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You should carefully consider all of the information set out in this document, including the risks and uncertainties described below, before making [REDACTED] in our [REDACTED]. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The [REDACTED] could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Changes in China’s regulatory regime for the TCM healthcare service industry, particularly changes in TCM healthcare reform policies, could materially affect our business operations and future expansion.

China’s regulatory regime for the TCM healthcare service industry is developing, which may affect the way we operate our business. The current applicable laws and regulations may be amended or replaced to implement additional supervision and management requirements. Additionally, the laws and regulations may also be subject to further interpretation and enforcement and are evolving. Further amendments and changes or further interpretation and enforcement of laws and regulations could require us to obtain additional licenses, permits or approvals, broaden the scope of liabilities relating to medical incidents, increase our operating costs and expenses, or even result in the invalidation of our existing licenses, permits or approvals. Moreover, our business operations and future expansion could be materially affected by governmental policies, which may be subject to further amendments and changes. For example, the newly revised Implementation Rules for the Drug Administration Law (藥品管理法實施條例)(the “**Revised Implementation Rules**”) which became effective on 15 May 2026, introduced a new provision requiring that physicians shall not prescribe drugs with relatively high medication use risks that are prohibited from online sales during online diagnosis and treatment activities. The specific catalogue of such drugs will be formulated by the drug supervision and administration department under the State Council. According to our PRC Legal Advisors’ consultation with Heilongjiang Provincial Drug Administration on July 23, 2026, an offline medical institution that have obtained the Medical Institution Practicing License and the Medical Institution Preparation Permit is permitted to prescribe its in-hospital preparations approved by or filed with the provincial drug administrative department to patients through an Internet hospital platform registered under such institution’s official second name. However, as the relevant government authorities have not yet formulated the specific catalogue of drugs prohibited from online sales following the effectiveness of the Revised Implementation Rules, it is uncertain whether in-hospital preparations will be listed in the future prohibited catalogues, which may render our current online prescription of in-hospital preparations non-compliant. If there are new catalogues or interpretations issued in the future, we may need to change our business model. If we are found to be non-compliant with any of the applicable rules, laws, or regulations, we may face administrative penalties, including suspension of operations and even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business results of operations and financial condition.

With the development in China’s regulatory regime for the TCM healthcare service industry, there may be strengthened supervision over medical institutions and more stringent requirements on provision of TCM healthcare service services. For instance, on March 10, 2023, NATCM promulgated the *Basic*

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Standards for Traditional Chinese Medicine Clinics (2023 Edition) (《中醫診所基本標準(2023年版)》)(the “Basic Standards”), which replaced the *Notice on Issuing the Basic Standards for Traditional Chinese Medicine Clinics and Traditional Chinese Medicine (Comprehensive) Clinics* (《關於印發中醫診所基本標準和中醫(綜合)診所基本標準的通知》) jointly promulgated by the NHFPC and NATCM on December 1, 2017 and set higher requirements for TCM clinics in multiple aspects, such as diagnosis and treatment service offerings, establishment of internal policies and systems of medical record. As advised by our PRC Legal Advisors, we had complied with such Basic Standards in all material aspects during the Track Record Period and up to the Latest Practicable Date. We will closely monitor the legislative progress in the TCM healthcare service industry to ensure our ongoing compliance.

Additionally, future regulatory changes may impose further requirements on the TCM healthcare service industry, or introduce additional pricing controls or other operational restrictions on private-pay healthcare services. As we do not participate in any government or commercial medical insurance reimbursement schemes, nor do we accept third-party insurance payments, any such changes could affect patient spending willingness or service pricing, thereby adversely impacting our business, financial condition, and results of operations.

We operate in a highly competitive industry. If we do not compete successfully against new or existing competitors in the TCM healthcare service industry, our business, financial condition and results of operations may be materially and adversely affected.

We primarily compete with private TCM healthcare service providers in China, which is highly competitive and fragmented. According to Frost & Sullivan, in terms of revenue generated from providing healthcare services in 2025, we ranked fifth among all private chain TCM healthcare service providers in China, and second in Northern China, in terms of revenue generated by TCM out-patient healthcare centers and TCM clinics, with a market share of 2.3% and 7.0% in 2025, respectively. Additionally, as a private chain TCM healthcare service provider, we compete with public TCM healthcare providers, which have been dominating the TCM diagnosis and treatment service segment with sufficient physician resources and higher recognition. We will also compete with future market entrants as the rapid growth of the healthcare and grand TCM healthcare industries in the PRC may attract more domestic or international players to enter. The number of market players in the private TCM hospital healthcare service industry in China increased from over 70,000 in 2021 to over 100,000 in 2025, indicating the intensified market competition in such fragmented market, according to Frost & Sullivan. Some of our competitors may have substantially greater financial, marketing or other resources than we do. It is also possible that there will be significant consolidation and mergers in the healthcare and grand TCM healthcare industries. Our competitors may develop alliances, and these alliances may acquire significant market share.

We primarily compete on the following key factors: service quality, brand recognition, accessibility, medical professionals, and pricing. We cannot assure you that we will be able to successfully compete against new or existing competitors, and changes in the competitive landscape may result in price reduction, reduced profitability or loss of market share, any of which could have a material adverse effect on our business, results of operations and prospects.

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Our business operations focus on TCM healthcare services, the receptiveness of which in the PRC may change, and our business, results of operations and financial conditions may be materially affected as a result.

Our continued success depends on the popularity of and demand for TCM healthcare services. However, customer preferences and demand may shift away from TCM healthcare services for various reasons including but not limited to:

- a change in customers’ belief in the efficacy of TCM healthcare services in achieving their claimed benefits;
- a general change in customers’ preferences for TCM healthcare services as compared to other treatment options that claim similar benefits; and
- negative scientific research, findings or publicity regarding TCM healthcare services or other services provided by us.

We believe that the grand TCM healthcare service industry is highly dependent upon customer perception regarding the safety, efficacy, level of side effects and quality of TCM healthcare services. Customer perception of TCM healthcare services provided by us can be significantly influenced by scientific research or findings, media attention and other publicity regarding related TCM healthcare services. We cannot assure you that future scientific research, findings or publicity will be favorable to any service, or consistent with existing research or findings which are favorable to that service. Scientific research reports, findings or publicity, whether or not accurate, may associate illness or other adverse effects with the consumption of TCM healthcare services in general or that of TCM healthcare services provided by us or other similar companies, question the safety, efficacy or benefits of such services, or claim that any of such services are unsafe or ineffective. Such adverse publicity could arise even if the adverse effects associated with such services resulted from customers’ failure to consume such services appropriately or as directed. Any such reports, findings or publicity may have a material adverse effect on the demand for healthcare services provided by us, and our business, results of operation and financial condition.

We conduct our business in the strictly regulated TCM healthcare service industry and are subject to ongoing compliance costs.

Our operations are subject to various laws and regulations in China. These laws and regulations mainly cover: (i) licensing and management of medical institutions; (ii) licensing of medical professionals; (iii) procurement and use of decocting pieces, medicinal materials, and health management products; (iv) quality and pricing of TCM healthcare services; (v) collection and storage of customers’ medical information and privacy protection; (vi) anti-corruption and anti-bribery; and (vii) discharge and disposal of medical waste generated from operations and occupational health. In particular, the practicing activities of physicians and other medical professionals are strictly regulated under the PRC laws and regulations. Medical professionals practicing at our TCM healthcare service network are required to obtain the necessary qualification certificate for their respective practice and may only practice within the scope of their licenses and at the specific medical institutions at which their licenses are registered. See “Regulatory Overview” for details of laws and regulations that we are subject to. Meanwhile, licenses or permits of our licensed medical institutions are subject to periodic renewal requirements and inspections by the relevant government authorities.

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The process of obtaining regulatory approvals and compliance with appropriate laws and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during our operations may subject us to administrative or judicial sanctions. These sanctions could include refusal to approve pending applications, withdrawal of an approval, license revocation, total or partial suspension of production, injunctions, fines, providing restitution, undergoing disgorgement, or other civil or criminal penalties. Failure to comply with these regulations could have a material adverse effect on our business and operations.

Additionally, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and/or regulatory actions, and such failure may significantly affect our ability to generate revenue from our TCM healthcare services. Further, any government investigation of alleged violations of laws or regulations could require us to expend significant time and resources in response and could generate negative publicity. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our company and our operating results will be adversely affected.

Our business may be harmed by technological and therapeutic changes or by shifts in physicians’ or customers’ preferences for alternative treatments.

The TCM healthcare industry is characterized by frequent improvements and evolving technology. As technological advances in such industry continue to evolve rapidly, new services and equipment may arise, and our success will depend on the ability of our TCM healthcare service network to adapt to such technological changes, which is particularly challenging for us as an advocator of TCM. Adapting to technological changes could incur significant expenditures and we may be subject to licensing or other regulatory requirements. Some of our competitors may have greater resources to respond to these technological changes than our TCM healthcare service network. If our TCM healthcare service network fails to adapt successfully to technological changes or fails to obtain access to new technologies in a timely manner, our ability to compete could be strained, and as a result, our business, results of operations and prospects will be materially and adversely affected. There is also no assurance that we will be able to recover the expenditures associated with responding to the technological changes. Additionally, rapid technological improvements could, at times, lead to earlier-than-planned obsolescence or redundancy of equipment and result in impairment charges, which may materially and adversely affect our results of operations.

Further, potential revolutionary technological and therapeutic changes in treatment methods could reduce demand or even eliminate the need for TCM healthcare services. Customers and physicians may choose alternative therapies over TCM healthcare services due to several reasons. Any shifts in physicians’ or customers’ preferences for other therapies over TCM healthcare services may materially and adversely affect our business, financial condition and results of operations.

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If we fail to obtain any license, permits or certificates, or timely renew any existing license, permits or certificates, we may not be able to maintain our business operations.

We and our offline licensed medical institutions and online platform are required to obtain various licenses, permits and certificates for our and their respective operations, such as Medical Institution Practicing License (醫療機構執業許可證) and TCM Clinic Filing Certificate (中醫診所備案證). Additionally, healthcare services that providing drug (including medical devices) information through the Internet are also required to complete the filing for Internet Pharmaceutical Information Service (互聯網藥品信息服務備案). Under the applicable laws and regulations, licenses, permits or certificates of our medical institutions are subject to periodic renewal requirements and inspections by relevant government authorities. See “Business — Licenses, Permits and Certificates” for more details. If we fail to obtain any license, permits or certificates required for our operations, or timely renew any major license, permit, certificate or approval for us or all or any of our medical institutions and online healthcare platforms, or if the medical professionals practicing at our healthcare service network become unlicensed at any time during their practices, we may face penalties, suspension of operations or even revocation of operating licenses, depending on the nature of the incidents, any of which could materially and adversely affect our business, financial condition and results of operations.

Additionally, we are required to obtain a series of licenses, permits, certificates or approvals for our newly commenced licensed medical institutions, such as those in relation to fire safety, failure to comply with which may subject us to corresponding administrative penalties. For example, as of the Latest Practicable Date, 60 of our leased premises, among which 28 leased premises were used as licensed medical institutions and 32 leased premises are used for supporting operations, had not completed the fire safety filing (消防備案). According to applicable PRC laws and regulations, for each leased premise for which we fails to complete the fire safety filing, we and our relevant subsidiary may be ordered by relevant government authorities to rectify and subject to a fine of up to RMB5,000.

We may be required to incur substantial costs to comply with current or future environmental, health, safety and construction related laws and regulations which are complex, change frequently and have tended to become more stringent. Failure to duly comply with the environmental, health, safety and construction related laws and regulations may subject us to fines, warnings, or rectification orders imposed by the competent authorities.

We do not maintain medical liability insurance, and we may be subject to losses and liabilities for any claims against us.

We do not currently maintain medical liability insurance across our healthcare service network. While the inherent risks associated with TCM healthcare services are generally lower than those in certain high-risk medical fields — particularly given our focus on personalized TCM prescription preparations, external therapies, and chronic disease management — our business remain exposed to potential liabilities common to healthcare services. In the event of patient claims related to medical incidents, accidents within our premises, or other service-related issues, we would need to cover any resulting losses or liabilities directly. Any significant uninsured claims, if successfully brought against us, could have a material adverse effect on our business, financial condition, and results of operations.

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The success of our business depends on our reputation and brand name. Any negative publicity about us, our TCM healthcare service network, physicians or other medical professionals, practicing at our licensed medical institutions could harm our brand image and reputation, which could adversely affect our business and prospects.

Our business success depends on our reputation and brand name. In particular, we believe that our “Gao Zhen Tang” brand plays an important role in our positioning and marketing of our licensed medical institutions operated under such brand name. Negative publicity involving us, the industry where we operate, our medical institutions, medical professionals practicing at such medical institutions, services provided in our healthcare service network could adversely harm the brand image and reputation of us and our TCM healthcare service network. Such negative publicity could also cause deterioration in the level of market recognition of and trust in the TCM healthcare services and products provided by our licensed medical institutions, thereby resulting in reduced patient visits and market demands, and potential loss of medical professionals and other staff. Such negative publicity may also result in the diversion of management’s attention, and government investigations or other forms of scrutiny. These consequences may have an adverse effect on our business, results of operations, financial condition and prospects.

We may not be able to manage the growth of our business and operations and grow at a rate comparable to our growth rate in the past.

Our revenue increased from RMB150.0 million in 2023 to RMB215.2 million in 2024 and further to RMB399.7 million in 2025, and increased from RMB127.7 million in the five months ended May 31, 2025 to RMB182.8 million in the five months ended May 31, 2026. The growth in our revenue does not have implications or may not necessarily reflect our future operating or financial performance.

The sustainability of our growth depends on a number of factors, many of which are beyond our control, including the effects of changing regulatory, economic, public health, environmental and competitive conditions, the ability of our TCM healthcare service network to retain and attract physicians, and the ability to expand customer base. Moreover, our future development is also subject to other factors that cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. There can be no assurance that we can sustain the growth rate we achieved in the past.

Moreover, we have a relatively short operating history in operating our online platform, making it more difficult to accurately assess the prospects or forecast the future results of our business based on the historical results of our operations. There can be no assurance that we will be able to increase revenue of, or generate profits from, our online healthcare services or other new businesses in the future.

Opening of new licensed medical institutions involves risks and could result in fluctuations in our short-term financial performance, and newly opened licensed medical institutions may not achieve operation and performance as anticipated.

Our operating results have been, and in the future may continue to be, influenced by the timing and extent of the expansion of our TCM healthcare service network. The expansion of our offline licensed medical institutions may expose us to additional risks, including, among other things:

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- difficulties with managing operations into new regions;
- different approval or licensing requirements;
- recruiting sufficient personnel in these new regions;
- challenges in providing suitable services as well as supports in these new regions;
- challenges in attracting medical professionals, customers and business partners and remaining competitive;
- potential adverse tax consequences; and
- limited protection of intellectual property rights.

Our business expansion strategy involves establishing new licensed medical institutions in existing and new geographic markets. Establishing a new licensed medical institution requires significant upfront capital investment, with each new licensed medical institution requiring an estimated investment ranging from RMB1.0 million to RMB2.0 million, which typically covers renovation costs, leasehold improvements, medical equipment and furnishings, initial inventory, and pre-opening operating expenses. New licensed medical institutions generally generate lower revenue and incur higher operating expenses during the initial stages of operations. During this period, a new licensed medical institution may operate at a loss. The average breakeven period and cash investment payback period for our newly established licensed medical institutions are approximately 5.0 months and 4.5 months, respectively, from commencement of operations. These periods may vary depending on factors such as local market conditions, competition, the availability of qualified physicians in the region, and the effectiveness of our patient acquisition efforts. There can be no assurance that our newly established licensed medical institutions will achieve profitability within these timeframes, or at all.

Further, the opening of new licensed medical institutions involves regulatory approvals and reviews by various government authorities in the PRC, including health authorities. We may not be able to obtain all the required approvals, permits, licenses or certificates in a timely manner or at all. Therefore, we may not be able to immediately utilize or derive revenue from a newly opened licensed medical institution as anticipated due to the inability or material delay by us in obtaining the required approvals, permits, licenses or certificates and any substantial increase in costs to ramp up operations and utilization.

If our TCM healthcare service network is unable to recruit and retain sufficient qualified physicians and other medical professionals, our business and results of operations could materially and adversely affected.

Our business is dependent on our ability to identify, recruit and retain sufficient qualified physicians. The recruitment of qualified TCM physicians in the PRC is highly competitive due to a structural shortage of talent. The near-term supply of physicians is constrained by the lengthy training pathway, typically requiring up to eight years or more of academic study and clinical apprenticeship, which cannot be accelerated. This supply-demand imbalance has intensified competition among TCM healthcare service providers, leading to increasing recruitment costs and heightened retention challenges. For example, the turnover rate of our physicians (calculated as dividing the number of physician departure by the sum of the number of physicians at the beginning of a relevant period and the number of newly recruited physicians in the same period) was 29.5%, 22.7%, 26.1% and 17.6% in 2023, 2024, 2025 and the five months ended May 31, 2026.

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We employ a combination of offline and online approaches to attract and recruit high-quality medical professionals. We believe that physicians generally consider the following key factors when selecting their practicing sites: the reputation and culture, management efficiency, the quality of facilities, supporting staff, the number of patient visits, compensation, training programs and location. Our TCM healthcare service network may not compete favorably with competitors in respect of one or more of these factors, and may not be able to attract or retain the physicians we desire.

Our success is also dependent on the ability of our TCM healthcare service network to recruit and retain qualified other medical professionals, including nurses, pharmacists, rehabilitation specialists, medical assistants, and healthcare technicians. It has become increasingly costly to recruit and retain other medical professionals in recent years and there is no guarantee that our healthcare service network will be able to recruit and retain sufficient other medical professionals in the future. If our TCM healthcare service network fails to do so, we may not be able to maintain the quality of our services, and the number of patient visits at our TCM healthcare service network may decrease, which may materially and adversely affect our business, financial condition and results of operations.

If we are unable to continue to attract and retain customers, provide superior customer experience and maintain customers’ trust in our TCM healthcare service network, our business, financial condition and results of operations may be materially and adversely affected.

Our medical service network is highly dependent on our customer base. In 2024, 2025 and the five months ended May 31, 2026, we had 30,894, 49,547 and 21,046 new customers, respectively. Growth in our customer base is a key driver for our revenue growth. Our ability to continue to attract and retain customers depends on our ability to provide superior customer experience. To do so, we need to continue to provide a wide selection of high-quality healthcare services, explore services that are responsive to customers’ demand, ensure timely and reliable delivery, flexible payment options and superior customer services. Such ability, in turn, depends on a variety of factors beyond our control. Additionally, we leverage third-party logistics service providers to facilitate timely and reliable delivery of prescription fulfillments to our customers. If delivery is delayed, our brand and customer loyalty may be adversely affected.

Further, we provide TCM healthcare services through our online healthcare platform. The general public, many of whom are our potential customers, may not recognize and accept the concept of online TCM healthcare services. They may also have concerns over the reliability, safety and efficacy of the healthcare services provided through online platforms. If we cannot continue to provide superior customer experience, wide selection of high-quality TCM healthcare services and ensure their efficacy in addressing our customers’ needs and meeting their expectation, and maintain or support the reliability, security and functionality of online platforms where we operate, we may not be able to retain our existing customer base or attract new customers, which may in turn materially and adversely affect our business, results of operations, financial condition and prospects.

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Our failure to maintain our business relationship with our suppliers, or any decrease, shortage, or delay in the supply, or an increase in the cost of our purchases may affect our business, financial condition and results of operations.

Our suppliers primarily comprise suppliers of decocting pieces, medicinal materials, and health management products. If we fail to maintain our business relationship with our suppliers, or if they cease to cooperate with us, or breach their current agreements with us, we may have limited remedies and may be unable to source alternative supplies in a timely manner and under commercially reasonable and comparable terms, which could have a negative impact on the stability of our operations, thus materially and adversely affect business, financial condition and results of operations.

We cannot assure you that we will be able to renew our agreements with our existing suppliers when they expire or to enter into new supplier relationships to support the continued growth of our business. Additionally, we are vulnerable to supply shortages and fluctuations in market prices. The availability and prices of decocting pieces, medicinal materials, and health management products may be affected by various factors that are beyond our control, such as shortage of raw materials, unexpected increases in demand for such supplies, adverse weather conditions, occurrence of natural disasters, regulatory actions, deteriorating financial conditions or cessation of business of the suppliers and labor shortages. In the event that any of our suppliers fails to continue to supply us with sufficient quantities of supplies of an acceptable quality in the future, we may be unable to obtain substitutes elsewhere in a timely manner, or at all. Also, the market prices of decocting pieces, medicinal materials, and health management products may be subject to significant fluctuations. We cannot assure you that we would be able to pass on any increase in costs of such supplies to our customers, and any substantial fluctuation in market prices of such supplies may materially increase our costs and impact our profitability.

We may not be able to successfully complete any acquisitions or enhance post-acquisition performance, which could adversely affect our business prospects.

We may make acquisitions when appropriate opportunities arise in the future. However, acquisition targets may have unknown or contingent liabilities, including liabilities for failure to comply with evolving requirements or interpretations of relevant laws, regulations and rules. We cannot assure you that our due diligence conducted will uncover all material unknown or contingent liabilities or other negative developments, such as bankruptcy, insolvency, liquidation or dissolution, or that the acquisition targets will be viable. We may also suffer reputational and financial harm for actual or alleged inferior service or harm that occurred at the acquisition targets prior to our acquisition and need to respond to claims initially as dissatisfied customers will likely pursue their claims against the acquisition targets and us. Moreover, we may suffer reputational and financial harm if the acquisition targets were subject to any administrative penalties prior to our acquisition.

Additionally, our ability to successfully consummate any future acquisitions is subject to various risks and uncertainties, including:

- failure to identify suitable acquisition targets or have to engage in intense competition for attractive acquisition targets, which may make it difficult to complete such acquisitions on commercially acceptable terms or at all;

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- failure to obtain sufficient financing on acceptable terms or at all, to fund such acquisitions; and
- failure to obtain or secure regulatory approvals and third-party consents necessary to consummate such acquisitions.

Even if we are able to consummate any acquisitions, our ability to grow our business through any future acquisitions remains subject to further risks and uncertainties which could materially and adversely affect our business, financial condition and results of operations, including that:

- we may fail to successfully integrate the acquisition targets with our existing business and operations;
- we may fail to effectively manage a larger, growing business, operating in new geographic regions; and
- the acquired businesses do not provide us with benefits or generate the revenue and profitability we had anticipated.

If we suffer reputational or financial harm caused by unknown or contingent liabilities of the acquisition targets, or if we are unable to consummate acquisitions and successfully grow our business through any future acquisitions, our business and prospects could be adversely affected. Further, the process of pursuing and consummating acquisitions as well as integrating and managing acquired businesses, whether or not successful, could divert our resources and management attention from our existing business and impair our ability to successfully manage and grow our business organically.

We cannot assure you that the quality of all supplies we procure from suppliers can meet the expectation of our customers, which may expose us to liabilities and materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

Our TCM healthcare services involve the frequent use of a variety of decocting pieces and medicinal materials, and health management products, which we procure from suppliers whom we do not have control over. We cannot assure you that all supplies are authentic, free of defects and meet the relevant quality standards. If these supplies are subsequently found to have been defective at the time of the supply, even though we did not know or could not have known about such defect, we may be subject to liability claims, negative publicity, reputational damage, regulatory investigation or administrative sanction, any of which may adversely affect our results of operations and reputation. We cannot assure you that significant claims of such nature will not be asserted against us in the future, and that adverse verdicts will not be reached or that we will be able to recover losses from our suppliers. Additionally, termination of our supply agreements with unqualified suppliers can be time-consuming and costly, and we may not be able to find suitable replacement suppliers on commercially acceptable terms, the failure of which could adversely affect our business, results of operations, financial condition and prospects.

A stable supply of decocting pieces, medicinal materials, and health management products from our suppliers is critical to our business. Our business, financial condition and results of operations could be adversely affected if our business relationships with these major suppliers are terminated, interrupted or modified in any way adverse to us.

Our success depends on our ability to maintain a good and continued business relationship with our major suppliers and our ability to source and procure decocting pieces and medical consumables from quality suppliers on favorable terms.

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Purchases from our five largest suppliers (excluding suppliers of capital nature) in each period during the Track Record Period accounted for approximately 51.7%, 22.7%, 32.5% and 28.1% of our total purchases in 2023, 2024, 2025 and the five months ended May 31, 2026, respectively. Purchases from our single largest supplier (excluding suppliers of capital nature) in each period of the Track Record Period accounted for approximately 38.3%, 15.5%, 16.4% and 9.5% of our total purchases in the same periods, respectively.

Although we typically enter into framework agreements with our major suppliers, our purchase of decocting pieces, medicinal materials, and health management products are generally made on individual orders basis. We cannot assure you that our existing suppliers will continue to supply decocting pieces, medicinal materials, and health management products to us at competitive prices, or there will not be any shortage of supply from these suppliers. If any of our major suppliers materially reduce the amount of supplies to us or our business relationships with our major suppliers are terminated, interrupted or modified in any way adverse to us, there can be no assurance that we would be able to procure from alternative suppliers for replacement in time. We also cannot assure you that the products we procured from such alternative suppliers would be on terms and conditions acceptable to us and/or in sufficient quantity to meet our imminent demands. As such, our business, financial condition and results of operations may be adversely affected.

Any operational disruption to the warehouse facility we use, or to the logistics services provided by our suppliers, could have a material adverse effect on our business, financial condition and results of operations.

As of the Latest Practicable Date, our warehousing facilities primarily included one self-owned centralized warehouse and one leased warehouse, both of which are located in Harbin, Heilongjiang province for storing our inventories. Natural disasters or other unanticipated catastrophic events, including power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars, changes in government planning for the land underlying this warehouse, as well as challenges from third parties or government authorities to our right to use such warehouse, could interrupt the operation of this warehouse, destroy any inventory located therein, and significantly impair our business operations. If any of the foregoing occurs, we may not be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, and our business, financial condition and results of operations could be materially and adversely affected.

Additionally, we rely on logistics service providers to deliver in-hospital preparations to our customers. Logistics services that meet our requirements for guaranteed storage safety, optimal and flexible space utilization and high operating efficiency are in short supply. We cannot assure you that we will be able to renew our agreements with logistics service providers when they expire, or to identify substitute logistics service providers on terms acceptable to us on a timely basis, failing which our business, results of operations, financial condition and prospects will be adversely affected.

We have historically recorded net current liabilities, and may not generate sufficient cash flow in the future to finance our operations or satisfy our current liabilities.

We have historically recorded net current liabilities, which may impair our ability to generate sufficient cash flows in the future to finance our operations and meet our obligations. As of December 31, 2023 and 2024 and May 31, 2026, we had net current liabilities of RMB12.2 million, RMB22.0 million and RMB15.1 million, respectively. Our net current liabilities positions as of December 31, 2023 and 2024 and May 31, 2026 were primarily due to: (i) our purchases of property, plant and equipment with cash on hands; (ii) our entering into new lease agreements for our new licensed medical institutions, reflecting our continuous efforts in business expansion; or (iii) dividend payments. For details, see “Financial Information — Net Current Assets” of this document. Specifically, the cash payments for the purchases

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of our property, plant and equipment and entering into lease arrangements were RMB16.1 million, RMB44.9 million and RMB22.8 million in 2023 and 2024 and the five months ended May 31, 2026, respectively.

We cannot assure you that we will not have a net current liabilities position in the future. A net current liabilities position may expose us to liquidity risk which could restrict our ability to make necessary expenditure to develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected. Additionally, if we are unable to generate sufficient cash flow for our operations, or to obtain sufficient funds to finance our operations, our business operations, liquidity and ability to raise funds may be materially and adversely affected by our net current liabilities and negative cash flow from operations. In such circumstances, our business, financial position, results of operations and prospects may be materially and adversely affected.

Our business is subject to seasonality. We expect to continue to experience season fluctuations in our revenue, results of operations and financial condition.

We generally experience fewer patient visits in the first quarter of a calendar year, mainly due to the postponed customer demands in healthcare services before and during the Chinese New Year. Medical institutions managed by us are also subject to a similar seasonality of patient visits. According to Frost & Sullivan, such seasonality is in line with the industry norm in the TCM healthcare service industry in China. As a result, our operating and financial results for an interim period may not be representative of our overall performance. In addition, our costs and expenses do not necessarily correspond with the timing of our revenue recognition. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition in the future.

Our TCM healthcare service network could become the subject of customer complaints, claims and legal proceedings, which could be costly and materially and adversely affect our brand image, reputation and results of operations.

Physicians in our TCM healthcare service network make clinical decisions regarding the diagnoses and treatments of customers. However, we do not have direct control over the clinical activities of our TCM healthcare service network or over the decisions and actions taken by the physicians as their diagnoses and treatments of customers are subject to their professional judgment and in most cases, must be performed on a real time basis. Any incorrect decisions or actions on the part of the physicians, or any failure by our TCM healthcare service network to properly manage clinical activities may result in undesirable or unexpected outcomes, including complications, injuries and even deaths in extreme cases.

In recent years, medical professionals, hospitals and other healthcare service providers in the PRC have become subject to an increasing number of customer complaints, claims and legal proceedings alleging malpractice or other causes of action. Incidents have occurred in hospitals and other medical institutions in the past in the PRC where dissatisfied customers carried out extreme actions or even violence during the course of the disputes. The occurrence of any such incident would harm our reputation, impair the ability of our medical service network to recruit and retain medical professionals and other staffs, discouraging other customers from visiting our medical service network, and cause us to incur substantial costs.

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If we become subject to litigation, legal or contractual disputes, governmental investigations, arbitration or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.

During our ordinary course of business, we may be involved in claims, disputes and legal proceedings from time to time relating to, among others, medical disputes, product liability, patient safety, quality control, privacy protection, environmental protection, tax declaration, breach of contract, employment or labor disputes and infringement of intellectual property rights. Unresolved or threatened litigation, legal or contractual disputes, governmental investigations, arbitration or administrative proceedings involving us, our in-network medical institutions or our employees may divert the attention of our management, cause interruptions to our business and result in damages, liabilities and substantial costs.

Additionally, any litigation, legal or contractual disputes, governmental investigations, arbitration or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If the outcomes of these proceedings are less favorable to us, we could be required to pay significant legal costs and monetary damages, assume legal and other liabilities and even to suspend or terminate the related business projects.

Further, negative publicity arising from litigation, legal or contractual disputes, governmental investigations, arbitration or administrative proceedings may damage our reputation and adversely affect our brand image. As a result, our business, results of operations and financial condition may be materially and adversely affected.

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

We accept payments using a variety of methods, primarily including cash, bank cards, or online payment via third-party payment platforms, as applicable. We may be charged interchange and other fees for certain payment methods, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment option. We are also subject to various rules, regulations and requirements governing electronic funds transfers in the PRC, which could change or be reinterpreted to make it difficult or impossible for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

Increasing focus with respect to environmental, social and corporate governance matters may impose additional costs on us or expose us to additional risk. We cannot assure you that we or any of our medical institutions will not be subject to liabilities or penalties relating to environmental protection.

Our business is generally subject to laws and regulations relating to the environment and public health, such as the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》), Environmental Impact Assessment Law of the People’s Republic of China (《中華人民共和國環境影響評價法》), and Regulations on the Management of Medical Waste (《醫療廢物管理條例》). The amendments and changes to the applicable laws and regulations may cause additional compliance costs, which could have an adverse effect on our business, results of operations and prospects. Failure to comply with applicable regulations relating to environmental and public health matters could result in administrative actions or penalties on us.

Our business operations are also exposed to risks relating to occupational health and safety, primarily with respect to occupational health and containment of infection transmission. Physicians, other medical professionals and other staff practicing at our medical institutions may fail to deal with such risks properly. We cannot assure you that we or any of our medical institutions will not be subject to liabilities or penalties in connection with environmental, public health, occupational health and safety in the future. Any of these actions or penalties may adversely affect our business, results of operations and financial condition.

Moreover, public awareness of ESG has been increasing in recent years, making our business more sensitive to changes in social trends and policies associated with environmental protection, public health and other ESG issues. For information about our ESG policies and practices, please see “Business — Environmental, Social and Corporate Governance.” Investor advocacy groups, certain institutional investors, investment funds, and other influential investors have placed increasing importance on the ESG practices and the social costs of their investments. Any ESG concern or developments in social trends and political policies relating to ESG could increase our compliance costs or require us to alter our practices in a way that could adversely impact our operating results. If we fail to adapt to or comply with the evolving expectations and standards of ESG, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage, and our business operations and financial condition could be materially and adversely affected.

Our insurance coverage may be inadequate to cover all significant risk exposures.

We maintain limited insurance policies covering certain potential liabilities. See “Business — Insurance” for details of insurances we maintained as of the Latest Practicable Date. Due to our business nature and in line with the common practice in the healthcare industry, we do not maintain any business interruption insurance or key person insurance. There can be no assurance that our insurance coverage will be available or sufficient to cover all of the risk exposures faced by us and our medical institutions.

The occurrence of natural or man-made disasters that are outside the scope of our insurance coverage may severely interrupt our business and cause significant loss to us. Moreover, the existing insurance maintained by us contains exclusions and limitations on coverage. If our insurance coverage is unavailable or insufficient to cover any risk exposures, we may incur substantial costs and diversion of our resources, which could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We may need additional capital and may not be able to obtain it in a timely manner or under commercially acceptable terms, or at all.

We believe that our current cash and cash equivalents, anticipated cash flow from operations, available credit facilities, and the [REDACTED] from this [REDACTED] will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this document. We may, however, require additional cash resources to finance our continued growth or other future developments, such as any investments we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of our implementation of organic growth, investments in acquisitions and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing. To the extent that we raise additional financing by issuance of additional equity securities, our Shareholders may experience dilution. To the extent we engage in debt financing, the incurrence of indebtedness would result in increased debt servicing obligations and could result in operating and financing covenants that may, among other things, restrict our operational flexibility or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on commercially acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability of financial institutions, receipt of necessary PRC government approvals, investors’ confidence in us, the performance of the healthcare and TCM healthcare industries in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms commercially acceptable to us, if at all. In the event that financing is not available or is not available on terms commercially acceptable to us, our business, results of operations and growth prospects may be adversely affected.

We depend on the continued service of our senior management team and other key employees, and any failure to attract, motivate and retain them could severely hinder our ability to maintain and grow our business.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team and other key employees, some of whom have been with us since our inception. We rely on the expertise, experience and leadership of Mr. Guo Yang, the founder of our Group and the chairman of the Board. We also rely on several key members of our senior management team.

We do not maintain key person insurance. Competition for competent candidates in the industry is intense, and the pool of competent candidates is limited. If we lose the services of one or more of our key personnel, we may not be able to locate suitable or qualified replacements easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations could be materially and adversely affected. Additionally, if any member of our senior management team or key employees joins a competitor or forms a competing business, we may lose know-how, trade secrets, customers and key professionals and staff. All of our employees are subject to confidentiality agreements effective during their employment and for a period thereafter. We cannot assure you, however, the extent to which any of these agreements will be enforceable under the applicable laws.

RISK FACTORS

Failure to renew our current leases on reasonable terms or to locate desirable alternatives for our medical institutions could materially and adversely affect our business and results of operations.

We may not be able to successfully extend or renew our current leases upon their expiration on commercially reasonable terms, or at all, and may therefore be forced to relocate our medical institutions concerned. This could disrupt the operations of medical institutions concerned and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. Additionally, 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. Further, we may not be able to locate desirable alternative sites for our medical institutions as our business continues to grow, and failure in relocating our medical institutions concerned could adversely affect our business and operations.

If our properties fail to comply with PRC property-related laws and regulations our business, financial condition and results of operations may be materially and adversely affected.

We face legal defects regarding some of our leased properties. As of the Latest Practicable Date, we had not registered 64 of our lease agreements with the relevant PRC government authorities. If we fail to complete or timely complete such lease registration upon the housing authorities’ request, we may face fines on each unregistered lease agreement, which may adversely affect our financial position. According to relevant laws and regulations, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. For details of the legal defects of our owned and leased properties, see “Business — Properties.”

We are not aware of any material claims or actions being contemplated or initiated by government authorities, or other third parties with respect to our interests in or use of such properties. However, we cannot assure you that our use of such properties will not be challenged in the future. In the event that our use of properties is challenged, we may spend efforts to respond to third parties’ challenges on our interests and face the diversion of the attention of our management and other staff. As a result, our business and results of operations may be adversely affected.

We are subject to evolving laws, regulations and governmental policies regarding privacy, cybersecurity and data protection. Actual or alleged failure to comply with such laws, regulations and governmental policies could adversely affect our business and reputation.

When conducting our business, we may need to collect, store, transmit and process certain personal data of our customers. We are exposed to risks inherent in handling data and in ensuring the data security and privacy. There have been several regulatory changes and development in relation to privacy, cybersecurity and data protection in recent years. Relevant laws, regulations and governmental policies are evolving and may be subject to further interpretations or changes, which may affect the scope of our responsibilities in this regard.

On November 7, 2016, the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)(the “SCNPC”) promulgated the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》), which was amended on October 28, 2025 and came into effect on January 1, 2026. On June 10, 2021, the SCNPC promulgated the *PRC Data Security Law* (《中華人民共和國數據安全法》), which took effect on September 1, 2021. On August 20, 2021, the SCNPC issued the *Personal Information Protection Law* (《中華人民共和國個人信息保護法》)(the “PIPL”), which took effect on November 1, 2021, reiterating the circumstances under which a personal information processor could process personal information and the requirements for such circumstances. On September 24, 2024, the State Council promulgated the Regulation on Network Data Security

RISK FACTORS

Management (《網絡數據安全管理條例》), which came into effect on January 1, 2025 and further provides rules on network data security. Furthermore, along with the promulgation of the *Opinions on Strictly Combating Illegal Securities Activities* (《關於依法從嚴打擊證券違法活動的意見》), overseas-listed China-based companies are subject to heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data flow and management of confidential information from PRC government authorities.

The above regulatory development and potential new laws and regulations relevant to privacy, cybersecurity and data protection could impact the general healthcare industry, including us. The impact of future laws and regulations on our business cannot yet be fully determined. We may incur substantial costs to comply with such laws and regulations, communicate with our customers and address their concerns in privacy, cybersecurity and data protection, and improve our information technology infrastructure. We may from time to time be required to rectify or further improve our internal measures regarding privacy, cybersecurity and data protection. Any failure or perceived failure by us or our medical institutions to comply with all applicable laws and regulations regarding privacy, cybersecurity and data protection, or any failure or perceived failure of physicians, other medical professionals or other staff practicing at our medical institutions to comply with relevant laws and regulations, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation among our existing and potential customers and subject us to damages, which could have an adverse effect on our business and results of operations.

We have taken measures to maintain the confidentiality of our customers’ personal and medical information. However, these measures may not always be effective, considering the increase of personal and medical information collected and maintained by us and the increasing level of expertise of hackers. There is a risk that such information could be compromised in the event of a security breach at our medical service network. Such information could be divulged due to, for example, theft or misuse arising from staff misconduct or negligence.

In addition, on December 28, 2021, the CAC and 12 other government authorities jointly issued the *Cybersecurity Review Measures (2021)* (《網絡安全審查辦法(2021)》)(the “CAC Measures”), which took effect on February 15, 2022. Although we are not obligated to apply for a cybersecurity review pursuant to the CAC Measures with respect to our proposed [REDACTED], regulatory authorities may initiate cybersecurity review if they determine that our TCM healthcare services or data processing activities have or could have influence on the national security. However, the CAC Measures provide no further explanation or interpretation for the criteria on determining the risks that “have or could have an influence on national security”. Furthermore, since the interpretation and implementation of these laws and regulations with respect to cybersecurity review keep evolving, therefore, we cannot assure you that there will not be any additional regulatory requirements regarding cybersecurity review relating to new laws and regulations.

We may not be able to adequately protect our intellectual property rights, which could harm our brand image and business.

We believe our patents, trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include our registered trademarks, patent, copyright and domain names. We are susceptible to third parties’ infringement of intellectual property rights. There can be no assurance that third parties will not copy or otherwise obtain and use our intellectual property rights without our prior authorization. Our efforts to enforce or defend our intellectual property rights may not be adequate or effective. We may have to initiate legal proceedings to defend our intellectual property rights against any infringement by third parties, which may be costly and time-consuming, requiring us to dedicate substantial resources and divert the attention and time of our management. Additionally, we

RISK FACTORS

may face the outcome of legal actions that are less favorable to us. Any failure to effectively protect our intellectual property rights may adversely affect our business, financial condition, results of operations and prospects.

Further, other parties may register trademarks with features similar to our registered trademarks under certain circumstances, which may confuse our potential customers and business partners. In such cases, the goodwill and value of our trademarks and the public perception of our brand image may be harmed. A negative perception of our brand image could cause an adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may force us to incur legal expenses and, if determined adversely against us, may materially disrupt our business.

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties during the course of our operations. Defense against any of these claims would be both costly and time-consuming and could divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to liabilities to third parties, require us to seek consent or licenses from third parties, pay ongoing fees or royalties, or subject us to injunctions prohibiting the provision of services. To the extent that such consents or licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative technologies or rebranding healthcare services provided by us, if any, or we may be forced to delay or suspend the relevant services. We may incur expenses and require attention of management in defending against these third-party infringement claims, regardless of their merit. Protracted litigation could also result in reduced patient visits. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, financial condition and results of operations could be materially and adversely affected.

If we cannot comply with the evolving requirements or interpretations of the PRC anti-corruption laws, regulations and rules, we and/or the staff, physicians, other medical professionals and administrators at our healthcare service network could be subject to investigations and administrative or criminal penalties, which may harm our reputation and materially and adversely affect our business, financial condition, results of operations.

We have established anti-corruption policies and procedures. However, we operate in the healthcare sector in the PRC, which poses elevated risks of violations of anti-corruption laws, rules and regulations, and the PRC government has continued its anti-bribery efforts to reduce improper payments and other benefits received by staff, physicians, other medical professionals, and administrators of healthcare providers in connection with the purchase of pharmaceuticals, medical equipment and medical consumables and the provision of healthcare services and products. There is no assurance that our policies and procedures will effectively prevent our non-compliance with the PRC anti-corruption laws, regulations and rules arising from actions taken by the individual staff, physicians, other medical professionals and administrators at our healthcare service network without our knowledge. If this occurs, we and/or the relevant staff, physicians, other medical professionals and administrators may be subject to investigations and administrative or criminal penalties, and our reputation could be harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

Failure to pay social insurance premium and housing provident funds for and on behalf of our employees in accordance with applicable laws and regulations of the PRC may subject us to penalties and have an adverse impact on our financial conditions and results of operations.

In accordance with the PRC Social Insurance Law (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Fund (《住房公積金管理條例》) and other relevant laws and regulations, China has established a social insurance and housing provident fund system. Social insurance includes basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance. An employer is required to make contributions to the statutory social insurance and housing fund for its employees in accordance with the rates provided under relevant regulations and withhold the contribution amounts to be paid by the employees themselves. According to the relevant PRC laws and regulations, if any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding amounts within a prescribed time period plus a late fee of 0.05% of the total outstanding amounts per day. If we fail to do so, we may be subject to a fine ranging between one to three times of the total outstanding amounts. In addition, if any of the relevant housing provident fund authorities is of the view that our contributions to the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding amounts within a prescribed period. If we fail to do so within the prescribed period, the relevant housing provident fund authority may apply to a PRC court for an order of mandatory payment. See “Regulatory Overview — Regulations Relating to Employment, Social Insurance and Housing Fund” for details.

During the Track Record Period, we did not fully comply with the rules and regulations in relation to social insurance and housing provident fund, which may subject us to aforementioned liabilities and/or penalties. See “Business — Employees.” We cannot assure you that the relevant government authorities will not impose new requirements on us according to laws, regulations or local policies published by the relevant government authorities in the future, such as ordering us to make supplemental social insurance and housing provident fund contributions, imposing late fees or fines on us or ordering us to take other measures, any of which may materially and adversely affect our business, financial condition and results of operations.

The proper functioning of our and our licensed medical institutions’ information technology infrastructure is essential to our business operations, and any technological failure, security breach or other disruptions may adversely impact our business.

Our computer network infrastructure and information technology systems, such as our proprietary cloud-based HIS, help us manage and monitor substantially all aspects of daily operations of our healthcare service network. We regularly maintain, upgrade and enhance the capabilities of our information technology systems to meet operational needs. Any failure associated with the information technology systems, including those caused by power disruption or loss, natural disasters, computer viruses, hackers, network failures or other unauthorized tampering, may cause interruptions in the ability of our TCM healthcare service network to provide healthcare services to customers, keep accurate records, and maintain proper business operations.

Additionally, if the information technology system relating to the billing and medical insurance reimbursements were to malfunction and result in the loss of related records, our medical institutions may not receive full payment under the national reimbursement programs, which could cause a material adverse impact on their business and results of operations. Any of the foregoing events may adversely affect our business, financial condition and results of operations.

RISK FACTORS

We may not be able to develop our existing information technology systems or recoup the investments we have made for such development, and failure to continue to innovate or adapt to industry changes may materially and adversely affect our business, financial condition, results of operations and prospects.

We rely on our existing information technology systems to provide healthcare services through both offline and online channels. Particularly, our proprietary cloud-based HIS is critical to the daily operations of our healthcare service network. Besides, we are subject to rapid changes and developments of the healthcare, internet and internet healthcare industries. These changes and developments may require us to continue to innovate, and failure to do so would have a material adverse effect on our business, financial condition and results of operations.

We may need to constantly upgrade our information technology systems to keep pace with our business development, which may require significant investments in time and resources, including adding new hardware, updating software and recruiting and training new engineering personnel. Failure to improve our information technology systems accordingly may materially affect our ability to support daily operations of our healthcare service network, and adopt new services, and could result in unanticipated system disruptions, slow response times and impaired quality of our customers’ experiences, which may, in turn, materially and adversely affect our business, financial condition, results of operation, prospects and reputation.

We invested during the Track Record Period and are expected to continually invest in upgrading our information technology systems. We are likely to recognize costs associated with these investments earlier than some of the anticipated benefits and the return on these investments may be lower, or may develop more slowly, than we expected. We may not be able to recover our capital expenditures or investments, in part or in full, or the recovery of these capital expenditures or investments may take longer than expected. As a result, the carrying value of the related assets may be subject to an impairment charge, which may materially and adversely affect our financial condition and results of operations.

Certain benefits and obligations are applicable to us under PRC tax laws, regulations and policies. Changes to such benefits or failure to fulfill such obligations may have an adverse effect on our financial condition and results of operations.

During the Track Record Period, certain of our subsidiaries were deemed as “small and micro enterprises” and subject to a preferential enterprise income tax rate ranging 5%. Their eligibility to receive such preferential tax treatment requires that they continue to be qualified as “small and micro enterprises,” and depends on the duration and extension of the relevant government policies.

Additionally, pursuant to applicable laws and regulations, we are subject to various taxes including enterprise income tax, value-added tax and withholding tax, and we are also required to withhold and remit individual income tax for our employees. Any failure to properly pay the relevant taxes or withhold and remit the requisite amount may subject us to fines or administrative penalties. Any change, suspension or discontinuation of the aforementioned preferential tax treatment and financial subsidies to us or failure to fulfill the obligations under the relevant tax laws and regulations could adversely affect our financial condition, results of operations and cash flows.

RISK FACTORS

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC could prevent our healthcare service network from effectively serving our customers and thus adversely affect our 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, such as swine flu, avian influenza, SARS, Ebola, Zika, COVID-19 or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in the PRC or elsewhere in the world could materially disrupt our business and operations.

These events could also significantly impact our industry and cause a temporary suspension or closure of the facilities 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 physicians, other medical professionals or other staffs were suspected of contracting an epidemic disease, since this could require us to quarantine some or all of these personnel or disinfect the facilities 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 PRC and global economy in general. Our operations could also be severely disrupted if our customers were affected by natural disasters, health epidemics or other outbreaks.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in the economic, political and legal conditions, as well as the interpretation and implementation of relevant laws, rules, regulations and governmental policies, may affect our business, prospects, results of operations, financial condition, and cash flow.

We conduct our business operations within the PRC. Accordingly, our business, financial condition, results of operations and prospects are influenced by economic, political and legal developments within the PRC. Laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade.

Our business and operations in the PRC are subject to PRC government standards, rules and regulations. Changes in the legal PRC landscape have the potential to significantly impact our operations and business environment. From time to time, changes in the standards, rules and regulations or the implementation thereof may require us to obtain additional approvals and licenses from the PRC authorities and enhance our existing measures to comply with evolving inspection and testing methodologies prescribed under the applicable standards for the conduct of our operations in the PRC. In such event, we may incur additional expenses in order to comply with such requirements. This will in turn affect our financial performance as our business costs will increase. If we experience delay in or are unable to obtain any required approvals or licenses or fail to comply with the applicable standards due to different inspection or testing methodologies adopted by different regulatory bodies or other reasons, our operations and business in the PRC, and hence our overall financial performance, will be adversely affected.

RISK FACTORS

Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.

During the Track Record Period, all of our revenue and expenditures were denominated in Renminbi, while the [REDACTED] from the [REDACTED] will be denominated in Hong Kong dollars. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any declared dividend. Additionally, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

We are subject to the currency exchange regulatory system.

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require approval from the State Administration of Foreign Exchange (“SAFE”), but are subject to certain procedural requirements and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. However, approval from or registration with competent government authorities 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.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to pay dividends to our Shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our business, prospects, results of operations, financial condition, and cash flow may be adversely affected.

Certain PRC regulations establish certain procedures for acquisitions, which may make it more difficult for us to pursue growth through acquisitions.

The Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the Standing Committee of the National People’s Congress on August 30, 2007, which was amended on June 24, 2022 and implemented on August 1, 2022, and the Rules of the State Council on Declaration Threshold for Concentration of Undertakings (《國務院關於經營者集中申報標準的規定》) promulgated by the State Council on August 3, 2008, and latest amended on January 22, 2024, require that where a concentration reaches certain thresholds, a declaration must be lodged in advance with the anti-monopoly law enforcement agency under the State Council, or otherwise the concentration shall not be implemented. Furthermore, under the relevant PRC laws and regulations, we are required to obtain or complete approval, registration, filing and/or other procedural requirements from the Ministry of Commerce, the National Development and Reform Commission, the SAFE and/or their local counterparts or designated banks, with respect to our overseas investments and acquisitions. Any failure to do so or any delay in such process may subject us to suspension of overseas investments or acquisitions, timely rectification, warnings, fines and other legal sanctions, which may adversely affect our business operation.

We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes from relevant authorities, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

RISK FACTORS

Our operations are subject to PRC tax laws and regulations.

We are subject to periodic examinations on the fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not identify previously unknown non-compliance issues, or other penalties or actions that could materially and adversely affect our business, prospects, results of operations, financial condition, and cash flow.

Holders of H Shares may be subject to PRC incomes taxes.

Non-PRC resident individual or non-PRC resident enterprise holders of H Shares, whose names appear on the register of members of H Shares of our Company, are subject to PRC income tax in accordance with the applicable tax laws and regulations, on dividends received from us and gains realized through the sale or transfer by other means of H Shares by such shareholders. According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Implementation Regulations for the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), both of which were implemented on January 1, 2019, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within the PRC or gains on transfer of shares and shall be withheld and paid by the withholding agent. Under applicable PRC tax laws, the dividends we pay to, and gains realized through the sale or transfer by other means of H shares by, non-PRC resident enterprise holders of H shares (“**non-resident enterprise holders**”) are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements. Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》)(the “**Double Taxation Arrangements**”) executed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends.

Considering the foregoing, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfer by other means of the H Shares.

While this may also apply to our jurisdictions, there might be difficulties in effecting service of legal process, enforcing foreign judgment against us or our directors and senior management in the PRC.

We are a joint stock company incorporated in the PRC. Currently, all of our directors, and senior management reside within the PRC, and a substantial portion of our and their assets are located within the PRC. Therefore, it may be difficult for investors to directly effect service or legal process upon us or our directors and senior management outside the PRC.

Only July 14, 2006, the Supreme People’s Court of the PRC and the government of Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》)(the “**Arrangement**”), which was taken into effect on August 1, 2008.

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Pursuant to the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People’s Court of the PRC and the government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》)(the “**New Arrangement**”), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the Chinese Mainland. On January 29, 2024, the New Arrangement was declared effective jointly by the Supreme People’s Court of the PRC and the government of Hong Kong, which has replaced the Arrangement. However, the New Arrangement does not apply to certain judgments of civil and commercial matters.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and an active trading market for our H Shares may not develop.

Prior to the completion of the [REDACTED], there has been no public market for our H Shares. We have applied to the Stock Exchange for the [REDACTED] of, and [REDACTED], our H Shares. Pursuant to the relevant PRC Law, all existing Shareholders (including the [REDACTED]) are subject to a lock-up period of twelve months following [REDACTED]. As a result, there can be no guarantee that an active and liquid trading market for our H Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our H Shares will be traded following completion of the [REDACTED]. The market price of our H Shares may drop below the [REDACTED] at any time after completion of the [REDACTED]. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the trading volume and price of our H Shares.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [REDACTED].

The trading volume and market price of our H Shares following this [REDACTED] may be volatile. The following factors may affect the trading volume and market price of our H Shares:

- general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world;
- changes in financial or earnings estimates or recommendations by securities analysts;
- regulatory developments affecting us, our customers or our competitors;
- investors’ perception of us and of the investment environment;
- actual or anticipated fluctuations in our revenue and results of operations;
- news regarding recruitment or departure of key personnel of us or our competitors;
- the history of, and the prospects for, us and the industry in which we compete;
- potential litigation or regulatory investigations;
- announcements of new investments, strategic alliances and/or acquisitions in our industry by us or our competitors; and

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- the valuation or operating and securities price performance of companies that are engaged in business activities similar to ours and that investors consider to be comparable to us.

Any such developments may result in large and sudden changes in the volume and trading price of our H Shares regardless of our operating performance. We can give no assurance that these developments will not occur in the future.

A number of PRC-based companies have experienced significant volatility subsequent to the listing of their securities in Hong Kong, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their [REDACTED] may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our H Shares. As a result, investors in our H Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects. It is possible that investors could lose all or a part of their investment in our H Shares.

Any possible conversion of our Domestic Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised), we will have [REDACTED] Domestic Shares, representing approximately [REDACTED]% of our total issued share capital. See “Share Capital” in this document.

Subject to the applicable laws and regulations, any or all of our [REDACTED] may be converted into Shares that is [REDACTED] or traded on the Stock Exchange or an overseas stock exchange. Any [REDACTED] or trading of the [REDACTED] on the Stock Exchange or an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the [REDACTED] and trading of the [REDACTED] on the Stock Exchange or an [REDACTED] exchange. However, the PRC Company Law provides that in relation to the [REDACTED] a company, the shares of that company which are issued prior to the [REDACTED] shall not be transferred within one year from the date of the [REDACTED]. Therefore, upon obtaining the requisite approval, shares currently held on our [REDACTED] register may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the [REDACTED], which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

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

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. The concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder may exercise its substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

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We cannot assure you that we will declare and distribute any amount of dividends in the future.

There can be no assurance that we will declare and pay dividends because the declaration, payment and amount of dividends are subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, our constitutional documents and applicable law. For more details on our dividend policy, see “Financial Information — Dividend” in this document.

Certain facts, forecast and other statistics in this document obtained from official government sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various official government resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information derived from official government sources have not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the Underwriters or any of their respective affiliates or advisers or any other party involved in the [REDACTED] (other than Frost & Sullivan) and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and prospective investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Hong Kong Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise.

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

Prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [REDACTED], there may have been or may be press and media coverage regarding us, our business, our industry and the [REDACTED]. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We do not have sufficient control over the press and media coverage, and analysts might issue negative views or recommendations on us, which could have an adverse effect on the market price of H Shares. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this document, we expressly disclaim responsibility for them. Accordingly, prospective investors should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to invest in our [REDACTED]. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this document, the [REDACTED], and any formal announcements made by us in Hong Kong in relation to our [REDACTED].