosing company confidential and proprietary information. However, we cannot assure you that such arrangements can be fully and legally enforced. If any of our senior management or other key personnel joins or establishes a competing business, we may lose some of our users, which may have a material adverse effect on our business.

We may not be able to detect or prevent fraud or other misconduct committed by our users, employees or other participants in our ecosystem.

Fraud or other misconduct by our users, such as fraudulent claims under medical insurance, by our employees, such as unauthorized business transactions, bribery and breach of our internal policies and procedures, or by third parties in our ecosystem, such as breach of law, may be difficult to detect or prevent. It could subject us to financial loss and sanctions imposed by governmental authorities while seriously damaging our reputation. This may also impair our ability to effectively attract prospective users, develop user loyalty, obtain financing on favorable terms and conduct other business activities.

In particular, we may face risks with respect to fictitious or other fraudulent activities. There can be no assurance that the measures we have implemented to detect and reduce the occurrence of fraudulent activities would be effective in combating fraudulent transactions or improving overall satisfaction among our suppliers and users.

Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions promptly, or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective. Therefore, we are subject to the risk that fraud or other misconduct may have previously occurred but went undetected, or may occur in the future. This may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We rely on assumptions and estimates to calculate certain key operating metrics, and inaccuracies in such metrics may harm our reputation and adversely affect our business.

Certain key operating metrics, such as number of sales orders and online consultations, in this document are calculated using our internal data. While these numbers are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. In addition, our key operating metrics are derived and calculated based on different assumptions and estimates, and you should be cautious of such assumptions and estimates when assessing our operating performance.

Our measures may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in data availability, sources and methodology. If third parties do not perceive our metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our metrics, our reputation may be harmed and third parties may be less willing to allocate their resources or spending to us, which could adversely affect our business and operating results.

Our strategic alliances, investments or acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

We may evaluate and consider strategic investments and acquisitions or enter into strategic alliances to develop new services or solutions and enhance our competitive position. Investments or acquisitions involve numerous risks, including the potential failure to achieve the expected benefits of the combination or acquisition; difficulties in, and the cost of, integrating operations, technologies, services and personnel; potential write-offs of acquired assets or investments; and downward effect on our operating results. These transactions will also divert the management’s time and resources from our normal operations, and we may have to incur unexpected liabilities or expenses. We may also in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with potential leakage of proprietary information, non-performance by the counterparty and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business.

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

As of December 31, 2019, 2020 and 2021, we recorded contract liabilities of RMB31.4 million, RMB60.4 million and RMB68.7 million, respectively. We collected payments in advance from customers primarily for sales of pharmaceutical and healthcare products, marketplace service fees and unearned revenue awards to customers. Our contract liabilities mainly arise from advance from sale of products. See “Financial Information – Discussion of Certain Selected Items from the Consolidated Statements of Financial Position – Contract liabilities.” If we fail to fulfil our performance obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the advance payments they have made, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operations and financial condition. In addition, if we fail to fulfil our performance obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations in the future.

RISK FACTORS

Our results of operations, financial condition and prospects have been adversely affected by fair value changes of financial instruments at fair value through profit or loss, in particular, by fair value changes in our preferred shares. Changes in unobservable inputs and other estimates and judgments could also materially affect the fair value of our shares with preferred rights, which in turn may adversely affect our results of operations.

We issued a series of shares with preferred rights prior to and during the Track Record Period. We recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. As of December 31, 2019, 2020 and 2021, our shares with preferred rights had a fair value of RMB763.9 million, RMB2,343.5 million and RMB4,651.0 million, respectively. For further information regarding the shares with preferred rights, see Note 25 to the Accountants' Report in Appendix I to this document. All the shares with preferred rights are unsecured and unguaranteed.

During the Track Record Period, our fair value change on financial liabilities at FVTPL was RMB150.7 million in 2019, RMB754.6 million in 2020 and RMB912.2 million in 2021. Such increase was primarily attributable to the increase in the fair value of preferred shares we issued in preceding rounds of financing due to the increase in the valuation of our Company.

The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and back-solve method involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs require management estimates and are inherently uncertain. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Changes in these unobservable inputs and other estimates and judgments could materially affect the fair value of our shares with preferred rights, which in turn may adversely affect our results of operations. We expect continued fluctuation of the fair value of our preferred shares till the [REDACTED], upon which all the preferred shares will automatically convert into our Shares.

Fluctuation of our financial assets at fair value through profit or loss has affected our results of operations during the Track Record Period and may continue to affect our results of operations in the future. The valuation of such assets is subject to uncertainties due to the use of valuation techniques and market observable and unobservable inputs, which may in turn adversely affect our financial performance.

We made investments in financial products during the Track Record Period. As of December 31, 2019, 2020 and 2021, we recorded the balance of financial assets at FVTPL of RMB43.3 million, RMB321.5 million and nil, respectively. Our financial assets at FVTPL primarily consist of financial products issued by banks, which are short-term investments with expected rates of return depending on the market rate of underlying financial instruments including treasury bonds, central bank bills, structured deposit and other financial assets. We managed and evaluated the performance of investments on a fair value basis in accordance with our risk management and investment strategy.

Fair value of our financial assets at fair value through profit or loss is estimated by using valuation techniques and on the basis of market observable and unobservable inputs. The use of unobservable inputs renders valuation uncertain, as changes of unobservable inputs such as expected return rate may change the fair value of the financial products we purchased. The fluctuation of our financial assets at fair value through profit or loss may continue to affect our results of operations in the future. In addition, we are exposed to credit risk in relation to our investments in the financial products, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains on the financial products we invest in or we will not incur any fair value losses on our investments in wealth management products at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. For fair value measurement of financial instruments, see Note 34.4 to the Accountants' Report in Appendix I to this document.

RISK FACTORS

We cannot guarantee that our new business initiatives will be successfully implemented or generate sustainable revenue or profit.

To better serve our users and provide them with the ultimate and all-rounded on-demand healthcare products and services, we will continue to expand the scope of our current offerings. Aside from our existing business offerings, we are devoted to further expanding into new business areas, such as on-demand point-of-care testing covering fields including bone and vessel health, as well as cross-border e-commerce for pharmaceutical and healthcare products. We strive to enrich our product and service offerings along our core business, including providing employee welfare benefits plans for corporate clients, offering healthcare management solutions for insurance clients, exploiting research and development services such as patient recruitment and monitoring for real-world studies, among others. The increasing cooperation with these business clients will further enhance the varieties of our product and service offerings.

These business initiatives are new and evolving, some of which are still at the inception or trial stage and may prove unsuccessful. In addition, we may not have sufficient experience in executing these new business initiatives effectively. Our ability to predict our user preferences and needs and to customize our services to users may be limited, which could impede our ability to deliver the user experience expected by our users at the early stage of these business initiatives. Further, we may incur increasing research and development spending, sales and marketing expenditures, personnel expenses and compliance costs as more efforts on product and service development, brand and service promotion, general administration and legal compliance are required for our businesses newly launched or to be launched, and no guarantee on the effectiveness of our efforts can be given. As a result, we cannot assure you that any of these business initiatives will achieve wide market acceptance, increase the penetration of our addressable market or generate revenues or profit. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenues or recover any associated costs, and our business and results of operations may be materially and adversely impacted.

The wide variety of payment methods that we adopt may subject us to risks related to third-party payment processing.

We accept payments through a variety of methods, including payment on delivery, bank transfers and online payments through various third-party online payment platforms. We may be charged transaction fees and other fees for certain payment methods, which may increase over time, causing our operating costs to rise and our profit margins to drop. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer. We may fail to deal effectively with any fictitious transactions or other fraudulent conduct.

We are also subject to various rules, regulations and requirements governing electronic funds transfers, both in China and globally, which could change or be reinterpreted to make it difficult or impossible for us to comply with. For example, in November 2017, the PBOC published a notice (the "PBOC Notice") on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting the unlicensed payment settlement services, so as to safeguard the fund security and information security. As the laws and regulations in this area are still evolving and subject to interpretation, we cannot assure you that the PBOC or other governmental authorities will not scrutinize our cooperation with third-party online payment service providers. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our users, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

Failure to comply with anti-corruption laws and regulations, or effectively manage our employees, affiliates and business partners such as suppliers and merchants, 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, suppliers, or third-party partners 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 retail 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, third-party partners or other business partners violate these laws, rules or regulations, we could be subject to fines and/or other penalties. Particularly, in the case of our drug express 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, suppliers or third-party partners, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

We may increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious allegations, all of which could severely damage our reputation and materially and adversely affect our business and prospects.

We process an extremely large number of transactions on a daily basis, and the high volume of transactions taking place on our platforms as well as publicity about our business create the possibility of heightened attention from the public, regulators and the media. Heightened regulatory and public concerns over user protection and user safety issues may subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues, due to the large number of transactions that take place on our platforms and the increasing scope of our overall business operations. In addition, changes in our services or policies have resulted and could result in objections by members of the public, the traditional, new and social media, social network operators or others. From time to time, these objections or allegations, regardless of their veracity, may result in user dissatisfaction, public protests or negative publicity, which could result in government inquiry or substantial harm to our brand, reputation and operations. Moreover, as our business expands and grows, both organically and through acquisitions of and investments in other businesses, domestically and internationally, we may be exposed to heightened public scrutiny in jurisdictions where we already operate as well as in new jurisdictions where we may operate. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects.

RISK FACTORS

If other companies copy information from our mobile apps and websites, and publish or aggregate it with other information for their own benefit, traffic to our mobile apps and websites may decline, and our business and prospects may be materially and adversely affected.

There is no assurance that other companies would not copy information from our mobile apps and websites, through website scraping, robots or other means, and publish or aggregate it with other information for their own benefit. When third parties copy, publish, or aggregate content from our mobile apps and websites, it makes them more competitive, and decreases the likelihood that users will use our mobile apps and websites to find the information they seek, which could materially and adversely affect our business and results of operations. We may not be able to detect such third-party conduct in a timely manner and, even if we could, we may not be able to remove it. In addition, we may be required to expend significant financial or other resources to successfully enforce our rights.

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

We adopted our ESOP Plan for the purpose of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. We recognize expenses in our consolidated financial statements in accordance with IFRS. Under our ESOP Plan, we are authorized to grant options, restricted shares, restricted share units and other types of awards. The maximum aggregate number of Shares which may be issued pursuant to our ESOP Plan (excluding the Restricted Share Agreement) is 87,993,330 ordinary shares, subject to adjustment and amendment. We believe the granting of share-based compensation is important 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.

Overall tightening of the labor market or any possible labor unrest may affect our business.

Our business requires a substantial number of personnel. Any failure to retain stable and dedicated labor by us and our delivery partners may lead to disruption to or delay in our services provided to users. Although we or our delivery partners have not experienced any labor shortage to date, we have observed an overall tightening and increasingly competitive labor market. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salary, social benefits and employee headcount. We and our delivery partners compete with other companies in our industry and other labor-intensive industries for labor, and we and our delivery partners may not be able to offer competitive remuneration and benefits compared to them. If we or our delivery partners are unable to manage and control our labor costs, our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations are subject to seasonal fluctuations.

We experience seasonality in our business, which is caused by a combination of online retail seasonality patterns and new patterns associated with healthcare products in particular. For example, E-commerce companies in China hold special promotional campaigns from time to time, which can affect our results for those quarters. We generally experience more user traffic and sales orders on and around special promotional campaigns, which have significant impact on our results for those quarters. We also experience seasonality in our business as our results of operations is affected by holidays in China. During the Track Record Period, generally, our revenue experienced a steady increase on monthly basis except for the months of Chinese New Year. The reason of the seasonal fluctuation is that our online and offline sales focused in metropolitans populations, while many of them go on vacation out of the city during Chinese New Year. The seasonality of our business is subject to a variety of uncertainties and may increase further in the future. Our financial condition and results of operations for future periods may continue to fluctuate. See "Business — Seasonality."

RISK FACTORS

We face risks related to health epidemics, which could significantly disrupt our business, financial condition and results of operations.

Our business could be adversely affected by the effects of epidemics. In recent years, there have been outbreaks of epidemics in China and globally. Since the end of December 2019, the outbreak of COVID-19 has materially and adversely affected the global economy. During the COVID-19 outbreak, the PRC government implemented strict measures to control the outbreak in China, including school and business closures, restrictions on mobility and workplace shutdowns. In addition, during the COVID-19 outbreak, since the PRC government restricted the sales of four types of medicines, including colds, fevers, cough relieving and anti-inflammatory, the sales volume of the four medicines significantly reduced. During the COVID-19 outbreak, because people were prompted to order drugs, healthcare products and personal protective equipments and get medical consultation online to avoid in-person contact, although we never suspended operations during the pandemic, at the beginning of the pandemic, our delivery capacity was overwhelmed by the surge in sales orders, causing delay in deliveries.

Whilst the COVID-19 outbreak has been largely under control in China, there has been some COVID-19 cases across China due to the Delta and Omicron variants, and the extent to which COVID-19 will impact our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19, the scope and duration of restricted measures to contain COVID-19 or treat its impact, evolution of variants of the virus and effectiveness of the vaccines, among others. If the COVID-19 situation in China deteriorates, it may affect our ability to timely deliver products and the supply of our products and service offerings. We cannot assure you that the outbreak will not persist, or that there will not be similar events in the future. If the COVID-19 outbreak continues, our business, results of operations and financial condition will continue to be adversely affected. See “Financial Information — Impacts of the COVID-19 Outbreak.”

The global spread of the COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, and the duration and extent of the impact of COVID-19 outbreak cannot be reasonably estimated at this time. The extent to which it may affect our results of operations, financial condition and cash flow will depend on the future developments of the outbreak, which are highly uncertain and cannot be predicted. Such uncertainty poses operational challenges to our online service offerings. Our operations could be disrupted if one of our employees is suspected of having COVID-19, H1N1 flu, avian flu or another epidemic in our offices, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreak harms the PRC economy in general.

We face risks related to natural disasters and other calamities, which could significantly disrupt our business, financial condition and results of operations.

We are vulnerable to natural disasters and other calamities. Our IT system is primarily hosted and maintained at cloud servers that are not operated by us. We cannot assure you that our cloud service providers will have adequate measures to protect themselves from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to server interruptions, breakdowns, system failures, technology infrastructure failures or Internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to provide product and service offerings. Apart from that, our operations may be severely disturbed of under extreme weather conditions. For example, our smart pharmacies may close for safety reasons. As a result, our business, financial condition and result of operations may be materially and adversely affected.

RISK FACTORS

We may need additional capital, which we may not be able to obtain on favorable terms or at all.

We may require additional cash resources due to operating losses, future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and the PRC governmental regulations over foreign investment and the PRC Internet 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.

Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.

Operating in the high-technology industry, a number of our PRC operating entities enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. Our PRC subsidiaries and Consolidated Affiliated Entities may, if they meet the relevant requirements, qualify for certain preferential tax treatment.

For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. The high and new technology enterprise qualification is re-assessed by the relevant authorities every three years. See “Financial Information — Significant Accounting Policies and Estimates — Description of Selected Components of Statements of Profit or Loss — Taxation — PRC.” If such PRC subsidiaries or Consolidated Affiliated Entities fail to maintain their respective qualification under the relevant PRC laws and regulations, their applicable enterprise income tax rates may increase to up to 25%, which could have a material adverse effect on our results of operations.

If we fail to maintain adequate internal controls, we may not be able to effectively manage our business.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our 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 may cause errors or information lapses that affect our business. Our efforts in improving our internal control system may not eliminate 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.

RISK FACTORS

We may not have sufficient insurance coverage to counter business risks.

We have obtained insurance to cover certain potential risks and liabilities. However, we may not be able to acquire insurance for certain types of risks for all of our operations in the PRC, such as business liability or service disruption insurance, 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 policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

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

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

RISK FACTORS

Any failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions.

Almost all of our employees are based in the PRC. In accordance with the PRC Social Insurance Law and the Regulation Concerning the Administration of Housing Provident Fund and other relevant laws and regulations, China establishes a social insurance system and other employee benefits including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, housing fund, or collectively the Employee Benefits. An employer shall pay the Employee Benefits for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance and other Employee Benefits that should be assumed by the employees. For example, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue.

Under the Social Insurance Law and the Regulations on the Administration of Housing Fund, PRC subsidiaries shall register with local social insurance agencies and register with applicable housing fund management centers and establish a special housing fund account in an entrusted bank. Both PRC subsidiaries and their employees are required to contribute to the Employee Benefits.

We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits. Our PRC Legal Advisors are of the view that, during the Track Record Period and up to the Latest Practicable Date, except as otherwise disclosed in this document, we have complied with the applicable PRC labor law and regulations in all material respects. See "Business — Employees."

However, we cannot assure you that we will continue to comply with the applicable PRC labor law and regulations in all material respects, especially if our employees are unwilling to cooperate. If we fail to make the outstanding Employee Benefit contributions within the prescribed time frame, we may be subject to a fine of up to three times the amount of the overdue payment. If we are subject to investigations related to non-compliance with labor laws and severe penalties are imposed on us, or we incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

RISK FACTORS

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

Adverse changes in economic and political policies of the PRC government could have a material adverse effect on overall economic growth in China, which could materially and adversely affect our business and results of operation.

A significant portion of our operations are conducted in China and the majority of our revenue is sourced from China. Accordingly, our financial condition, results of operations and prospects are influenced by economic, political and legal developments in China. Economic reforms have resulted in significant economic growth in China in the past few decades. However, any economic reform policies or measures in China may from time to time be modified or revised. China's economy differs from the economies of most developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth in the past few decades, the rate of growth has slowed down since 2012, and growth has been uneven across different regions and among various economic sectors.

The PRC government exercises significant control over China's economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Although China's economy has grown significantly in the past decade, that growth may not continue and any slowdown may have a negative effect on our business. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China, could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our businesses, lead to reduction in demand for our services and adversely affect our competitive position.

The legal system in China embodies uncertainties which could limit the legal protections available to us.

We conduct our business primarily through our PRC subsidiaries and variable interest entities in China. Our operations in China are governed by PRC laws and regulations. The legal system in China is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. The legal system in China evolves rapidly, and the interpretations of many laws, regulations and rules may contain inconsistencies. However, these laws, regulations and legal requirements are constantly changing and their interpretation and enforcement involve uncertainties. These uncertainties could limit the legal protections available to us. In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to Internet-related industries, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

RISK FACTORS

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

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

However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our Company or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid by us and gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources. Any such tax on the dividends received by our shareholders from us may be withheld at source. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

RISK FACTORS

PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

A number of PRC laws and regulations, including the M&A Rules, the Anti-monopoly Law promulgated by the Standing Committee of the National People's Congress in August 2007, and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM in August 2011, have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. These include requirements in some instances that the approval from MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review.

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

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

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

RISK FACTORS

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

On October 17, 2017, SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises, or SAT Circular 37, which became effective on December 1, 2017 and abolished SAT Circular 698 as well as certain provisions in SAT Circular 7. SAT Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to SAT Circular 37, where the party responsible for deducting such income tax did not or was unable to make such deduction, or the non-resident enterprise receiving such income failed to declare and pay the taxes that should have been deducted to the relevant tax authority, both parties may be subject to penalties. The taxable gain is calculated as balance of the total income from such transfer net deducting the net book value of equity interest.

We may conduct acquisitions involving changes in corporate structures. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

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

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

RISK FACTORS

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

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

RISK FACTORS

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

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

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

RISK FACTORS

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

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

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

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

We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our shareholders or beneficial owners who are PRC residents to ensure their compliance with Circular 37 or other related rules. In addition, we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations or comply with other requirements required by Circular 37 or other related rules in a timely manner. Even if our shareholders and beneficial owners who are PRC residents comply with such request, we cannot provide any assurance that they will successfully obtain or update any registration required by Circular 37 or other related rules in a timely manner due to many factors, including those beyond our and their control. If any of our shareholders who is a PRC resident as determined by Circular 37 fails to fulfill the required foreign exchange registration, our PRC subsidiaries may be prohibited from distributing their profits and dividends to us or from carrying out other subsequent cross-border foreign exchange activities, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries, which may adversely affect our business.

RISK FACTORS

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

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

Under PRC laws and regulations, PRC enterprises may pay dividends only out of their retained earnings as determined in accordance with PRC accounting standards and regulations. In addition, a PRC enterprise is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. In addition, a PRC enterprise may allocate a portion of their after-tax profits based on PRC accounting standards to a discretionary surplus fund at its discretion. The statutory reserve funds and the discretionary funds are not distributable as cash dividends. Any limitation on the ability of our Consolidated Affiliated Entities to make remittance to our wholly-owned PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations.

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

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

The value of Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. In July 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar, and the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow band. In June 2010, the People's Bank of China increased the flexibility of the exchange rate and between June 30, 2010 and December 31, 2013, the value of the Renminbi appreciated approximately 12.0% against the U.S. dollar, although the value of the Renminbi depreciated approximately 2.5% against the U.S. dollar in 2014. In August 2015, the People's Bank of China changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. As a result, in 2015, the value of the Renminbi depreciated approximately 5.8% against the U.S. dollar. On November 30, 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the basket of currencies that make up the Special Drawing Right, or SDR, and decided that with effect from October 1, 2016, Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen, and the British pound. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to complete filings with and obtain approvals from the banks authorized by SAFE before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

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

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

In 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court

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agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

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

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or SAFE Circular 7, replacing the previous rules issued by SAFE in March 2007. Under the SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. In addition, Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly-listed special purpose company may register with SAFE or its local branches before they exercise the share options. We and our PRC employees who have been granted share options and restricted shares are subject to these regulations. Failure of our PRC share option holders or restricted shareholders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

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Certain judgments obtained against us by our shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands and substantially all of our current operations are conducted in China as well. In addition, a majority of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court’s jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

RISKS RELATING TO OUR CORPORATE STRUCTURE AND CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the provision of value-added telecommunications services, online hospital services and other related businesses.

We are a company incorporated under the laws of the Cayman Islands and the WFOE, our PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct Relevant Businesses in the PRC through our Consolidated Affiliated Entities based on the Contractual Arrangements. Such Contractual Arrangements enable us to: (i) receive substantially all of the economic benefit from our Consolidated Affiliated Entities in consideration for the services provided by the WFOE to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase all or part of the equity interests in Consolidated Affiliated Entities when and to the extent permitted by PRC laws. The Contractual Arrangements allow the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRS as if they were wholly-owned subsidiaries of our Group (except certain minority interest therein). See “Contractual Arrangements — Our Contractual Arrangements.”

Our PRC Legal Advisors are of the opinion that (i) the ownership structure of the Consolidated Affiliated Entities does not violate the current PRC laws enacted by the National People’s Congress and its Standing Committee and the current mandatory and prohibitive administrative regulations formulated by the State Council, and (ii) except for certain clauses regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration and liquidation arrangement of the Consolidated Affiliated Entities, see “— We conduct our business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable under PRC laws,” the Contractual Arrangements, taken individually or collectively, are valid,

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legally binding, enforceable against each party of such agreements in accordance with their terms, subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally, the discretion of relevant Government Agencies in exercising their authority in connection with the interpretation and implementation thereof and the application of relevant PRC Laws and policies thereto, and to general equity principles. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisors stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. If the PRC government determines that we are in violation of PRC laws or regulations or lack the necessary permits or approvals to operate our business, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations or failures, including, but not limited to:

- revoking our business and/or operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or the WFOE and our Consolidated Affiliated Entities may not be able to comply;
- requiring us or the WFOE and our Consolidated Affiliated Entities to restructure the relevant ownership structure or operations; or
- restricting or prohibiting our use of the [REDACTED] from the [REDACTED] or other of our financing activities to finance the business and operations of our Consolidated Affiliated Entities and their respective subsidiaries.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of the Consolidated Affiliated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated Affiliated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entities, we may not be able to consolidate the Consolidated Affiliated Entities into our consolidated financial statements in accordance with IFRS.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership, and Dingdang Medicine Express Technology or the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.

We rely on a series of Contractual Arrangements with the Consolidated Affiliated Entities to control and operate the Relevant Businesses. The Contractual Arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities and allow us to obtain economic benefits from them. See "Contractual Arrangements."

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These Contractual Arrangements may not be as effective in providing control over the Consolidated Affiliated Entities as direct ownership. If we had direct ownership of the Consolidated Affiliated Entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of the Consolidated Affiliated Entities, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current Contractual Arrangements, we rely on the performance by Dingdang Medicine Express Technology and the Registered Shareholders under the contracts to exercise control over the Consolidated Affiliated Entities. If Dingdang Medicine Express Technology or the Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of the Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from the Contractual Arrangements will be resolved through arbitration in China. However, there are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the outcome of arbitration. Such uncertainties could limit our ability to enforce the Contractual Arrangements. In the event we are unable to enforce the Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities and may lose control over the assets owned by the Consolidated Affiliated Entities. As a result, we may be unable to consolidate the Consolidated Affiliated Entities in our consolidated financial statements, and our ability to conduct our business may be adversely affected.

We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to our business operations if the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entities. If the Consolidated Affiliated Entities undergo an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets of our Consolidated Affiliated Entities.

Under the Contractual Arrangements, the Registered Shareholders covenanted that they shall not sell, transfer, pledge or dispose of in any other manner any assets or the legal or beneficial interest in Dingdang Medicine Express Technology, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement, without the prior written consent of the WFOE. In addition, the Registered Shareholders covenanted that they shall not request Dingdang Medicine Express Technology to distribute dividends or profits in any form, propose resolutions in relation to this at a general meeting, or vote to pass such resolutions without the prior written consent of the WFOE. In the event that the Registered Shareholders breach the relevant covenants, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding is uncertain.

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The Registered Shareholders may have conflicts of interest with us, which may materially and adversely affect our business.

Our control over the Consolidated Affiliated Entities is based upon the Contractual Arrangements with Dingdang Medicine Express Technology and the Registered Shareholders. The Registered Shareholders may potentially have conflicts of interest with us and breach their contracts or undertaking if it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts arise, the Registered Shareholders will act in the best interest of our Company or that conflicts will be resolved in our favor. The Registered Shareholders may breach or cause Dingdang Medicine Express Technology to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from our Consolidated Affiliated Entities. If we cannot resolve any conflict of interest or disputes between us and the Registered Shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

We conduct our business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. Uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the Consolidated Affiliated Entities, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests, assets or properties of the Consolidated Affiliated Entities, compulsory relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding up of the Consolidated Affiliated Entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim relief to a party when requested for the purpose of preserving the assets and properties or enforcement measures, subject to the requirements under the PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Furthermore, the provision provides that in the event of a mandatory liquidation required by PRC laws, the Consolidated Affiliated Entities shall sell all the assets to WFOE or its designated party at the lowest price to the extent allowed by the PRC laws. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by the Consolidated Affiliated Entities and/or its shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities, which could materially and adversely affect our ability to conduct our business.

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If we exercise the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”) promulgated by the State Council, foreign investors are not allowed to hold more than 50% of the equity interests of any company providing value-added telecommunications services (excluding e-commerce business, domestic multi-party communications, store-and-forward and call centers). In addition, the main foreign investor who invests in a value-added telecommunications business in the PRC must possess a proven track record and experience in operating value-added telecommunications businesses (the “**Qualification Requirements**”). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. Although we have taken many measures to meet the Qualification Requirements, we still face the risk of not satisfying the requirement promptly. If the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in the PRC in the future, we may be unable to unwind the Contractual Arrangements before we are able to comply with the Qualification Requirements, or if we attempt to unwind the Contractual Arrangements before we are able to comply with the Qualification Requirements we may be ineligible to operate our value-added telecommunication enterprises and may be forced to suspend their operations, which could materially and adversely affect our business, financial condition and results of operations.

Pursuant to the Contractual Arrangements, WFOE or its designated person(s) has the irrevocable, unconditional and exclusive right to purchase all or any part of the equity interests in Dingdang Medicine Express Technology from the Registered Shareholders in the WFOE’s absolute discretion to the extent permitted by PRC laws. The consideration shall be equivalent to the amount of registered share capital contributed by the Registered Shareholders and is returnable to the WFOE or its designated person(s) as permitted under the PRC laws and regulations.

The equity transfer may be subject to the approvals from, or filings with, the MOFCOM, the MIIT, SAMR and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities.

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

On March 15, 2019, the NPC promulgated the Foreign Investment Law or the FIL, which has become effective on January 1, 2020 and replaced the outgoing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, as well their implementation rules and ancillary regulations, or the Outgoing FIE Laws. See “Regulatory Overview.”

Meanwhile, the Implementation Rules to the PRC Foreign Investment Law came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of consolidated affiliated entity contractual arrangements. While FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council, we cannot assure you that future laws and regulations will not stipulate contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our Consolidated Affiliated Entities through Contractual Arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign

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investment, our Contractual Arrangements may be deemed as invalid and illegal, and we may be required to unwind the Contractual Arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to existing Contractual Arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance, financial condition and business operations.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

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

The difference of PRC enterprise income tax and VAT rate between Dingdang Medicine Express Technology and the WFOE may incur additional tax expenses to the Group under the Contractual Arrangements.

Dingdang Medicine Express Technology, the party to the Exclusive Business Cooperation Agreement, was subject to a preferential income tax rate of 15% as a result of its qualification as a High-New Technology Enterprises during the three years ended December 31, 2021. Subject to the condition that there are taxable profits of Dingdang Medicine Express Technology in the future, an RMB1 transaction between Dingdang Medicine Express Technology and WFOE under the Contractual Arrangements would result in an RMB0.1 enterprise income tax difference between Dingdang Medicine Express Technology and WFOE. Therefore, the difference of PRC enterprise income tax rate of Dingdang Medicine Express Technology and the WFOE may subject the Group to additional tax expenses under the Contractual Arrangements. In addition, Dingdang Medicine Express Technology is registered as a VAT general taxpayer ("增值税一般納稅人") and therefore is subject to a 6% VAT output tax rate with the permission to deduct VAT input tax from its VAT output tax, while the WFOE is registered as a VAT small-scale taxpayer ("增值税小規模納稅人") and hence subject to a 3% VAT charge rate but without VAT input tax deduction permission. Therefore, the difference of VAT status and charge rate of Dingdang Medicine Express Technology and the WFOE may subject the Group to additional tax expenses under the Contractual Arrangements.

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RISKS RELATING TO THE [REDACTED]

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

Prior to completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations among our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following completion of the [REDACTED]. The market price of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

The trading price of our Shares may be volatile, which could result in substantial losses to you.

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

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

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

The Shares held by our Controlling Shareholders Group are subject to certain lock-up periods. See “[REDACTED] — [REDACTED] and Expenses.” While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

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

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

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We cannot guarantee the accuracy of facts and other statistics with respect to certain information contained in this document.

The information and statistics set out in the "Industry Overview" section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan.

We engaged Frost & Sullivan to prepare an independent industry report in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

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

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