

RISK FACTORS

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

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

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

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

Due to the complex nature of our business, we are subject to legal and regulatory requirements of multiple industries in the PRC. These industries primarily include internet, healthcare, pharmaceutical and out-of-hospital pharmaceutical circulation industries. Various regulatory authorities of the PRC government are empowered to promulgate and implement regulations governing broad aspects of the internet and healthcare industries. In respect of the healthcare industry, in particular, any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

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

Furthermore, the introduction of new services and products may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate permits, licences 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.

The pharmaceutical circulation industry in China is subject to extensive government regulation and supervision as well as monitoring by various governmental authorities. Certain other laws,

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rules and regulations may affect the pricing, demand and distribution of pharmaceutical products, such as those relating to procurement, prescription and dispensing of drugs by hospitals and other medical institutions, retail pharmacy, government funding for private healthcare and medical services, and the inclusion of products in the drugs catalogues for national basic medical insurance, on-the-job injury insurance and maternity insurance promulgated by the Ministry of Human Resources and Social Security of the People’s Republic of China, or the MOHRSS. Any unfavourable regulatory changes in these industries may increase our compliance burden and materially and adversely affect our business, profitability and prospects.

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

Our business is subject to governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the MOFCOM, the MIIT, the National Health and Family Planning Commission of the People’s Republic of China, or the NHFPC, which was restructured and integrated into the National Health Commission of the People’s Republic of China, or the NHC, the NMPA, the SAIC, which was, together with the CFDA, integrated into the SAMR, the CAC, and the corresponding local regulatory authorities. Such governmental authorities promulgate and enforce laws and regulations that cover a variety of business activities that our operations concern, such as provision of internet information, sales and online operation of pharmaceutical products, sales of food, diagnostic testing services, online training to pharmaceutical professionals, online content moderation assessment and filing, internet advertisement, payment and settlement, and equipment with licensed pharmacists, among other things. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licences and permits for, the relevant business activities.

In addition to obtaining necessary approvals, licences and permits for conducting our business, we must comply with relevant laws and regulations. Our businesses, such as Online Marketplace and Self-operation Business, are subject to various and complex laws and regulations, extensive government regulations and supervision. For example, the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), which became effective on January 1, 2019, imposes a number of new requirements and obligations on e-commerce platform operators like us, including to display the noticeable labels regarding the self-operation products and take liabilities for such products and services. In addition, in compliance with the Administrative Standard of Pharmaceutical Operating Quality (《藥品經營質量管理規範》), promulgated on 13 July 2016 by the CFDA, we have hired full-time licensed pharmacists for Self-operation Business to be responsible for the review of prescriptions and guidance of the use of drugs. Besides, our ClouDiagnos business is subject to laws and regulations in relation to medical examination. For example, if the test results of our ClouDiagnos are found to be defect, we may be given a disciplinary warning and/or imposed a fine of no more than RMB1,000 according to the Interim Administrative Measures for Medical Examination Laboratories (《醫學檢驗實驗室管理暫行辦法》) issued by the Medical Treatment Team of the Joint Prevention and Control Mechanism of the State Council for COVID-19 Epidemic on 1 August 2020, and the Regulations on Medical Institutions. However, we may be in violation or non-compliance with such laws and regulations and 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

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model. For example, we are subject to the rules, regulations and guidelines governing settlement and payment services published by PBOC or other governmental authorities from time to time. We have been cooperating with a commercial bank to provide payment settlement services for participants on our platform since 2021 to professionally and efficiently handle the ever-increasing amount of fund flow and to better meet the requirements of the relevant PRC laws and regulations. We had never been subject to any administrative actions, sanctions or penalties from any PRC regulatory authorities before these measures were taken and although we and the commercial bank we cooperate with proactively take measures to satisfy the relevant PRC laws and regulations, there is no assurance that we can timely react to the evolving requirements in this area and ensure full compliance at all times. Besides, we are subject to scheduled or unscheduled periodic inspections conducted by relevant regulatory authorities of our facilities to monitor our regulatory compliance. Although we did not encounter any material issues in passing relevant inspections, we cannot assure you that we will be able to continue to do so going forward.

In September 1984, the SCNPC promulgated the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), which was amended in 2001, 2013, 2015 and 2019 respectively to regulate all entities or individuals engaging in research, manufacture, operation, use, supervision and management of drugs within the PRC. According to the Drug Administration Law, no pharmaceutical operation, including pharmaceutical wholesale and pharmaceutical retail business, is permitted without obtaining the Pharmaceutical Operation Licence. The Implementation Rules for the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》), was promulgated by the State Council in August 2002 and amended in 2016 and 2019, which emphasised the detailed implementation rules of drugs administration. The SFDA promulgated the Measures for the Administration of Pharmaceutical Operation Licence (《藥品經營許可證管理辦法》) in February 2004 as amended in 2017, which stipulate the procedures for applying the Pharmaceutical Operation Licence and the requirements and qualifications for pharmaceutical wholesalers or pharmaceutical retailers with respect to their management system, personnel, facilities and etc. The valid term of the Pharmaceutical Operation Licence is five years and shall be renewed six months prior to its expiration date. According to the Measures on Prescription Drugs and OTC Drugs Classification Management (Trial) (《處方藥與非處方藥分類管理辦法(試行)》) and the Interim Provisions on the Circulation of Prescription and OTC Drugs (《處方藥與非處方藥流通管理暫行規定》), which were both promulgated by the State Drug Administration, which was restructured and integrated into the SFDA, in 1999 and became effective in January 2000, drugs are divided into prescription drugs and over-the-counter drugs, or OTC drugs. For prescription drugs, the dispensing, purchase and use can only be based on the prescription issued by the certified medical practitioner or certified medical assistant practitioner. In addition, the prescription drugs can only be advertised and promoted in professional medical magazines. OTC drugs, on the other hand, are further divided into Class A and Class B and they both can be purchased and used without a prescription and promoted in public upon approval by the relevant governmental authorities. The pharmaceutical wholesale enterprises distributing prescription drugs and/or OTC drugs, as well as pharmaceutical retail enterprises selling prescription drugs and/or Class A OTC drugs are required to obtain the Pharmaceutical Operation Licence. On 9 May 2022, the NMPA published the draft Implementation Rules for the Drug Administration Law of the PRC (Draft for Comments) (《中華人民共和國藥品管理法實施條例(修訂草案徵求意見稿)》) for public comments. Pursuant to such draft rules, an enterprise engaged in drug online sales activities shall be a legally established drug marketing authorisation holder or a licensed drug distributor, and a third-party platform operator shall not directly participate in online drug sales activities. Upon the strictest interpretation of the draft rules, we might only be able to conduct Online Marketplace or Self-operation

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Business, but not both, resulting in cessation of one of our businesses. However, we believe the worst-case scenario is quite remote. As of the Latest Practicable Date, there have been no further clarifications from the PRC governmental authorities as to the standards for determining or interpreting the direct participation of third-party platforms in online drug sales activities. It is still uncertain when the final version of such draft rules will be issued and take effect, how they will be enacted, interpreted or implemented, and whether they will affect us at that time. If we fail to fully comply with the requirements of the rules when it is implemented, our business operation, financial condition and results of operation may be adversely affected. See “Summary—Recent developments—Recent regulatory developments—Pharmaceutic operations” for further details.

Besides, we provide online courses for the preparation of the pharmacist qualification examinations, which may be deemed as online education activities. We might be required to obtain the School Operation Licence (辦學許可證), subject to further official guidance and implementation rules on the requirement for the School Operation Licence. As of the Latest Practicable Date, we had not been subject to any regulatory notices, fines, penalties or enforcement actions in relation to the potential licencing requirements for the School Operation Licence. Nevertheless, we cannot guarantee that the regulatory authorities will not impose any penalties on us or forbid us from performing the relevant business activities.

We collaborate with a third-party netcasting services provider to provide livestreaming service, which mainly allows users to introduce sales policies of the medical products to other enterprise users. On 15 November 2018, the CAC and the Ministry of Public Security published the Provisions on the Security Assessment for Internet Information Services with Characteristics of Public Opinions or Capable of Social Mobilisation (《具有輿論屬性或社會動員能力的互聯網信息服務安全評估規定》), or the Provisions on the Security Assessment for Internet Information Services, which took effect on 30 November 2018. According to the Provisions on the Security Assessment for Internet Information Services, the provision of livestreaming services is considered as “Internet information services with characteristics of public opinions or capable of social mobilisation” and the relevant service provider shall carry out security assessment and submit the report through the “National Internet Security Management Service Platform” to the local office of the CAC and public security organs to complete the assessment. As of the date of this document, we have completed the assessment with applicable PRC governmental authorities in accordance with the rules. If we fail to maintain the relevant assessment or meet the relevant requirements of the PRC governmental authorities from time to time, the livestreaming services may be ceased and this will affect our business operations and profitability.

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 all the approvals, permits and licences required for conducting our business and all activities in the PRC, or that we would be able to maintain our existing approvals, permits and licences or obtain any new approvals, permits and licences if required by any future laws or regulations. If we fail to obtain and maintain approvals, licences or permits required for our business, or to comply with relevant laws and regulations, we could be subject to liabilities, fines, administrative 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.

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Our business, financial condition and results of operations may be materially and adversely affected if we are unable to compete effectively in the PRC general healthcare and wellness market, and we may fail to sufficiently and promptly respond to rapid changes in government regulations, treatment of diseases and market demand.

The PRC general healthcare and wellness market is highly competitive. Our key competitors include B2B platforms and traditional pharmaceutical distributors. These companies may have substantially greater financial, technical, research and development, marketing, distribution and other resources than we do. They may also have longer operating histories, a larger customer base or broader and deeper market coverage. Furthermore, when we expand into other markets, we will face competition from new competitors, domestic or foreign, who may also enter markets where we currently operate.

In addition, many operators in the healthcare industry have consolidated in recent years to create larger healthcare enterprises with greater bargaining power, which has resulted in greater pricing pressures. If this consolidation trend continues, it could give the resulting enterprises even greater bargaining power, which may lead to further competitive pressure. New partnerships and strategic alliances in the healthcare industry also can alter market dynamics and adversely impact our businesses and competitive positioning.

The technologies that we and our competitors employ are evolving rapidly, and new developments frequently result in price competition, product obsolescence and altered market landscape. Any significant increase in competition may have a material adverse effect on our revenue and profitability as well as on our business and prospects. We cannot assure you that we will be able to continually distinguish our products and services from our competitors', preserve and improve our relationships with various participants in the healthcare value chain, or increase or even maintain our existing market share. We may lose market share, and our financial condition and results of operations may deteriorate significantly if we fail to compete effectively.

We are operating with a limited operating history in an emerging and dynamic digital market of outside-of-hospital pharmaceutical circulation services, and our historical results of operations and financial performance are not indicative of future performance.

We operate in the emerging and dynamic digital market of outside-of-hospital pharmaceutical circulation services in China. The industry is relatively new and it is uncertain whether such industry would achieve and sustain high levels of demand and market acceptance. We have experienced significant growth during the Track Record Period. Our revenues increased from RMB6,064.9 million in 2020 by 66.4% to RMB10,093.5 million in 2021 and further increased by 41.4% from RMB10,093.5 million in 2021 to RMB14,274.8 million in 2022. We recorded gross profit of RMB608.8 million in 2020, RMB913.8 million in 2021 and RMB1,434.7 million in 2022.

Although our business has grown rapidly during the Track Record Period, due to our limited operating history, our historical growth and past revenues may not be indicative of our future performance. In addition, we cannot assure you that we can successfully continue to implement our business model. As the market and our business develop, we may modify our products and services. These changes may not achieve expected results and may have a material and adverse impact on our results of operations and financial condition. We cannot assure you that we will be able to achieve similar results or grow at the same rate as we had in the past or at all. Rather than relying on our historical operating and financial results to evaluate us, you should consider our business prospects in

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light of the risks and difficulties we may encounter, including, among other things, our ability to attract and retain industry participants, our ability to create value for industry participants and increase monetization, our ability to navigate an evolving regulatory environment, our ability to provide high-quality products and satisfactory services, build up our reputation and promote our brand, and our ability to anticipate and adapt to changing market conditions. We may not be able to successfully address these risks and difficulties, which could significantly harm our business, results of operations and financial condition.

We have incurred operating losses in the past, and may not be able to achieve or maintain profitability in the future.

During the Track Record Period, our revenues increased by 66.4% from RMB6,064.9 million in 2020 to RMB10,093.5 million in 2021, and our revenues also increased by 41.4% from RMB10,093.5 million in 2021 to RMB14,274.8 million in 2022. We recorded gross profit of RMB608.8 million in 2020, RMB913.8 million in 2021 and RMB1,434.7 million in 2022. Our loss and total comprehensive expense for the year was RMB571.7 million in 2020, RMB501.6 million in 2021 and RMB1,500.0 million in 2022. We expect our operating costs and expenses to increase in the future in absolute terms as we expand our operations. We may also incur additional legal, accounting, and other expenses as a public company. If our revenue does not grow at a greater rate than our expenses, we will not be able to achieve and maintain profitability. We may incur significant losses in the future for various reasons, many of which may be beyond our control. Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected and we may not be able to achieve or maintain profitability.

We recorded accumulated losses and total deficits during the Track Record Period. We cannot assure you that we will not record a total deficit in the future.

As of December 31, 2020, 2021, and 2022, we recorded accumulated losses of RMB2,471.1 million, RMB2,964.8 million and RMB4,449.8 million, respectively, and total deficits of RMB2,462.2 million, RMB2,908.5 million and RMB4,369.7 million, respectively.

However, we cannot assure you that we will not have a total deficit position in the future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, financial condition and results of operations.

We recorded net cash used in operating activities during the Track Record Period. If we record net cash outflow from operating activities in the future, our liquidity and financial condition may be materially and adversely affected.

We recorded net cash used in operating activities of approximately RMB124.4 million and RMB487.1 million in 2020 and 2021, respectively. See “Financial Information—Liquidity and capital resources” for further details.

In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We can give no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

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We recorded net current liabilities as of 31 December 2020, 2021 and 2022, respectively, and may record net current liabilities in the future.

Our net current liabilities increased by 15.8% from RMB3,155.0 million as of 31 December 2020 to RMB3,652.8 million as of 31 December 2021 and increased by 28.4% from RMB3,652.8 million as of 31 December 2021 to RMB4,690.7 million as of 31 December 2022. Such change was primarily due to an increase in financial liabilities at fair value through profit and loss. See “Financial information—Discussion of certain key items of consolidated statements of financial position” for further details. We cannot assure you that we will not record net current liabilities in the future. Net current liabilities expose us to liquidity risks and constrain our operational flexibility. Our future liquidity, the payment of trade and other payables and repayment of borrowings as and when they become due will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may adversely affect our results of operations and financial position.

We may not be able to manage the growth of our business and our expansion plans and operations or implement our business strategies on schedule or within our budget, or at all.

Our business has become increasingly complex in terms of both the type and scale of our operations. Any expansion may increase the complexity of our operations and place a significant strain on our managerial, technological, operational, financial and human resources. Leveraging on our industry know-how, operational experience and technology capabilities, we launched Targeted Product Launch Business, ClouDiagnos, wePharmacy, CloudComm and various other services, in addition to our Online Marketplace and Self-operation Business. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations and new initiatives. We cannot assure you that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully. If we are not able to manage our growth effectively, our business and prospects may be materially and adversely affected.

We are also continually executing a number of growth initiatives, strategies and operating plans designed to enhance our business, including growing the scale, comprehensiveness and depth of our pharmaceutical circulation business, and investing in research and development in building digitalised infrastructure. The anticipated benefits from these efforts are based on assumptions that may prove to be inaccurate. Moreover, we may not be able to successfully complete these growth initiatives, strategies and operating plans and realise all of the benefits that we expect to achieve or it may be costlier to do so than we anticipate. If, for any reason, the benefits we realise are less than our estimates or the implementation of these growth initiatives, strategies and operating plans adversely affect our operations or cost more or take longer to effectuate than we expect, or if our assumptions prove inaccurate, our business, financial condition and results of operations may be materially and adversely affected.

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

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If we are unable to maintain our user base and attract new users, our business, financial condition and results of operations may be materially and adversely affected.

Our future growth depends on our ability to maintain our existing user base and attract new users, including upstream pharmaceutical companies and distributors and downstream pharmacies and primary healthcare institutions, to our platform.

Given the easy accessibility, wide variety of SKUs, and reliable fulfilment capability, we have attracted thousands of upstream pharmaceutical companies and distributors and downstream pharmacies and primary healthcare institutions to our platform. In order to retain and expand our user base, we also offer a set of comprehensive value added services such as diagnostic testing services, pharmacist training and advanced unmanned pharmaceutical booth to industry participants.

However, we cannot assure you we will be successful in maintaining our existing user base and attracting new users. Downstream pharmacies and primary healthcare institutions may still prefer off-line face-to-face transactions and not be willing to procure products online for various reasons. As a result, we may not be able to effectively maintain and grow our user base, which would result in a lower volume of transactions on our platform and thus negatively and adversely affect our business, financial condition and results of operations. Furthermore, public perception that pharmaceutical products sold on our platform may be counterfeit or substandard, even if factually incorrect or based on isolated incidents, could damage our reputation and have a negative impact on our ability to attract new customers or retain existing customers. If we are unable to maintain or increase positive awareness of our platform and our services, it may be difficult for us to maintain and grow our user base, and our business, growth prospects, results of operations and financial condition may be materially and adversely affected.

If we fail to provide satisfactory experience for industry participants and continue to increase our user base, our business may be materially and adversely affected.

Our business is highly dependent on the receptiveness of industry participants, including both upstream pharmaceutical companies and distributors and downstream pharmacies and primary healthcare institutions, to our services and products as well as their willingness to use, and to increase the frequency and extent of their utilisation of, our services. Their degree of receptiveness to our services and products depends on a number of factors, including the efficacy of our offerings compared to those of others, turnaround time, cost-effectiveness, convenience and marketing support. In addition, negative publicity concerning our solution or the internet healthcare market as a whole could limit market acceptance of our services. Meanwhile, there can be no assurance that our efforts and ability to demonstrate the value of our services and the relative benefits of our services and products over those of our competitors to the industry participants would be successful. If we fail to achieve an adequate level of acceptance by the industry participants of our services and products, or if our solution does not drive their engagement, then 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.

We also started to partner with local primary healthcare institutions to provide or facilitate the end users with diagnostic testing services. Thus, the success of our business also hinges on our ability to provide satisfactory customer experience to those end users, which depends on our ability to maintain the quality of our services and products, to source services and products that are responsive to customer demands. Our failure to provide a high-quality customer experience to the end users may

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adversely affect our local primary healthcare institutions’ receptiveness of, and willingness to utilise our solution, which may damage our reputation and cause us to lose customers.

Our businesses rely on the buyers on our platform, which mainly consist of small and medium-sized pharmacies and primary healthcare institutions. A material change in the market demand and purchasing power of the end customers they serve may materially and adversely affect our business, financial condition and results of operations.

We served around 354,000 downstream pharmacies and around 173,000 primary healthcare institutions as of 31 December 2022. The level of market demand and purchasing power of the end customers in China may affect the business of those downstream pharmacies and primary healthcare institutions, which may in turn affect our own business, financial condition and results of operations. A number of factors beyond our control may affect the level of market demand and purchasing power of the end customers, including, among other things:

- general economic and industry conditions;
- disposable income of end customers;
- unemployment levels;
- minimum wages and personal debt levels of end customers;
- outbreak of viruses or widespread illness, including COVID-19 caused by the novel coronavirus;
- negative reports and publicity about the healthcare and pharmaceutical industry;
- fluctuations in the financial markets; and
- natural disasters, war, terrorism and other hostilities.

The failure of the sellers to control the quality of products they sell on our Online Marketplace, or to make timely and accurate delivery of their products sold on our Online Marketplace, may have a material and adverse effect on our business, financial condition and results of operations.

Under our Online Marketplace, many of the sellers use third-party or their own facilities to store their products and utilise their own or third-party delivery systems to deliver their products to the downstream pharmacies and primary healthcare institutions, which makes it difficult for us to ensure that the downstream pharmacies and primary healthcare institutions would get consistent quality products and services for all products sold through our platform.

If any seller does not adequately control the quality of the products that it sells or provides on our Online Marketplace, fails to timely deliver its products to buyers, delivers products that are faulty or materially different from description, sells products that are counterfeit, sells products without licences or permits as required by the relevant laws and regulations, sells products that infringe upon the intellectual property rights of a third party, sells products that lead to serious physical harm or property damage, or sells substandard products, the reputation of our Online Marketplace 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 the sellers. 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 defence may be significant to us.

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Our revenue from Online Marketplace might be adversely impacted if the commission level we charge declines.

We earn revenues from Online Marketplace by charging the sellers on our Online Marketplace a commission. Maintaining and growing the commission level depends on a number of factors, including:

- our ability to deliver superior services;
- our ability to attract downstream pharmacies and primary healthcare institutions, and other participants in the value chain;
- our ability to implement effective promotion and marketing strategies in response to market competition;
- our ability to respond to changes in demand and preferences of our users in a timely manner; and
- the reliability, security and functionality of our platform.

Any failure to adequately and promptly address any of these risks and uncertainties would materially and adversely affect the commission level we charge, and our business and results of operations in the end.

We source our pharmaceutical and healthcare products from pharmaceutical companies and distributors under our Self-operation Business. Our collaboration with these pharmaceutical companies and distributors are subject to a variety of risks.

Under Self-operation Business, we procure pharmaceutical and healthcare products from pharmaceutical companies and distributors, and sell to pharmacies and primary healthcare institutions on the platform. Our business, results of operations, financial condition and prospects could be materially and adversely impacted if (i) we are unable to continue sourcing sufficient volumes of quality pharmaceutical and healthcare products from our current suppliers or (ii) our suppliers fail to supply sufficient quantities of pharmaceutical and healthcare products on time or supply products that do not meet the relevant quality standards. If we cannot transfer such liabilities to relevant suppliers, we may be subject to product liabilities and suffer from reputation damages. In addition, as the scale of our business continues to grow, there can be no assurance that we will be able to expand our sourcing network to include new suppliers on reasonable terms and prices.

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

Some of the pharmaceutical and healthcare products that we sell under our Self-operation Business are manufactured in whole or in substantial part outside of China. In most cases, the products

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or merchandise are imported by our suppliers and sold to us. As a result, significant changes in tax or trade policies, tariffs or trade relations between China and other countries or any changes in their local policies could result in increases in our costs, and have a material adverse effect on our businesses, operating results and cash flows.

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

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

We started the Self-operation Business in January 2019. Built on the buyer base brought by the Online Marketplace and supported by digitalised management, our Self-operation Business covers the entire supply chain from procurement, warehousing, processing orders, invoicing, payment collection, to the delivery to downstream pharmacies and primary healthcare institutions. We need to maintain optimal inventory levels in order to operate our Self-operation Business successfully and to meet the demands of buyers. We are exposed to inventory risk as a result of rapid changes in product life cycles, changing consumer preferences, uncertainty of product developments and launches, manufacturer back orders and other vendor-related problems, as well as the volatile economic environment in China. We cannot assure you that we will 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.

As our Self-operation Business carry a wide range of products and maintain significant inventory levels for a substantial portion of our merchandise, we may be unable to sell such inventory in sufficient quantities or during the relevant sales seasons. Inventory levels in excess of customer demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. For example, we had net write-downs of our inventories to their net realisable value of RMB10.0 million and RMB1.6 million in 2020 and 2022, respectively.

Conversely, if we underestimate customer demand, or if our suppliers fail to provide products to us in a timely manner, we may experience inventory shortages, which may, in turn, result in unfulfilled orders, leading to a negative impact on our customer relationships. We cannot assure you that we will be able to maintain proper inventory levels for our Self-operation Business, and any such failure may have a material and adverse effect on our business, financial condition, results of operations and prospects.

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Some pharmaceutical products offered by us through our Self-operation Business are subject to and may continue to be subject to price restrictions, price competition and regulations in China, which could adversely affect our profitability and results of operations.

Historically, pharmaceutical products sold in China were subject to government price controls in the form of fixed retail prices or retail price ceilings and periodic downward adjustments imposed by the NDRC, and other authorities. Pursuant to the Notice Regarding the Opinion on Facilitating the Pharmaceutical Pricing Reform (《關於印發推進藥品價格改革意見的通知》) jointly issued by the NDRC, the National Health and Family Planning Commission of the People’s Republic of China and five other PRC government agencies in May 2015, the price ceilings imposed by the PRC government on pharmaceutical products other than narcotic and Class I psychotropic drugs were lifted on 1 June 2015, and these products would be subject to a more market-based pricing system adopted by medical insurance bureaus and relevant authorities.

Even prior to the lifting of government price controls on pharmaceutical products, the prices of prescription drugs in China had been determined by the centralised tender process and the prices of OTC drugs in China had been determined by arm’s-length, commercial negotiation and market factors such as brand recognition, market competition and consumer demand. There is 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 distributors, particularly those offering the same products but with lower prices, may force us to lower our sales prices. Consequently, our profitability may suffer, our inventory may be impaired, 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 medical and healthcare system since 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 (《關於印發國家組織藥品集中採購和使用試點方案的通知》), the State Council planned to organise centralised procurement and use of certain types of pilot drugs to lower drug price, reduce the burden on patients of drug costs, and lower the transaction costs of pharmaceutical enterprises. The Guidance on Improving “Internet +” Medical Service Price and Medical Insurance Payment Policies (《關於完善“互聯網+”醫療服務價格和醫保支付政策的指導意見》) issued by the National Healthcare Security Administration proposed to improve project management, optimise the pricing mechanism and clarify the payment policy of “Internet +” medical services. The National Healthcare Security Administration promulgated the Notice on Accelerating the Implementation of Drug Prices and Bid Invitation and Procurement Credit Assessment System (《關於加快落實醫藥價格和招採信用評價制度的通知》), which requires that the provincial medical security bureaus and centralised procurement institutions shall establish the drug prices and bid invitation and procurement credit assessment system before the end of 2020. The General Office of the State Council promulgated the Opinions on Promoting the Systematism and Normalization of Centralized and Target-quantity Procurement of Drug (《關於推動藥品集中帶量採購工作常態化制度化開展的意見》) in January 2021, to guide the regression of drug prices to reasonable level, reduce the burden of using drugs and promote the healthy development of pharmaceutical industry. 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 the drugs and increase market competition within the pharmaceutical industry. There are still uncertainties relating to the actual implementation of such policies.

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We depend on third-party logistics and delivery companies to fulfil and deliver orders placed on our platform. If these logistics and delivery companies fail to provide reliable delivery services, our business and prospects, as well as our financial condition and results of operations, may be materially and adversely affected.

We leverage our large-scale operations and reputation to enter into contractual arrangements with a number of third-party delivery companies with good reputation to deliver our products to the pharmacies and primary healthcare institutions on our platform. Interruptions to or failures in these third parties’ delivery services could prevent the timely or proper delivery of our products to pharmacies and primary healthcare institutions. These interruptions may be due to events that are beyond our control or the control of these delivery companies, such as inclement weather, natural disasters, transportation disruptions or labour unrest. We may not be able to find alternative delivery companies to provide delivery services in a timely and reliable manner, or at all. If products are not delivered in proper condition or on a timely basis, our business and reputation could suffer.

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

We continue to execute a number of new business initiatives, strategies and operating plans designed to diversify our business and unleash the monetization potential of our leading position in China’s digital market of outside-of-hospital pharmaceutical circulation services.

For example, we introduced ClouDiagnos in 2021 to offer one-stop testing solution to downstream primary healthcare institutions. In 2021, we also introduced wePharmacy, the first 24-hour access smart unmanned pharmaceutical booth that connects real-time pharmacist services in the industry. We also plan to launch auxiliary medical consultation in the near future to help medical and pharmaceutical professionals provide more informed advice to patients. 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 the preferences and needs of industry participants and to customise our services to them may be limited. 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.

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

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our platform. The industries we operate in are characterised by rapid technological evolution, changes in user requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practises, any of which could render our existing technologies and systems obsolete. Our success will

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depend, in part, on our ability to identify, develop, acquire or licence leading technologies useful in our business, and respond to technological advances and emerging industry standards and practises, such as mobile internet, in a cost-effective and timely way. In recent years, we invested in the development of many new technologies and business initiatives, such as AI, big data and cloud. The development of websites, mobile apps and other proprietary technologies entails significant technical and business risks. We cannot assure you that we will be able to successfully develop or effectively use new technologies, recoup the costs of developing new technologies or adapt the websites and mobile apps that we operate, and our proprietary technologies and systems to meet 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.

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

Technology is our foundation and a key component to our success. We built our core competency on big data, cloud-based solutions and smart supply chain. However, technology development 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 information infrastructure and other aspects of our business where our technologies are applied. If our solution does not function reliably in terms of performance, we may lose existing, or fail to attract new participants to our platform, which may damage our reputation and adversely affect our business.

Moreover, data services, supply chain management systems, and other proprietary technologies we provide to the industry participants 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 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 diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential customers from utilising our solutions. Correction of defects or errors could prove to be impossible or impracticable. The costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations. Defects or errors may also affect the pharmacies and primary healthcare institutions, the pharmaceutical companies and other distributors who rely on our self-developed technologies in the operation of their businesses, which may have a material adverse effect on our reputation, business, results of operations and prospects.

Our results of operations could be negatively affected by fair value changes of financial assets measured at fair value through profit or loss.

As of 31 December 2020, 2021 and 2022, we recorded financial assets at FVTPL of RMB344.6 million, RMB512.9 million and RMB711.1 million, respectively. Our financial assets at FVTPL represented structured deposits, which were non-principal protected deposits placed in banks in China.

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The return of the structured deposits was determined by reference to the return of their underlying investments. The structured deposit as of 31 December 2020, 2021 and 2022 have no fixed contractual period, they can be redeemed any time at our discretion. The fair value of these financial products are measured by our management regularly and we record profit or loss to reflect the fair value changes. See notes 21 and 34 to Accountants’ Report in Appendix IA to this document for more detailed information. We recorded investment income from financial assets at FVTPL of RMB11.4 million, RMB17.9 million and RMB20.0 million in 2020, 2021 and 2022, respectively. We expect to continue to record such investment income and fair value changes, which would affect our results of operations in the future.

Our results of operations, financial condition and prospects have been adversely affected by fair value changes of financial liabilities 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 judgements 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 preferred shares 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 31 December 2020, 2021, and 2022 our preferred shares had a fair value of RMB2,931.0 million, RMB4,222.4 million and RMB5,872.0 million, respectively. For further information regarding the shares with preferred rights, see Note 29 to the Accountants’ Report in Appendix I to this document. During the Track Record Period, our fair value change on financial liabilities at FVTPL was RMB294.3 million in 2020, RMB128.7 million in 2021, and RMB1,299.5 million in 2022.

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 judgements 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 ordinary Shares.

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

Our intangible assets primarily consist of licenses and franchises, business relationship, and office software. Our intangible assets amounted to RMB62.7 million, RMB112.6 million and RMB98.9 million as of 31 December 2020, 2021 and 2022, respectively. At the end of each reporting period, we review the carrying amount of intangible assets to determine whether there is any indication that the assets have suffered an impairment loss. In determine whether an asset is impaired, our management has to exercise judgment and make assumptions. Change of the underlying assumptions and key inputs could materially affect the estimation. While we did not recognize substantial impairment loss for intangible assets during the Track Record Period, we cannot assure you that there will be no such charges in the future. In particular, the failure to generate financial results

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commensurate with our intangible assets estimates may adversely affect the recoverability of such intangible assets, and in turn result in impairment losses. As we carry a balance of intangible assets, any significant impairment losses charged against our intangible assets could have a material adverse effect on our financial position.

If we determine our goodwill to be impaired, our results of operations and financial condition would be adversely affected.

We recorded goodwill of RMB9.3 million in aggregate in connection with the acquisition of Guangdong Dihao Pharmaceutical Co., Ltd. and Guangdong Dongjian Pharmaceutical Co., Ltd. The value of goodwill is based on forecasts, which are in turn based on a number of assumptions. If any of the assumptions does not materialise, 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 an impairment loss, which could in turn adversely affect our results of operations. We will determine whether goodwill is impaired at least on an annual basis. However, there are inherent uncertainties relating to these factors and to our management’s judgment in applying these factors to the impairment assessment. We could be required to evaluate the impairment prior to the annual assessment if there are any impairment indicators, including disruptions to business operations and unexpected significant declines in operating results or a decline in our market capitalisation. While we did not recognise impairment loss for goodwill during the Track Record Period, we cannot assure you that there will be no such charges in the future. In addition, our ability to generate cash flow from our acquired assets will depend on our ability to realise the intended objectives, potential benefits or other revenue-enhancing opportunities that motivated our acquisitions, as well as our ability to effectively integrate their business operations with our own. In the event that we are unsuccessful in achieving the aforementioned, we may have to record impairment losses to our goodwill, which may in turn result in an adverse effect on our financial position.

We are exposed to credit risk on our trade and other receivables. If we fail to collect trade and other receivables from the sellers on our Online Marketplace and our customers in a timely manner, our business operations and financial condition may be materially and adversely affected.

We generally require sellers on our Online Marketplace to make payments to us on or before 15th day of each month for commissions arising from transactions made in the immediately preceding month. On average, the credit term we grant to sellers is approximately 30 days. With respect to offline allocation channels business, we generally allow a credit term of 30 to 90 days. Therefore, our financial position and profitability are dependent on the creditworthiness of the sellers on our Online Marketplace and our customers. We recorded trade and other receivables of RMB528.4 million, RMB375.1 million and RMB503.5 million as of 31 December 2020, 2021 and 2022, respectively. In 2020, 2021 and 2022, we recognised credit losses allowance of approximately RMB3.2 million, RMB1.8 million and RMB2.3 million for trade receivables, respectively. In 2020, 2021 and 2022, our trade receivables turnover days were 7.0 days, 3.9 days and 3.1 days, respectively. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each of the sellers and customers before entering into agreements or extending credit terms, neither can we guarantee that each of these sellers and customers will be able to strictly follow and enforce the payment schedules provided in the agreements. Any inability of the sellers on our Online Marketplace and our customers to pay us in a timely manner may result in bad debt and adversely affect our liquidity and cash flows, which in turn has a material adverse effect on our business operations and financial condition.

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We may not be able to fulfil our obligations in respect of contract liabilities which may in turn impact our results of operation, liquidity and financial position.

We generally require advance payments from certain of our customers before delivery of goods or rendering of services. This will give rise to a contract liability at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received. Our contract liabilities amounted to RMB40.0 million, RMB9.4 million and RMB24.4 million as of 31 December 2020, 2021, and 2022, respectively. If we fail to fulfil our obligations or if our customers dispute the products or services we provided, we may not be able to reclassify the full amount of contract liabilities as revenue, and we will have to refund all or a portion of the payments made by our customers, which will adversely affect our results of operations, liquidity and financial position.

We may be subject to allegations, lawsuits and administrative penalties relating to the sale, distribution, marketing and advertising of counterfeit or substandard products under our Self-operation Business, which may damage our brand and reputation and have a material adverse effect on our business, financial condition, results of operations and business prospects.

Certain products distributed or sold in the pharmaceutical markets in China may be manufactured without proper licences or approvals and/or fraudulently mislabelled with respect to their content and/or manufacturer. These products are generally referred to as counterfeit or substandard pharmaceutical products. The current counterfeit and substandard product regulation control and enforcement system in China is not sufficiently mature to completely eliminate the manufacturing and sales of counterfeit pharmaceutical products. Counterfeit and substandard pharmaceutical products are generally sold at lower prices than authentic pharmaceutical products, and, in some cases, are very similar in appearance to the authentic pharmaceutical products. Therefore, the presence of counterfeit products of pharmaceuticals distributed or sold by us can quickly erode our sales volumes and revenue for the relevant products.

Furthermore, counterfeit or substandard products may or may not have the same chemical composition as the authentic counterparts, which may make them less effective than the authentic ones, entirely ineffective, or more likely to cause severe adverse side effects. We may not be able to identify those counterfeit or substandard products we source from our suppliers. Any unintentional and unknowing sales of counterfeit or substandard products under our Self-operation Business, or sales of counterfeit and substandard products by third parties illegally using our brand names, may subject us to negative publicity, fines and other administrative penalties, or even result in litigation relating to the sale, marketing and advertising of those products. We were subject to litigation and administrative penalties in relation to sales of counterfeit or substandard products during the Track Record Period. We cannot assure you that we will be able to timely and accurately identify counterfeit or substandard products we source from our suppliers in the future, nor can we assure you that we will not be subject to litigation or administrative penalties in relation to sales of counterfeit or substandard products in the future. Moreover, the continuing presence of counterfeit and substandard products may reinforce the negative image of distributors and retail pharmacies among consumers in general, and may severely harm the reputation and brand names of pharmaceutical companies, including ourselves.

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

We have adopted shipping policies that do not necessarily pass the full cost of shipping on to our buyers. We have also adopted policies that permit the return and exchange of our products within

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thirty days in certain circumstances for specified reasons. We may also be required by law to adopt new or amend existing return and exchange policies from time to time. These policies subject us to additional costs and expenses which we may not recoup through increased revenue. Our ability to handle a large volume of returns is unproven. If we revise these policies to reduce our costs and expenses, our buyers may be dissatisfied, which may result in loss of existing buyers or failure to acquire new buyers at a desirable pace, which may materially and adversely affect our results of operations.

If we are subject to higher product return rates, our business, financial condition and results of operations may be materially and adversely affected.

We have established a thirty-day product return policy in certain circumstances for specified reasons. Although a majority of our products may not be returned or exchanged under the Administrative Standard of Pharmaceutical Operating Quality (《藥品經營質量管理規範》), prohibiting returns and exchanges of pharmaceutical products except for quality reasons, 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 fulfilment 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.

Our business generates and processes a large amount of data, and the improper use or disclosure of such data could harm our reputation and have a material adverse effect on our business and prospects.

Our business generates and processes a large amount of transaction and behavioural data, including medical records and other personal information. We face risks inherent in handling large volumes of data and in securing and protecting such data. In particular, we face a number of data-related challenges related to our business operations, including:

- protecting the data in and hosted on our system, including against attacks on our system by external parties or fraudulent behaviour by our employees;
- addressing concerns related to privacy and sharing, safety, security and other factors;
- complying with applicable laws and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and governmental authorities relating to such data; and
- complying with applicable laws and regulations relating to the collection, use, disclosure or security of Important Data if the applicable laws and regulations change to classify the large amount of data that our business generates and processes as Important Data.

Therefore, we are subject to cybersecurity and data privacy laws and regulations in China and other applicable jurisdictions, including, without limitation, the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》), and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), pursuant to which we are required to maintain the confidentiality, integrity, and availability of the information of our users and customers, which is also essential to maintaining their confidence in our services.

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However, the interpretation and implementation of such laws and regulations in China and elsewhere are often subject to uncertainty. Concerns about the collection, use, disclosure, or security of personal information or other privacy-related matters, with or without merit, or failure to comply with the relevant laws and regulations could subject us to penalties, damage our reputation and brand, cause us to lose users, or result in increased operating cost and expenses, any of which could materially and adversely affect our business and results of operations.

In November 2016, the SCNPC promulgated the Cybersecurity Law of the PRC, which took effect on 1 June 2017, and provides that network operators must meet their cybersecurity obligations and must take technical measures and other necessary measures to protect the safety and stability of their networks. The Cybersecurity Law is subject to interpretation by the PRC governmental authorities. Although we only gain access to user information that is necessary for, and relevant to, the services provided, the data we obtain and use may include information that is deemed as “personal information” under the Cybersecurity Law and related data privacy laws and regulations. See “Regulations—PRC Regulations—Regulations relating to cybersecurity and information security” and “Regulations—PRC Regulations—Regulations relating to personal information protection” for further details.

In addition, on 10 June 2021, the SCNPC promulgated the Data Security Law of the PRC, which took effect on 1 September 2021. The Data Security Law provides for a data security review procedure for the data activities that affect or may affect national security. It also imposes data security obligations on persons and entities conducting data processing activities and requires data processors to take necessary measures to protect data security. The Data Security Law also requires protection of Important Data, but the scope of Important Data is still under development and may be further clarified by various PRC governmental authorities by way of issuing ministry-level measures, regulatory guidelines and/or national standards. As the scope of Important Data may be quite broad and non-exhaustive, there can be no assurance that we do not process any Important Data in future as and when the applicable laws and regulations change. If we were found by relevant PRC governmental authorities as a handler of Important Data, complying with evolving laws and regulations could cause us to incur substantial costs, or require us to change our business practises or affect our growth momentum.

On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC, which took effect on 1 November 2021. Although it is our policy to only access user information that is necessary for, and relevant to, the services provided and we update our privacy policies and practises in accordance with regulatory developments, we may be required to make further adjustments to our data practises as the Personal Information Protection Law is newly promulgated and the interpretation of many of its specific requirements remain to be clarified by the governmental authorities or is otherwise subject to uncertainty.

On 28 December 2021, the CAC and 12 other PRC governmental authorities published an amendment of the Measures for Cybersecurity Review (《網絡安全審查辦法》) previously released in 2020, or the Measures for Cybersecurity Review 2022, which took effect on 15 February 2022. The Measures for Cybersecurity Review 2022 provides that the relevant operators shall apply with the Cybersecurity Review Office of the CAC for a cybersecurity review under the following circumstances: (i) internet platform operators holding over one million individuals’ personal information aiming for foreign listing; (ii) operators of “critical information infrastructure” purchasing internet products and services that affects or may affect national security; and (iii) internet platform

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operators carrying out data processing that affects or may affect national security. However, there is not any further explanation or interpretation for “foreign listing” or “affect or may affect national security” under the Measures for Cybersecurity Review 2022. We understand that our proposed listing in Hong Kong is not likely to fall into the scope of “foreign listing”. However, in light of the Measures for Cybersecurity Review 2022, there can be no assurance that our data processing activities will not be found by relevant PRC governmental authorities as “affecting national security” and the PRC governmental authorities may have wide discretion in the interpretation and enforcement of the laws and regulations. Furthermore, on 30 July 2021, the State Council published the Regulations on Security Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which took effect on 1 September 2021. According to the Regulations on Security and Protection of Critical Information Infrastructure, the competent PRC governmental authorities of important industries and sectors are responsible for identifying critical information infrastructures in their own industries and sectors based on the identification rules and informing the operator of the critical information infrastructure if such infrastructure is identified and designated as critical information infrastructure in a timely manner. However, as of the Latest Practicable Date, we have not yet been informed, approached or designated as a critical information infrastructure operator under the applicable PRC laws and regulations by any PRC governmental authorities. We have not received any inquiry, notice, warning or sanction regarding cybersecurity from any PRC governmental authorities nor been involved in any investigations on cybersecurity review made by any PRC governmental authorities.

We have implemented comprehensive policies and measures to ensure users’ data privacy and security and to comply with applicable cybersecurity and data privacy laws and regulations. See “Business—Risk management and internal control—Information system risk management” for more details. While we take measures to comply with all applicable cybersecurity and data privacy laws and regulations, we cannot assure the effectiveness of the measures undertaken by us and our business partners. The activities of third parties, such as suppliers, brands, and other business partners are beyond our control. If any of these third parties violate the Cybersecurity Law, the Data Security Law, the Personal Information Protection Law and related laws and regulations, or fail to fully comply with the service agreements with us, or if any of our employees fails to comply with our control measures and misuses the information, we may be subject to regulatory actions, disputes and litigations. Any actual or perceived failure to comply with all applicable cybersecurity and data privacy laws and regulations, or any actual or perceived failure of our business partners to do so, or any actual or perceived failure of our employees to comply with our internal control measures, may result in legal proceedings or regulatory actions against us, and could damage our reputation, discourage current and potential users and business partners from using our services and subject us to claims, fines, and damages, which could materially and adversely affect our business and results of operations.

New laws or regulations concerning cybersecurity and data privacy, or the interpretation and implementation of existing cybersecurity and data privacy laws or regulations may be announced, published for public consultations, issued, or promulgated from time to time. For example, on 14 November 2021, the CAC published a draft of the Administrative Regulations for Internet Data Security (《網絡數據安全管理條例(徵求意見稿)》), or the Draft Internet Data Security Regulations for public comments. The Draft Internet Data Security Regulations provide that data processors conducting the following activities must apply for cybersecurity review: (i) merger, reorganisation, or division of internet platform operators that have acquired a large number of data resources related to national security, economic development, or public interests, which affects or may affect national security; (ii) a listing in a foreign country by a data processor processing over one million users’ personal information; (iii) a listing in Hong Kong which affects or may affect national security; or

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(iv) other data processing activities that affect or may affect national security. There has been no further clarifications from PRC governmental authorities as of the Latest Practicable Date as to the standards for determining such activities that “affects or may affect national security”. The period for which the CAC solicited comments on this draft ended on 13 December 2021, but there is no timetable as to when these measures will be enacted. As such, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation, and implementation of the measures, including the standards for determining whether a listing in Hong Kong “affects or may affect national security”. The Draft Internet Data Security Regulations if enacted as proposed, may materially impact our capital raising activities. If our proposed Listing in Hong Kong is considered as a listing that affects or may affect national security, we may be required to go through cybersecurity review, but there can be no assurance that we are able to obtain approval from the PRC governmental authorities in a timely manner, or at all. Any failure to obtain such approval or clearance from the PRC governmental authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if we need additional capital or financing. Having said that, as the Draft Internet Data Security Regulations have not yet come into force as of the Latest Practicable Date, the requirements under the Draft Internet Data Security Regulations will not have impact on our business operations and our proposed listing in Hong Kong.

The interpretation and application of these PRC cybersecurity and data privacy laws and regulations are still evolving. It hence remains uncertain whether the future regulatory changes would impose additional compliance requirements on companies like us. We cannot predict the impact of the Measures for Cybersecurity Review 2022 or the Draft Internet Data Security Regulations if any, at this stage, and we will closely monitor and follow any development in the promulgation process. It is uncertain when the final measures will be issued and take effect, how they will be enacted, interpreted, or implemented, and whether and how they will affect us. If the Measures for Cybersecurity Review 2022 or the Draft Internet Data Security Regulations mandates clearance of cybersecurity review and other specific actions on companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the relevant application stores, among other penalties, which could materially and adversely affect our business and results of operations. See “Regulations—PRC Regulations—Regulations relating to cybersecurity and information security” for further details.

Complying with evolving laws and regulations could cause us to incur substantial costs or require us to change our business practises in a manner that can materially increase our operating costs and expenses or affect our growth momentum, which could materially and adversely affect our business and results of operations.

In the opinion of our PRC Legal Adviser, we have complied with all applicable cybersecurity and data privacy laws and regulations of the PRC in all material respects during the Track Record Period and up to the Latest Practicable Date.

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

We are exposed to risks inherent in marketing, distributing and selling pharmaceutical and other health and wellness products in China. Claims, customer complaints or administrative penalties

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may arise if any of the products we market and distribute are deemed or proven to be unsafe, ineffective or defective, or they are found to contain illicit substances. We may also be subject to allegations of having engaged in practises such as distribution of counterfeit and substandard medicines, 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 distribute 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 licences. In addition, we may be required to suspend sales or cease sales of the relevant products.

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 from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

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

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

We rely on our warehouses for the continuing operation of our business. Natural disasters or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land underlying these warehouses, could significantly impair our ability to operate our business and destroy any inventory located in these warehouses. In addition, we may not be able to replace these warehouses and equipment in a timely manner, should any of the foregoing occur.

Meanwhile, some of the lessors of our leased properties have not provided us with their property ownership certificates or relevant authorisation documents proving their rights to lease those properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favourable to us. In addition, a substantial portion of our leasehold interests in leased properties have not been registered with the relevant PRC governmental authorities

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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 governmental authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. Also, in the event that the actual use of our leased properties is inconsistent with the use registered on the corresponding property ownership certificate and/or land use right certificate, the competent authorities may require the lessors to return the land and impose fines on the lessors, or confiscate the proceeds from the leasing of the properties and imposed fines on the lessor if such properties are leased without their consent or handing in such income, as applicable. Therefore, the relevant lease agreements may be deemed to be in breach of the law and therefore be void. In addition, regulatory and administrative measures on fire safety in China may vary among different regions, and some internal regulatory guidance may not be published timely. During the Track Record Period and up to the Latest Practicable Date, none of the title defects of the leased properties were material to our Company and there were no material safety issues in relation to such properties.

Furthermore, our Company completed or underwent a series of construction projects regarding our leased properties in connection with our business operations during the Track Record Period. During the Track Record Period and as of the Latest Practicable Date, we have not obtained all of the relevant requisite construction permits or completed relevant construction formalities in connection with such construction projects as required by applicable PRC laws and regulations. As a result, according to applicable PRC laws and regulations, we may be ordered to rectify within a specified period, and may be subject to fines and other administrative penalties imposed by relevant governmental authorities (including demolishing the construction projects), which may have a negative impact on the use of leased properties and our business operations. In the event that our use of properties is successfully challenged by the regulators due to any of the aforementioned non-compliance in relation to the lack of the requisite construction permits or the completion of the relevant construction formalities in respect of our construction projects, we may be forced to relocate from the affected operations.

We are not aware of any material claims or actions being contemplated or initiated by governmental authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties or procedures of construction projects. However, we cannot assure you that our use of such leased properties will not be challenged in the future. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We cannot assure you that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

We rely heavily on technology, particularly the internet, to provide high-quality online services. However, our technology operations are vulnerable to disruptions arising from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorised access and other similar events.

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Disruptions to, or instability of, our technology or external technology that allows the industry participants to use our online services and products could materially harm our business and reputation.

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

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

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

We invest significant resources in a variety of different marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our services and products. However, our brand promotion and marketing activities may not be well received and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the PRC internet healthcare market are continually evolving, which may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share and materially and adversely affect our financial condition, results of operations and profitability. In addition, we are subject to certain limitations in promoting services and products.

Under PRC laws and regulations, all advertisements published online containing drug names, applicable symptoms treated by such drugs (major functions) or other drug-related content, and advertisements published online containing medical device names and the applicable scope, performance, structure and composition, function and other contents relevant to medical device are subject to examination by relevant governmental authorities. We are prohibited from publishing advertisements of prescription drugs on our website and must ensure that any advertisement of medical

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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 licence. See “Regulations—PRC Regulations—Regulations relating to internet advertising” for further details. Although we have implemented internal procedures to examine the content of advertisements displayed on our website, 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 practises of monitoring our information dissemination process and publication would continue to be effective and would comply fully with laws and regulations. Should there be any change in the relevant rules and regulations, or change of interpretation thereof, we 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.

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

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

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

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property (which we have ownership or legal rights to use) as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete arrangements with our employees and others, to protect our proprietary rights. Despite these measures, any of our intellectual

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property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licenced by third parties, and we may not be able to obtain or continue to obtain licences and technologies from these third parties on reasonable terms, or at all.

It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Policing any unauthorised use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We cannot assure you that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by our solutions or services, the solutions or services provided by third-party merchants on our marketplace, or other aspects of our business. There could also be existing patents of which we are not aware that our solutions or services may inadvertently infringe. We cannot assure you that holders of patents purportedly relating to some aspects of our technology platform or business, if any such holders exist, would not seek to enforce such patents against us in China, the United States or any other jurisdictions. Further, the application and interpretation of China’s patent laws and the procedures and standards for granting patents in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licencing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management’s time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licencing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or

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prohibiting our use of the intellectual property in question. Finally, we use open source software in connection with our solutions and services. Companies that incorporate open source software into their solutions and services have, from time to time, faced claims challenging the ownership of open source software and compliance with open source licence terms. As a result, we could be subject to suits by parties claiming ownership of what we believe to be open source software or noncompliance with open source licencing terms. Some open source software licences may require users who distribute open source software as part of their software to publicly disclose all or part of the source code to such software and make available any derivative works of the open source code on unfavourable terms or at no cost. Any requirement to disclose our source code or pay damages for breach of contract could be harmful to our business, results of operations and financial condition.

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

We believe that the recognition and reputation of our brands, such as *Yaoshibang* (藥師幫), have contributed significantly to the growth and success of our business. Maintaining and enhancing the recognition and reputation of our brands are critical to our business and competitiveness. However, we cannot assure you that we will be able to maintain a positive reputation or brand name for all of our products and services in the future. Our reputation and brand names may be materially and adversely affected by a number of factors, many of which are beyond our control, including:

- adverse associations with the third party-branded products we sell or which are sold on our platform, including with respect to their efficacy or side effects;
- lawsuits and regulatory investigations against us or otherwise relating to our products or the industry in general;
- improper or illegal conduct by our employees or users on our platform, that is not authorised by us; and
- adverse publicity associated with us, our products or our industry, whether founded or unfounded.

Any damage to our brand names or reputation as a result of these or other factors may cause our products to be perceived unfavourably, and our business operations and prospects could be materially and adversely affected as a result.

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

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

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

We have adopted and implemented various policies and procedures to ensure rigorous risk management and internal control, and we are dedicated to continually improving these policies and procedures. Our risk management and internal control policies and procedures cover various aspects of our business operations such as financial reporting, information system, internal control, human resources and investment management. However, due to the inherent limitations in the design and implementation of our internal control system, our internal control system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

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

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

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

We are subject to risks in relation to actions taken by us, our employees and suppliers that constitute violations of the anti-corruption laws and regulations. There have been several instances of corrupt practises 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 vendors 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 or suppliers violate these laws, rules or regulations, we could be subject to fines and/or other penalties. In the case of our Online Marketplace and Self-operation 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 or suppliers, which may in

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turn have a material adverse effect on our business, financial condition, results of operations and prospects.

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 in this document are calculated using our internal data that have not been independently verified by third parties. While these numbers are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are some challenges in measuring those metrics. 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 operating metrics 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 user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our operating 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 success depends on the continued efforts of our senior management and key employees. If one or more of our senior management or key employees were unable or unwilling to continue in their present positions, our business may be severely disrupted.

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

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

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

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

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

We may not be able to detect or prevent fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct by our employees, such as unauthorised business transactions, bribery and breach of our internal policies and procedures, unauthorised access to or leakage of the data of our sellers or buyers, or by third parties, 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 customer loyalty, obtain financing on favourable 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 the industry participants. The sellers on our platform may also engage in fictitious or “phantom” transactions with themselves or collaborators in order to artificially inflate their ratings, reputation and search results rankings. This activity may harm other third parties by enabling the perpetrating sellers to be favoured over legitimate ones, may harm consumers by deceiving them into believing that a seller is more reliable or trusted than that seller actually is, and result in inflated GMV from our Online Marketplace.

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, ecosystem participants or other 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 was undetected, or may occur in the future. This may materially and adversely affect our business, financial condition and results of operations.

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We may from time to time become party to litigation, other legal or administrative disputes and proceedings that may materially and adversely affect us.

In the course of our ordinary business operations, we may become a party to litigation, legal proceedings, claims, disputes or arbitration proceedings from time to time. Any ongoing litigation, legal proceedings, claims, disputes or arbitration proceedings may distract our senior management’s attention and consume our time and other resources. In addition, even if we ultimately succeed in such litigation, legal proceedings, claims, disputes or arbitration proceedings, there may be negative publicity attached to such litigation, legal proceedings, claims, disputes or arbitration proceedings, which may materially and adversely affect our reputation and brand names. In the case of an adverse verdict, we may be required to pay significant monetary damages, assume significant liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not have sufficient insurance to cover our business risks.

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

We have granted and expect to continue to grant share-based awards in the future under our Share Incentive Plans, which may increase our equity-settled share-based payment expenses, affect our financial performance and potentially dilute the shareholding of our Shareholders.

In order to attract and retain qualified employees, provide incentives to our directors, officers, employees and consultants, and promote the success of our business, we adopted the Share Incentive Plans [(namely, the 2019 Share Incentive Plan and 2023 Share Incentive Plan)]. The scheme limit for new Shares that may be issued under the 2019 Share Incentive Plan (which is a pre-[REDACTED] share scheme that is not governed by Chapter 17 of the Listing Rules) is 47,772,984 new Shares (following the Share Subdivision). [The scheme limit for new Shares that may be issued under the 2023 Share Incentive Plan and all other post-[REDACTED] share schemes of the Company adopted from time to time (which is a post-[REDACTED] share scheme that is governed by Chapter 17 of the Listed Rules) is 10% of the Shares in issue on the Listing Date.] See “Statutory and general information—Share Incentive Plans” for further details.

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based awards to employees in the future subject to compliance with the Listing Rules. As a result, our expenses associated with equity-settled share-based payment expenses may increase, which may have an adverse effect on our results of operations.

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

We may require additional cash resources if we incur operating losses or for future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and the PRC governmental regulations over foreign investment and the PRC healthcare 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 favourable to us, or at all. Any failure to raise needed funds on terms favourable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and other unforeseeable catastrophes.

Since the end of December 2019, the outbreak of a novel strain of coronavirus, now named as COVID-19, has materially and adversely affected the global economy. Although the COVID-19 outbreak has increased demand for certain drugs or medical equipment that we sell, it has caused disruptions to our business operations and those of our buyers, sellers, and logistics providers, to varying degrees. We currently lease office space in Guangzhou to support our operations and operate warehouses in 19 cities as of 31 December 2022. The COVID-19 has caused, and may continue to cause, companies in China, including us and certain of our buyers and sellers, to implement temporary adjustment of work schedules and travel plans or to require employees to work from home and collaborate remotely. The pandemic has also resulted in the temporary disruption of our warehouses due to government-imposed quarantines.

Many of the quarantine measures within China have been relaxed since 2020. However, relaxation of restrictions on economic and social activities may also lead to new cases which may cause restrictions to be imposed again in China. For example, China has experienced upticks in cases that have prompted selective restrictions in the affected regions at various times in 2021. We cannot predict whether there will be future disruptions in our operations. As a result, we may experience lower efficiency and productivity, internally and externally, which may adversely affect our business and operations. The extent to which the COVID-19 outbreak impacts our results of operations will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity of this outbreak and future actions we take, if any, to contain this outbreak or treat its impact, among others.

Any deficiencies in China’s fixed telecommunications networks and internet infrastructure, as well as mobile operating systems and networks, could impair the functioning of our technology system and the operation of our business.

Our business depends on the performance, reliability and security of the telecommunications and internet infrastructure in China. Substantially all of our computer hardware and cloud computing

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services are currently located in China. Access to internet in China is maintained through state-owned telecommunications carriers under administrative control and regulatory supervision, and we obtain access to end-user networks operated by such telecommunications carriers to give customers access to our technology platform. We may not have access to alternative networks in the event of disruptions, failures or other problems with the telecommunication and internet infrastructure in China. The failure of telecommunication and internet network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our technology platform. Any of such occurrences could delay or prevent our users from accessing our online website and mobile applications, and frequent interruptions could frustrate users and discourage them from using our services, which could cause us to lose users and harm our results of operations. In addition, we have limited control over the service fees charged by telecommunication and internet operators. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected.

An occurrence of a natural disaster, widespread health epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic or other events, such as wars, acts of terrorism, environmental accidents, power shortage, labour unrest or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the PRC or elsewhere could materially disrupt our business and operations. Such events could also significantly affect our industry and cause a temporary closure of the warehouses we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees were suspected of having any of the epidemic illnesses, since this could require us to quarantine some or all of such employees or disinfect the warehouses used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the global or PRC economy in general. Our operations could also be severely disrupted if our users or other participants were affected by such natural disasters, health epidemics or other outbreaks. See also “—Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other natural disasters, epidemics and other unforeseeable catastrophes”.

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

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

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RISKS RELATED TO OUR CORPORATE STRUCTURE

If the PRC government deems that the Contractual Arrangements in relation to our Consolidated Affiliated Entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Foreign ownership of certain of our businesses including value-added telecommunication services is subject to restrictions under current PRC laws and regulations. For example, foreign investors are not allowed to own more than 50% of the equity interests in a value-added telecommunication service provider (excluding e-commerce, domestic multi-party communications, data collection and transmission services and call centres).

We are a Cayman Islands exempted company and our WFOE is considered as a foreign-invested enterprise. Accordingly, it is not eligible to provide certain value-added telecommunication services or provide certain other restricted services related to our businesses. As a result, we will conduct such business activities through our Consolidated Affiliated Entities in PRC.

We entered into a series of Contractual Arrangements with our Onshore Holdcos and their shareholders, which enable us to:

- exercise effective control over our Onshore Holdcos;
- receive substantially all of the economic benefits of our Onshore Holdcos; and
- have an exclusive option to purchase all or part of the equity interests in our Onshore Holdcos when and to the extent permitted by PRC law.

Because of these Contractual Arrangements, we are the primary beneficiary of our Onshore Holdcos and hence consolidate its financial results as our Consolidated Affiliated Entity. For a detailed discussion of these Contractual Arrangements, see “History, reorganization and corporate structure” for further details.

In the opinion of our PRC Legal Adviser, based on its understanding of the relevant PRC laws and regulations, subject to uncertainties of the enforceability of the dispute resolution provisions of the Contractual Arrangements, and subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganisation and similar laws affecting creditors’ rights generally, the discretion of relevant governmental authorities 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, each of these Contractual Arrangements is and taken as a whole are, (i) valid and legally binding on each party thereto, and (ii) enforceable in accordance with the terms thereof. However, our PRC Legal Adviser has also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC Laws, regulations and rules. Since PRC laws and regulations governing the validity of these Contractual Arrangements are uncertain and the relevant governmental authorities have broad discretion in interpreting these laws and regulations, we cannot assure you or make any prediction that the Contractual Arrangements will not result in any violation. Accordingly, the PRC regulatory authorities may take a view that is contrary to the opinion of our PRC Legal Adviser. It is uncertain whether any other new PRC laws or regulations relating to consolidated affiliated entity structures will be adopted or if adopted, what they would provide. If we or our Consolidated Affiliated Entities are found to be in violation of any existing or future PRC Laws,

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rules or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licences of such entity;
- discontinuing or restricting the conduct of any transactions between certain of our PRC subsidiaries and Consolidated Affiliated Entities;
- imposing fines, confiscating the income from our Consolidated Affiliated Entities, or imposing other requirements with which we or our Consolidated Affiliated Entities may not be able to comply;
- requiring us to restructure our ownership structure or operations, including terminating the Contractual Arrangements with our Consolidated Affiliated Entities and deregistering the equity pledges of our Consolidated Affiliated Entities, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our Consolidated Affiliated Entities; or
- restricting or prohibiting our use of the proceeds of any of our financing outside China to finance our business and operations in China.

The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business. 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 our Consolidated Affiliated Entities in our combined financial statements, if the PRC governmental authorities were to find our legal structure and Contractual Arrangements to be in violation of PRC laws, rules and regulations. If the imposition of any of these government actions causes us to lose our right to direct the activities of our Consolidated Affiliated Entities or our right to receive substantially all the economic benefits and residual returns from our Consolidated Affiliated Entities and we are unable to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of our Consolidated Affiliated Entities in our combined financial statements. Either of these results, or any other significant penalties that might be imposed on us in this event, would have a material adverse effect on our financial condition and results of operations.

We rely on Contractual Arrangements with our Onshore Holdcos and their shareholders for a portion of our business operations, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on Contractual Arrangements with Onshore Holdcos and their shareholders to operate value-added telecommunication services or certain other services subject to foreign ownership restriction under PRC laws and regulations. For a description of these Contractual Arrangements, see “History, reorganization and corporate structure” for further details. These Contractual Arrangements may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entities.

If we had direct ownership of our Consolidated Affiliated Entities, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of such entity, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current Contractual Arrangements, we rely on the performance by our Onshore Holdcos and their shareholders of their obligations under the contracts to exercise control over our Consolidated

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Affiliated Entities. However, the shareholders of our Onshore Holdcos may not act in the best interests of our Company or may not perform its obligations under these contracts. Such risks exist throughout the period in which we intend to operate our business through the Contractual Arrangements with our Onshore Holdcos. We may replace the shareholders of our Onshore Holdcos at any time pursuant to our Contractual Arrangements with our Onshore Holdcos and their shareholders. However, if any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. See “—Any failure by our Onshore Holdcos or their shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on our business”. Therefore, our Contractual Arrangements with our Onshore Holdcos may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

Any failure by our Onshore Holdcos or their shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on our business.

If our Onshore Holdcos or their shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective. For example, if the shareholders of our Onshore Holdcos were to refuse to transfer their equity interest in the Onshore Holdcos to us or our designee when we exercise the purchase option pursuant to these Contractual Arrangements, or if they were otherwise to act in bad faith toward us, we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions. See “—Risks Related to Doing Business in China— Uncertainties with respect to the PRC legal system could adversely affect us”. Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a consolidated affiliated entity should be interpreted or enforced under PRC law, and as a result it may be difficult to predict how an arbitration panel would view such contractual arrangements. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. Additionally, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay.

Our Consolidated Affiliated Entities hold certain of our important licences and permits, including, but not limited to, Value-Added Telecommunications Business Operating Licence and Medical Institution Practicing Licence, to operate our business. In the event we are unable to enforce our Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities, and our ability to conduct these businesses may be negatively affected, which may have a material and adverse effect on our financial condition and results of operations.

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

Pursuant to the Contractual Arrangements, the WFOE or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in Onshore Holdcos from their registered shareholders for a nominal price permissible under PRC Laws.

The equity transfer may be subject to the approvals from and filings with the SAMR and other competent governmental authorities and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax or commerce authority. The registered shareholders of Onshore Holdcos will pay the equity transfer price they receive to the WFOE under the Contractual Arrangements. The amount to be received by the WFOE may also be subject to enterprise income tax. Such tax amounts could be substantial.

We may lose the ability to use and enjoy assets held by our Onshore Holdcos and their subsidiaries that are important to our business if our Onshore Holdcos and their subsidiaries declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Our Onshore Holdcos hold assets that are material to our business operations. Under our Contractual Arrangements, the shareholders of our Onshore Holdcos may not voluntarily liquidate our Onshore Holdcos or approve them to engage in any transaction that may materially affect their assets, liabilities, rights or operations in any manner without our prior consent. However, in the event that the shareholders breach this obligation and voluntarily liquidate our Onshore Holdcos, or our Onshore Holdcos declare bankruptcy, or all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if our Onshore Holdcos or their subsidiaries undergo a voluntary or involuntary liquidation proceeding, their shareholders or unrelated third-party creditors may claim rights to some or all of its assets, hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

If the chops of our PRC subsidiaries, our Onshore Holdcos and their subsidiaries, are not kept safely, are stolen or are used by unauthorised persons or for unauthorised purposes, the corporate governance of these entities could be severely and adversely compromised.

In China, a company chop or seal serves as the legal representation of the company towards third-parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries, our Onshore Holdcos and their subsidiaries are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safe, are stolen or are used by unauthorised persons or for unauthorised purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so.

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The shareholders of our Onshore Holdcos may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The shareholders of our Onshore Holdcos may have potential conflicts of interest with us. These shareholders may breach, or cause our Onshore Holdcos to breach, or refuse to renew, the existing Contractual Arrangements we have with them and our Onshore Holdcos, which would have a material and adverse effect on our ability to effectively control our Consolidated Affiliated Entities and receive substantially all the economic benefits from it. For example, the shareholders may be able to cause our agreements with our Onshore Holdcos to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our Company or such conflicts will be resolved in our favour.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company, except that we could exercise our purchase option under the exclusive call option agreements with these shareholders to request them to transfer all of their equity interests in the Onshore Holdcos to a PRC entity or individual designated by us, to the extent permitted by PRC law. The shareholders of our Onshore Holdcos have executed powers of attorney to appoint our WFOE to vote on their behalf and exercise voting rights as shareholders of our Onshore Holdcos. If we cannot resolve any conflict of interest or dispute between us and the shareholders of our Onshore Holdcos, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

The shareholders of our Onshore Holdcos may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in our Onshore Holdcos and the validity or enforceability of our Contractual Arrangements with our Onshore Holdcos and their shareholders. For example, in the event that any individual shareholder of our Onshore Holdcos divorces his or her spouse, the spouse may claim that the equity interest of our Onshore Holdcos held by such shareholder is part of their community property and should be divided between such shareholder and his or her spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the shareholder’s spouse or another third party who is not subject to obligations under our Contractual Arrangements, which could result in a loss of the effective control over our Onshore Holdcos by us. Similarly, if any of the equity interests of our Onshore Holdcos is inherited by a third party with whom the current Contractual Arrangements are not binding, we could lose our control over our Onshore Holdcos or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

Although under our current Contractual Arrangements, (i) our Onshore Holdcos’ shareholders’ spouses have executed spousal consent letters under which the spouses agree not to assert any rights over the equity interest in our Onshore Holdcos held by these shareholders, and (ii) it is expressly provided that our Onshore Holdcos and their shareholders shall not assign any of their respective rights or obligations to any third party without the prior written consent of our WFOE, we cannot assure you that these undertakings and arrangements will be complied with or effectively enforced. In the case any of them is breached or becomes unenforceable and leads to legal proceedings, it could disrupt our business, distract our management’s attention and subject us to substantial uncertainties as to the outcome of any such legal proceedings.

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

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries like our WFOE for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. If these subsidiaries 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. In addition, the PRC tax authorities may require our WFOE or any other relevant PRC subsidiary to adjust its taxable income under the Contractual Arrangements it currently has in place with our Onshore Holdcos in a manner that would materially and adversely affect its ability to pay dividends and other distributions to us. See “—Contractual Arrangements in relation to our Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our Consolidated Affiliated Entities owe additional taxes, which could negatively affect our financial condition and the value of your [REDACTED]”.

Under PRC laws and regulations, our wholly foreign-owned subsidiaries in China may pay dividends only out of their respective accumulated profits 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 accumulated after-tax profits each year, if any, to fund certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital.

Any limitation on the ability of our 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. See also “—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavourable tax consequences to us and our non-PRC shareholders”.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans to our PRC subsidiaries and Consolidated Affiliated Entities or making additional capital contributions to our wholly foreign-owned subsidiaries in China, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and Consolidated Affiliated Entities. We may make loans to our PRC subsidiaries and Consolidated Affiliated Entities subject to the approval from governmental authorities and limitation of amount, or we may make additional capital contributions to our wholly foreign-owned subsidiaries in China.

Any loans to our wholly foreign-owned subsidiaries in China, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our wholly foreign-owned subsidiaries in China to finance their activities cannot exceed statutory limits, i.e., the difference between its total amount of investment and its registered capital, or certain amount calculated based on elements including capital or net assets and the cross-border financing leverage ratio or the Macro-prudential Management Mode, under

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relevant PRC laws and the loans must be registered with the local counterpart of the State Administration of Foreign Exchange, or SAFE, or filed with SAFE in its information system. We may also provide loans to our Consolidated Affiliated Entities or other domestic PRC entities under the Macro-prudential Management Mode. According to the Notice of the PBOC and SAFE Raising the Macro-prudential Adjustment Parameters for Cross-border Financing (《人民銀行、外匯局上調跨境融資宏觀審慎調節參數》) issued on 25 October 2022, the limit for the total amount of foreign debt under the Macro-prudential Management Mode is increased from two times to two and a half times of their respective net assets. Moreover, any medium or long-term loan to be provided by us to our Consolidated Affiliated Entities or other domestic PRC entities must also be approved by and registered with the NDRC.

We may also decide to finance our wholly foreign-owned subsidiaries in China by means of capital contributions. These capital contributions shall go through record-filing procedures from competent administration for market regulation. SAFE issued the Circular Concerning Reform of the Administrative Approaches to the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which took effect on 1 June 2015. SAFE Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC provided that such usage shall fall into the scope of business of the foreign-invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. In addition, SAFE promulgated the Circular on Further Promoting the Cross-border Trade and Investment Facilitation (《關於進一步促進跨境貿易投資便利化的通知》) on 23 October 2019, or SAFE Circular 28, pursuant to which all foreign-invested enterprises can make equity investments in the PRC with their capital funds in accordance with the law. As the relevant governmental authorities have broad discretion in interpreting the regulation, it is unclear whether SAFE will permit such capital funds to be used for equity investments in the PRC in actual practise.

Due to the restrictions imposed on loans in foreign currencies extended to any PRC domestic companies, we are not likely to make such loans to the subsidiaries of our wholly foreign-owned subsidiaries in China and our Consolidated Affiliated Entities, each a PRC domestic company. Meanwhile, we are not likely to finance the activities of our Consolidated Affiliated Entities by means of capital contributions given the restrictions on foreign investment in the businesses that are currently conducted by our Consolidated Affiliated Entities.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or record-filings on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or any Consolidated Affiliated Entity or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or Consolidated Affiliated Entities when needed. If we fail to complete such registrations or record-filings, our ability to use foreign currency, including the [REDACTED] we received from our [REDACTED], and to capitalise or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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Contractual Arrangements in relation to our Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities and they may determine that we or our Consolidated Affiliated Entities owe additional taxes, which could negatively affect our financial condition and the value of your [REDACTED].

Under applicable PRC laws and regulations, transactions among related parties may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities deem the transactions between the PRC subsidiaries and our Consolidated Affiliated Entities in China, and their respective shareholders were not entered into on an arm’s-length basis and resulted in deferral or underpayment in taxes, they are entitled to make special tax adjustments which might result in the increase of the Consolidated Affiliated Entities’ tax liabilities. If the tax authorities conduct special tax adjustments, they might impose interest charges for the underpaid taxes. Our financial position could be adversely affected if our Consolidated Affiliated Entities’ tax liabilities increase or if they are required to pay interest charge.

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

On 15 March 2019, the NPC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) or the FIL, which has become effective on 1 January 2020, and replaced the outgoing laws regulating foreign investment in China, namely the Equity Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》), the Cooperative Joint Venture Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), as well their implementation rules and ancillary regulations, or the Outgoing FIE Laws.

Meanwhile, the Implementing Rules of Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) came into effect as of 1 January 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 and specific rules regulating the organisation form of foreign-invested enterprises within the five-year transition period. 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 provide for 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 investment, or if any of our operations through Contractual Arrangements is classified in the “restricted” or “prohibited” industry in the future “negative list” under the FIL, 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. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance

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with the requirements. In addition, the Administrative Regulations on the Foreign-invested Telecommunications Enterprises (《外商投資電信企業管理規定》) were recently amended by the State Council and took effect on May 1, 2022. The amended Administrative Regulations on Foreign-Invested Telecommunications Enterprises cancelled the qualification requirement on the primary foreign investor in a foreign invested value-added telecommunications enterprise for having a good track record and operational experience in the value-added telecommunications industry as stipulated in the previous version. Given this new regulatory development and any further detailed implementing rules that may be formulated by the PRC governmental authority, we may need to take further actions with respect to our Consolidated Affiliated Entities for the purpose of having better operational control on our Consolidated Affiliated Entities or continuously satisfying applicable requirements of the stock exchange where we list, which will be subject to a number of uncertainties, including adjusting the Contractual Arrangements with our Onshore Holdcos, registration of the equity interests change in our Consolidated Affiliated Entities and their subsidiaries, registration of the new equity pledges, and obtaining additional operating permits or making amendments to our current operating permits, including the Value-Added Telecommunications Business Operating Licences. However, 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.

RISKS RELATED TO DOING BUSINESS IN CHINA

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

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

The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China’s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

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

In addition, the global macroeconomic environment is facing challenges. For example, the COVID-19 pandemic has caused significant downward pressure for the global economy. In addition, the impact of the United Kingdom’s withdrawal from the European Union, commonly referred to as “Brexit”, and the resulting effect on the political and economic future of the U.K. and the European Union is uncertain. Brexit could adversely affect European and worldwide economic and market

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conditions, and could contribute to instability in global financial and foreign exchange markets. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

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

We conduct our business primarily through our PRC subsidiaries and Consolidated Affiliated Entities in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries and Consolidated Affiliated Entities in China are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. The PRC legal system is evolving rapidly, and the enforcement of these laws, regulations and rules may involve uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may cause difficulty for us to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations.

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.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations.

During the Track Record Period, certain of our PRC subsidiaries and Onshore Holdcos failed to make adequate contributions to social insurance and housing provident fund for certain of our employees. As a result, we may be required by relevant governmental authorities to make make-up contributions and be imposed a late payment penalty. See “Regulations — PRC Regulations — Regulations relating to employment and social welfare” for further details. As of the Latest Practicable Date, no competent governmental authorities had imposed administrative action, fine or penalty to us nor had any competent governmental authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. We have made provision of approximately RMB5.2 million, RMB13.7 million and RMB12.7 million for the shortfall of contribution to social insurance fund and housing provident fund for the years ended December 31,

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2020, 2021, and 2022, respectively. Although we are rectifying such non-compliance, we cannot assure you that we will not be subject to fines and penalties in relation to our failure to make social insurance and housing provident fund contributions in full for our employees. Our business, reputation and results of operations may be adversely affected.

During the Track Record Period, our Company and some of our PRC subsidiaries and Onshore Holdcos engaged third-party human resources agencies to pay social insurance premium and housing provident funds for certain of our employees. Pursuant to the PRC laws and regulations, we are required to pay social insurance premium and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts. The contributions to social insurance premium and housing provident funds made through third-party accounts may not be viewed as fully compliance, and as a result, we may be required by competent governmental authorities to pay the outstanding amount. Pursuant to the agreements entered into between such third-party human resources agencies and our Company or our relevant PRC subsidiaries or Onshore Holdcos, the third-party human resources agencies have the obligation to pay social insurance premium and housing provident funds for our relevant employees. These third-party human resources agencies have confirmed in writing that they have paid such contributions. As of the Latest Practicable Date, neither our Company nor our relevant PRC subsidiaries or Onshore Holdcos had received any administrative penalty or labour arbitration application from employees for its agency arrangement with third-party human resources agencies. In addition, if such human resource agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees in full as required by applicable PRC laws and regulations, we may also be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC governmental authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. This in turn may adversely affect our financial condition and results of operations. Although we plan to comply with requests and requirements, if any, imposed by the relevant regulatory agencies on us with respect to our engagement of third-party human resources agencies, we cannot assure you that we would not be required to make additional payments or be subject to penalties or liabilities in relation to our existing practise.

We may be required to register our operating offices outside of our residence addresses as branch offices under PRC law.

Under PRC law, a company setting up premises for business operations outside its residence address must register them as branch offices with the relevant local market regulation bureau at the place where the premises are located and obtain business licences for them as branch offices. We may not be able to register branch offices in a timely manner due to complex procedural requirements and relocation of branch offices from time to time. As of the Latest Practicable Date, we were able to register branch offices in certain locations where we had significant presence, while we cannot assure you that we are and we have always been able to register branch offices in all locations where we have business operations. If the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, confiscation of income and suspension of operation. If we become subject to these penalties, our business, results of operations, financial condition and prospects could be adversely affected.

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Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your [REDACTED].

The conversion of Renminbi into other currencies, including the Hong Kong dollar and U.S. dollars, is based on rates set by the People’s Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China’s political and economic conditions and by China’s foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the Hong Kong dollar or U.S. dollar in the future.

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

Governmental control of currency conversion may limit our ability to utilise our revenues effectively and affect the value of your [REDACTED].

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current corporate structure, our Company in the Cayman Islands may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our wholly foreign-owned subsidiaries in China are able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. But approval from or registration with appropriate governmental authorities or delegated banks is required where RMB 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. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

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

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds famous trademarks or PRC time-honoured brands. Moreover, the Anti-Monopoly Law of the PRC (Amended in 2022) (《中華人民共和國反壟斷法》(2022年修正)) requires that the anti-trust governmental authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the Provisions for the Implementation of the Security Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》 issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defence and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts or other relevant government agencies 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 defence and security” or “national security” concerns. However, the 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 the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinised 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. Furthermore, the Security Review Measures for Foreign Investments (《外商投資安全審查辦法》), or the New Security Review Measures, promulgated by the NDRC and the MOFCOM in 2020, provide that a review working institution for foreign investment security review will be jointly established by the NDRC and the MOFCOM, which will be responsible for organising, coordinating and guiding the security review of foreign investments, and if a proposed foreign investment meets the conditions as stipulated in the New Security Review Measures, the foreign investor or the relevant domestic party engaged shall report such case to the review working institution and the proposed foreign investment shall not be conducted if the review working institution decides to prohibit such investment. However, as the New Security Review Measures was newly issued, there are still substantial uncertainties as to its interpretation and implementations in practise.

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We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raisings activities.

On 6 July 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), or the July 6 Opinion, which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and governmental authorities. The July 6 Opinion aims to achieve this by establishing a regulatory system and revising the existing rules for overseas listings of Chinese entities and affiliates including potential extraterritorial application of Chinese securities laws. As of the Latest Practicable Date, due to the lack of further clarifications or detailed rules and regulations, there are still uncertainties regarding the interpretation and implementation of the July 6 Opinion, including on China-based companies with a VIE structure.

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”), and relevant five guidelines, which came into effect as of 31 March 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to [REDACTED] and list securities in overseas markets, either in direct or indirect means (the “**Overseas [REDACTED] and Listing**”), are required to fulfil the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. For details, see “Regulations—PRC regulations—Regulations relating to M&A rules and overseas listings”.

According to the Notice on Arrangements for Record Filing Administration of Overseas Offering and Listing of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) and the relevant replies by the officials from CSRC which are both promulgated with the Overseas Listing Trial Measures simultaneously, the PRC domestic companies that have already been listed overseas or meet all of the following conditions shall be deemed as existing issuers (存量企業) (the “**Existing Issuers**”): (1) before the effective date of the Overseas Listing Trial Measures (i.e. 31 March 2023), the PRC domestic enterprise’s application for its indirect Overseas [REDACTED] and Listing has been approved by the relevant overseas regulatory authorities or securities exchanges (for example, a listing hearing has been passed by the Stock Exchange), and the PRC domestic enterprise does not need to re-perform the regulatory procedures for [REDACTED] and listing with the overseas regulatory authorities or overseas stock exchanges (for example, a new listing hearing is required by the Stock Exchange); and (2) the PRC domestic enterprise completes the Overseas Offering and Listing on or prior to 30 September 2023. The Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved.

Our PRC Legal Advisor is of the view that this Listing shall be deemed as indirect Overseas [REDACTED] and Listing by PRC domestic enterprise. Therefore, if there is no re-hearing required by the Stock Exchange after 31 March 2023 and this Listing can be completed on or prior to 30 September 2023, we will not be required to file with the CSRC with respect to this Listing.

If it is determined that we are subject to any CSRC filing, other governmental authorisation or requirements for this Listing and future [REDACTED] activities and reporting obligations, we cannot assure you that we could complete such filing or meet such requirements in a timely manner or at all. Under

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such circumstance, we, and our personnel directly in charge and other personnel with direct responsibility, may be warned, fined or subject to other disciplinary measures as set forth in the Overseas Listing Trial Measures.

Furthermore, given that the Overseas Listing Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

In addition, we cannot guarantee that new rules or regulations promulgated in the future pursuant to the July 6 Opinion, the Overseas Listing Trial Measures, the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) and any other related PRC Laws, rules and regulations will not impose any additional requirement on us or otherwise tightening the regulations on companies with a VIE structure. If it is determined that we are subject to any CSRC approval, filing, other governmental authorisation or requirements for future capital raising activities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial conditions. Furthermore, any uncertainty and/or negative publicity regarding such an approval, filing or other requirements may also have a material adverse effect on the [REDACTED] of our Shares.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our wholly foreign-owned subsidiaries in China to liability or penalties, limit our ability to inject capital into these subsidiaries, limit these subsidiaries’ ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

The Circular on Foreign Exchange Administration for Financing and Round-Trip Investments by Domestic Residents via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 75, requires PRC residents to register with the relevant local branch of SAFE before establishing or controlling any company outside of China, referred to as an offshore special purpose company, for the purpose of raising funds from overseas to acquire or exchange the assets of, or acquiring equity interests in, PRC entities held by such PRC residents and to update such registration in the event of any significant changes with respect to that offshore company. SAFE promulgated the Circular on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, in July 2014, which replaced SAFE Circular 75. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, 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, referred to in SAFE Circular 37 as a “special purpose vehicle.” The term “control” under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other

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material event. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. In February 2015, SAFE issued the Circular on Further Simplifying and Improving the Policies for Foreign Exchange Administration for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Circular 13, which took effect on 1 June 2015. SAFE Circular 13 has delegated to the qualified banks the authority to register all PRC residents’ investment in “special purpose vehicle” pursuant to SAFE Circular 37, except that those PRC residents who have failed to comply with SAFE Circular 37 will remain to fall into the jurisdiction of the local SAFE branch and must make their supplementary registration application with the local SAFE branch.

We have requested PRC residents who we know hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required under SAFE Circular 37 and other related rules. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our Company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to the Circular on Relevant Issues Concerning the Foreign Exchange Administration over Involvement of Domestic Individuals in Equity Incentive Plans of Overseas Listed Companies (《關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知》), issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We and our directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted restricted shares, restricted share units or options are subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our wholly foreign-owned subsidiaries in China and limit these subsidiaries’ ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

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

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

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavourable tax consequences to us and our non-PRC shareholders.

Under the Enterprise Income Tax Law of the PRC, or the EIT Law, and its implementation rules, an enterprise established outside of the PRC with “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 and overall management over the business, productions, personnel, accounts and properties of an enterprise. On 22 April 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), 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. 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 organisations 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.

Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. If the PRC tax authorities determine that we should be classified as a PRC resident enterprise for PRC tax purposes, our global income will be subject to income tax at a uniform rate of 25%, which may have a material adverse effect on our financial condition and results of operations. Notwithstanding the foregoing provision, the EIT Law also provides that, if a PRC resident enterprise directly invests in another PRC resident enterprise, the dividends received by the investing PRC resident enterprise from the invested PRC resident enterprise are exempted from income tax, subject to certain conditions. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore

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company with indirect ownership interests in PRC resident enterprises through intermediary holding companies.

Moreover, if the PRC tax authorities determine that our Company is a PRC resident enterprise for PRC enterprise income tax purposes, gains realised on the sale or other disposal of our 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 gains are deemed to be from PRC sources. Any such tax may reduce the returns on your [REDACTED] in our Shares.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, and heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

The State Administration of Taxation has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) issued in December 2009, or SAT Circular 698, the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises (《關於非居民企業所得稅管理若干問題的公告》) promulgated issued in March 2011, or SAT Circular 24, and the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) issued in February 2015, or SAT Circular 7. Pursuant to these rules and notices, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, referring to properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise, by disposing of equity interest in an overseas holding company, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the safe harbour available under SAT Circular 7 may not be subject to PRC tax and the scope of the safe harbour includes qualified group restructuring as specifically set out in SAT Circular 7, public market trading and tax treaty exemptions.

In October 2017, the SAT released the Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Public Notice 37, effective from December 2017. SAT Public Notice 37

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replaced a series of important circulars, including, but not limited to, SAT Circular 698, and revised the rules governing the administration of withholding tax on China-source income derived by a non-resident enterprise. SAT Public Notice 37 provides for certain key changes to the current withholding regime, for example, the withholding obligation for a non-resident enterprise deriving dividend arises on the date on which the payment is actually made rather than on the date of the resolution that declared the dividends.

Under SAT Circular 7 and SAT Public Notice 37, the entities or individuals obligated to pay the transfer price to the transferor are the withholding agents and must withhold the PRC income tax from the transfer price if the indirect transfer is subject to the PRC enterprise income tax. If the withholding agent fails to do so, the transferor should report to and pay the tax to the PRC tax authorities. In the event that neither the withholding agent nor the transferor fulfils their obligations under SAT Circular 7 and SAT Public Notice 37, according to the applicable law, apart from imposing penalties such as late payment interest on the transferor, the tax authority may also hold the withholding agent liable and impose a penalty of 50% to 300% of the unpaid tax on the withholding agent. The penalty imposed on the withholding agent may be reduced or waived if the withholding agent has submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with SAT Circular 7.

However, as there is a lack of clear statutory interpretation, we face uncertainties on the reporting and consequences on future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our Company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our Company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our Company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our Company and other non-resident enterprises in our group are transferees in such transactions. For the transfer of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our Company and other non-resident enterprises in our group should not be taxed under these rules and notices, which may have a material adverse effect on our financial condition and results of operations. There is no assurance that the tax authorities will not apply the rules and notices to our offshore restructuring transactions where non-PRC residents were involved if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-PRC resident **[REDACTED]** may be at risk of being taxed under these rules and notices and may be required to comply with or to establish that we should not be taxed under such rules and notices, which may have a material adverse effect on our financial condition and results of operations or such non-PRC resident **[REDACTED]** in us. We have conducted acquisition transactions in the past and may conduct additional acquisition transactions in the future. 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. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

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RISK FACTORS

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