

RISK FACTORS

An [REDACTED] in our Shares involves significant risks. You should carefully consider the information set out in this Document, including the risks and uncertainties described below, before making an [REDACTED] in our Shares.

The following is a description of what we consider to be our material risks. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The [REDACTED] of our Shares could decline due to any of these risks, and you may lose all or part of your [REDACTED]. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements.” You should seek professional advice from your relevant advisors regarding your prospective [REDACTED] in the context of your particular circumstances.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

A decline in customer demand for, or spending on, biopharmaceutical R&D services could materially and adversely impact our business, financial condition, operating results, and future prospects.

The success of our business depends primarily on the number and size of service contracts with our customers, the majority of whom are pharmaceutical and biotechnology companies. In recent years, we have benefited from increasing demand for our services driven by the continued growth of the global pharmaceutical market, rising research and development budgets, and an increased propensity for outsourcing among our customers. There can be no assurance, however, that these industries will continue to expand at our expected rates. Any stagnation or reversal of these trends could have a significant adverse effect on the demand for our services. Furthermore, a decrease in investment within the pharmaceutical industries could lead to a corresponding decline in the demand for outsourced biopharmaceutical R&D services.

In addition to general industry trends, the demand for our services is subject to risks specific to our clients. See “— We depend on the retention and stability of our customers. Losing a significant portion of these customers could materially and adversely impact our business, market position, and financial condition” for more details. Their demand is further influenced by spending priorities, budgetary policies, compliance with applicable laws, and the necessity of developing new pharmaceutical products. This necessity is, in turn, dependent upon factors such as competitors’ initiatives and anticipated market, clinical, and reimbursement scenarios for specific products and therapeutic areas. Additionally, consolidation within our customers’ industries may impact their spending as they integrate acquired operations and consolidate R&D departments and budgets. Should our customers reduce their expenditures on our services due to any of these or other factors, our business, financial condition, results of operations, and prospects would be materially and adversely affected.

RISK FACTORS

If the market for our services or products fails to grow as we expect, or if our customers or potential customers fail to adopt our services, or if demand for clinical trial services in our key therapeutic areas declines, our business, financial condition, business operations, and operating results could be significantly and adversely affected.

Our business depends on continued demand for CRO clinical trial research and related services from pharmaceutical and biotechnology companies. In recent years, the CRO industry has benefited from increased research and development funding, greater outsourcing by biopharmaceutical companies and the growing complexity of clinical development and regulatory requirements. There can be no assurance that these industry trends will continue or that the market for CRO services will grow at the anticipated rate. Any market contraction or decline would materially and adversely affect our business, financial condition and results of operations.

Our customers’ decisions to engage our services are affected by factors beyond our control, including their financial condition, access to funding, research and development priorities, internal capabilities, clinical trial outcomes, regulatory developments and broader market conditions. If our customers reduce their research and development budgets, delay or terminate development programs, or choose to conduct research activities in-house or engage competing service providers, demand for our services may decline. There is no assurance that our current client retention rate will be sustained.

Our ability to attract and retain customers depends on our ability to deliver services that meet their quality, cost, compliance and timing requirements. We cannot guarantee that our services will continue to meet customers’ evolving needs or that customers will maintain or increase their level of engagement with us. If customers reduce the scope of their projects, delay new engagements or terminate existing contracts, our business, financial conditions, and operating results may be adversely affected.

Our clinical trial technical services are concentrated in oncology and autoimmune diseases, which accounted for 51.1%, 69.1%, 83.4%, 84.3% and 82.8% of our revenue from clinical trial technical services in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively. Our business therefore depends in part on the continued development of, and demand for, drugs in these therapeutic areas. The level of activity in oncology and autoimmune drug development is influenced by factors outside our control, including the availability of research funding, the outcomes of clinical trials, regulatory decisions affecting drug approvals in these areas, and shifts in the research and development priorities of pharmaceutical and biotechnology companies. A slowdown in the development of new drugs in oncology or autoimmune diseases, whether due to unfavorable clinical trial results, changes in regulatory requirements, reduced investment in these therapeutic areas, or other factors, could reduce the volume of clinical trial projects available to us and adversely affect our revenue and results of operations. Furthermore, our concentration in these therapeutic areas means that adverse developments specific to oncology or autoimmune drug development could have a disproportionate impact on our business compared to CRO service providers with a more diversified therapeutic area focus.

RISK FACTORS

Our R&D investments may reduce our short-term profitability and may not produce the anticipated results.

We make ongoing investments in R&D to enhance our service capabilities, operational efficiency and technological infrastructure, including the development and improvement of internal systems, digital platforms, data management tools, automation solutions and other technologies intended to support our CRO services. These investments require significant upfront expenditures in personnel, software development, infrastructure and related resources and may adversely affect our short-term profitability. During the Track Record Period, our research and development expenses amount to RMB27.8 million, RMB20.5 million, RMB18.7 million, RMB8.9 million and RMB9.4 million in 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, respectively.

There can be no assurance that our R&D initiatives will achieve their intended technical, operational or commercial objectives, or that the technologies or systems developed will be successfully deployed, adopted internally or accepted by clients. Certain R&D projects may be delayed, encounter technical challenges, require additional resources or be abandoned altogether due to changes in market conditions, regulatory requirements, technological developments or client demand.

If our R&D investments fail to deliver the anticipated benefits, or if we are unable to effectively control costs associated with such investments, our operating margins, financial condition and results of operations could be materially and adversely affected.

The application of AI in clinical trials for chemical drugs and biologics is subject to uncertainties, and we may not be able to successfully develop and deploy our AI capabilities as planned, which could adversely affect our business, financial condition, and competitiveness.

We are integrating AI technologies into our clinical trial technical services and FSP services. Our current AI applications include intelligent literature retrieval to support target research. This application is currently in the pilot stage and have not been deployed on a large scale across all projects. We also intend to use a portion of the [REDACTED] from the [REDACTED] to develop therapeutic area-specific LLMs and AI agent applications.

There is no assurance that our AI tools will achieve the expected stability, accuracy, or operational efficiency when scaled up beyond the current pilot scope, or that we will be able to complete the development and deployment of the therapeutic area-specific LLMs and AI agent applications. AI algorithms and models may produce inaccurate outputs, including flawed document generation, erroneous regulatory matching, or unreliable data analysis. In the context of clinical trials for chemical drugs and biologics, where regulatory requirements are stringent and data integrity is critical, any such inaccuracies could lead to trial delays, regulatory non-compliance, or compromised trial quality, and could expose us to reputational harm or potential liabilities.

Our AI capabilities rely in part on general-purpose computing infrastructure and foundational LLMs provided by third-party cloud service providers. Any disruption to such services, adverse changes in service terms, or technical failures on the part of these providers could impair our ability to operate our AI tools, and we may not be able to identify suitable alternative providers in a timely manner.

RISK FACTORS

The clinical CRO services market in China is undergoing rapid technological transformation. Competitors that adopt more advanced AI technologies or achieve broader deployment at a faster pace may gain competitive advantages over us. At the same time, if widespread AI adoption across the industry leads to significant efficiency improvements and cost reductions, we may face downward pressure on our service pricing, which could adversely affect our revenue and margins. In addition, the regulatory framework governing the use of AI in pharmaceutical research and clinical trials is continuously evolving in China and internationally. Future regulations may impose additional requirements on data security, algorithm transparency, or the validation of AI-generated clinical evidence. Compliance with such requirements may necessitate substantial additional investment and could delay the development and deployment of our planned AI capabilities.

We may face challenges in recruiting patients for our clinical trials.

Our clinical trials depend upon the continuous recruitment, treatment, and follow-up of patients. Identifying, screening, and enrolling participants is critical to our success; however, we may be unable to recruit a sufficient number of individuals with the required characteristics to complete our trials in a timely manner. Enrollment challenges may arise if competitors are conducting concurrent trials for similar products, leading eligible participants to enroll in competing studies instead. The timing of our clinical trials is contingent upon our ability to recruit participants, administer treatments, and complete necessary follow-up periods. Furthermore, we may encounter enrollment delays due to unforeseen regulatory, legal, and logistical requirements at specific trial sites, as well as prolonged regulatory reviews and contractual negotiations.

We face intense competition in the PRC and international markets. Our inability to compete effectively may result in downward pricing pressure, reduced demand for our services, and adverse impacts on our operating results and profitability.

We operate in a highly competitive CRO market. We compete across several dimensions, including price, service quality, the breadth and flexibility of our offerings, operational capacity, timeliness of delivery, adherence to regulatory standards, and the strength of customer relationships.

Our competitors includes:

- (i). large, established China headquartered CROs with substantial resources capable of managing numerous complex projects across the full drug development lifecycle;
- (ii). numerous small and medium-sized domestic CROs; and
- (iii). the in-house R&D departments of pharmaceutical and biotechnology companies.

We anticipate that the competitive landscape will intensify as new entrants join the market. For further detail, see “Industry Overview — Competitive Landscape in the Clinical CRO Market.”

RISK FACTORS

Many of our competitors may possess greater financial, technical, and other resources, more aggressive pricing strategies, larger sales and marketing organizations, longer operating histories, and stronger brand recognition. These competitors may enhance their service offerings, introduce more cost-effective solutions, or adapt more swiftly to new technologies, market trends, and evolving customer requirements than we can.

Increased competition may result in significant downward pricing pressure and reduced gross margin for our services. Our revenue and operating results depend materially on our ability to price our services appropriately in light of market conditions, service mix, regulatory requirements, cost structure, and customer demand. We employ various pricing models across service lines, geographies, and contract types. Shifts in market conditions, project complexity, or the regulatory environment may lead to necessary pricing adjustments, which may adversely affect our profit margins and competitive position.

There can be no assurance that we will be able to compete effectively against existing or future competitors, or that heightened competitive and pricing pressures will not have a material adverse effect on our business, financial condition, and results of operations.

The fees we earn from our service contracts may not be adequate to cover the relevant expenses.

Our revenue resulting from our services may not be sufficient to cover the relevant expenses. When determining the contract price, we consider numerous factors, including our market positioning, competitive pricing, project complexity, market trends, project timelines, estimated costs, and success likelihood. However, our assessments may be inaccurate, leading to underpriced contracts or material cost overruns. This would adversely affect our business, financial condition, and results of operations. During the Track Record Period, we recorded seven, nine, eight and seven loss-making projects in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively, and the aggregate contract value (excluding value-added tax) of such projects was RMB23.4 million, RMB28.1 million, RMB13.3 million and RMB13.2 million, respectively.

In addition, for many of our project-based contracts, we collect fees based on the completion of milestones, such as pre-determined steps, delivery and acceptance of the service results, or critical drug development points. See “Business — Our Fee Models.” If we fail to provide the services as stipulated in the contract, or we set inaccurate pricing, we will suffer substantial financial losses and therefore harm our business and reputation.

Furthermore, even when services are delivered as required, we are also subject to the risks of wrongful termination of contract, premature termination of contract, or delay of payment. Such contingencies arise from unfavorable research outcomes or broader material adverse shifts in market conditions, including public health crises, or other factors beyond our control. Any such occurrences could negatively impact the Company’s business, financial condition, results of operations, cash flows, and future prospects. Furthermore, the continuation of our services is often directly tied to the progress of our clients’ drug candidates. If a client’s development program is discontinued, fails to achieve a critical regulatory milestone, or otherwise does not proceed as planned, the related service contract may be terminated early. In such cases, we may be unable to recognize the full contract value, which could have a material adverse effect on our revenue and profitability.

RISK FACTORS

We depend on the retention and stability of our customers. Losing a significant portion of these customers could materially and adversely impact our business, market position, and financial condition.

Our clients are primarily innovative drug-focused pharmaceutical and biotechnology companies. Due to the increasing growth of the biopharmaceutical industry and higher budgets allocated to biopharmaceutical R&D, our client base and contract sizes have expanded over recent years. However, no assurance can be given that favorable industry trends will continue. A market slowdown or decline could cause us to lose a significant number of clients, which would materially and adversely affect our business, financial condition, and results of operations. See “— A decline in customer demand for, or spending on, biopharmaceutical R&D services could materially and adversely impact our business, financial condition, operating results, and future prospects” for more details.

In 2023, 2024 and 2025 and the six months ended June 30, 2026, revenues derived from our five largest customers in each year or period during the Track Record Period accounted for 59.9%, 56.0%, 59.2% and 54.3% of our total revenues, respectively. There can be no assurance that we will maintain our long-term relationships with our five largest customers in each year or period during the Track Record Period. Our service agreements generally have initial terms of one to five years, but customers typically retain the right to terminate an agreement or any related work order without cause upon 30 to 60 days’ written notice.

In addition to general market trends, client-specific circumstances could substantially impact our business and financial performance. Client demand for our services depends on many factors, including their financial condition, internal resource allocation, spending priorities, budget policies, manufacturing and compliance obligations, and new product development strategies. The development of new pharmaceutical products depends on numerous external factors, including competitor initiatives, clinical testing outcomes, anticipated market conditions, and evolving clinical landscapes. Any adverse development of these factors will influence the retention and stability of our customers.

Our customers may delay, terminate, or reduce the scope of their engagements for reasons beyond our control, including:

- (i). Decisions to discontinue or terminate a development program;
- (ii). Lack of available financing, budget limits, or uncertain priorities;
- (iii). Adverse regulatory actions or changes in regulatory requirements affecting us or our customers;
- (iv). Failure to meet applicable safety or efficacy criteria;
- (v). Adverse clinical data or failure to pass required customer audits;
- (vi). Decisions to shift work to competitors or to internal resources;
- (vii). The launch of a competing drug sufficiently similar to a customer’s product;
- (viii). Customer mergers or acquisitions that diminish the need for our services; and
- (ix). Force majeure events, such as natural disasters and pandemics.

RISK FACTORS

The above-mentioned terminations, delays, or alterations may occur in the normal course of business. The loss or delay of several significant contracts, or a substantial reduction in spending by one or more of our five largest customers in each year during the Track Record Period, could have a material adverse effect on our business, financial condition, and results of operations. For further details, see “Business — Our Customers.”

If we fail to innovate or adapt our services that meet customer expectations, our business, financial condition, business operations, and operating results could be significantly and adversely affected.

The CRO industry is characterized by rapid changes as well as new and disruptive technologies. Competitors might introduce innovative solutions or adopt disruptive technologies that could reshape customer behaviors and preferences. Such evolution may render our existing technology solutions obsolete, potentially diminishing our competitive edge. In 2023, 2024 and 2025 and the six months ended June 30, 2025 and 2026, our research and development expenses amounted to RMB27.8 million, RMB20.5 million, RMB18.7 million, RMB8.9 million and RMB9.4 million, respectively. We cannot assure you that such an investment is enough to adapt to the potential evolution. If we fail to adapt to these changes or invest in the necessary research and development to keep up with industry advancements, we may lose market share and face challenges in meeting customer expectations, which could materially and adversely affect our financial performance.

Our success also depends on our ability to anticipate and respond effectively to industry developments by innovating our technologies, enhancing our service offerings and delivering solutions that meet the evolving needs and expectations of our clients. This requires sustained investment in technology development, infrastructure, talent acquisition and training, as well as the effective integration of new processes and systems across our operations.

If we fail to adapt our services, technologies or operating model in a timely and cost-effective manner, our existing offerings may become less competitive, less efficient or less aligned with client demand. Clients may shift their business to competitors that are able to offer more advanced, integrated or cost-effective solutions, or may choose to develop certain capabilities in-house, which could reduce demand for our services and exert downward pressure on pricing and margins.

If we are unable to continuously innovate and adapt our technologies, services and products to meet changing industry conditions and customer expectations, our competitive position, client base and growth prospects may be materially and adversely affected, which could have a material adverse effect on our business, financial condition and results of operations.

If our expansion into new areas is not successful, our business, finance and operation may be significantly and adversely affected.

We intend to continue expanding our service offerings. In recent years, we have entered new service areas such as ophthalmology, central nervous system (CNS) and cell and gene therapy (CGT), and we continually evaluate potential sectors for future business opportunities. We are also actively expanding our overseas business and have established an overseas business team, and we have successfully initiated cooperation. To successfully develop and market new services, we must accurately assess and meet customer needs, commit significant capital expenditures, and optimize our service processes to predict and control costs.

RISK FACTORS

Furthermore, our success depends on our ability to hire, train, and retain qualified personnel, obtain necessary regulatory clearances or approvals, increase customer awareness and acceptance of our services, and ensure high-quality, timely service delivery. We must also price our services competitively, compete effectively with other CROs, and integrate customer feedback into our business planning and improvement processes. Our new service lines may have a limited operating history and may require us to build up specialized capabilities and resources, and there can be no assurance that these new service lines will achieve the level of market acceptance, scale or profitability that we expect, or at all.

Any failure to effectively develop new services or generate demand for them could have a material adverse effect on our business, results of operations, financial condition, cash flows, and prospects. Revenue contributions from new service lines may be limited and may fluctuate materially from period to period, due to, among others, the project-based nature of our business and the timing of project commencement and milestone-based revenue recognition. There can be no assurance that our new service lines will generate meaningful revenue or improve our overall profitability, and any failure to do so could adversely affect our business and prospects.

Errors in the collection, analysis, or storage of our research data could affect our procedures, resulting in longer clinical timelines and increased costs.

Our CRO services involve the collection, management, analysis and storage of large volumes of clinical research data generated from multiple sources, including clinical trial sites, investigators, laboratories, suppliers and internal systems. The accuracy, completeness and integrity of such data are critical to the successful execution of clinical trials, regulatory submissions and the delivery of services to our clients.

Due to the complexity of clinical trial protocols, the involvement of numerous stakeholders and the reliance on information technology systems and human judgment, errors may occur at various stages of the data lifecycle. If material data errors are identified, we may be required to conduct additional data review, verification or remediation activities, including repeat analyses, data reconciliation, system corrections or supplementary monitoring. These corrective actions may delay clinical trial timelines, increase operational costs and divert management and personnel resources. In certain circumstances, data integrity issues may also trigger regulatory inquiries, inspections or requests for clarification from competent authorities.

In addition, errors in data handling may affect our ability to meet contractual obligations or regulatory standards, potentially leading to disputes with clients, reduced confidence in our services or reputational harm, which could materially and adversely affect our service quality, project timelines, operating costs, business reputation, financial condition and results of operations.

We may be unable to fulfill our contractual obligations to our customers in the course of providing our services.

We face potential legal claims from our clients if we fail to meet our contractual obligations. Given the complex and time-sensitive nature of our services, any material errors in project management or the handling, preserving, processing and analysis of customer data could undermine the validity of research results and lead to inaccurate reporting.

RISK FACTORS

In such events, we may be required to reperform projects at our own expense and could be held liable for failing to meet the contractual service standards. Such failures would not only result in significant remediation costs and financial liability but could also cause reputational damage.

We may not be able to transfer increased cost to our customers, which could significantly and adversely impact our operating results.

Our revenue and operating results depend materially on our ability to price our services appropriately in light of market conditions, service mix, regulatory requirements, cost structure and customer demand.

The CRO industry is intensely competitive. Our business is subject to significant pressure from rapidly evolving customer procurement practices, budgetary constraints, and trial sponsor preferences, which may create downward pricing pressure and reduce demand for our services.

Changes in regulatory requirements may increase our compliance costs and operational complexity. If we are unable to pass on such increased costs to customers in a timely manner through pricing adjustments, our profitability may be adversely affected. Conversely, any attempt to increase prices to reflect higher compliance, technology or labor costs may not be accepted by customers and could result in loss of business or reduced market share.

Furthermore, our cost base is subject to fluctuations, including increases in personnel costs, third-party supplier fees, technology infrastructure expenses, insurance premiums and facility-related costs. Any mismatch between pricing adjustments and cost increases, or any delays in implementing revised pricing models, could materially and adversely affect our operating results, cash flows and financial condition.

Accordingly, any significant shift in market conditions, customer behavior, regulatory environment or our service and product offerings that necessitates changes to our pricing models could have a material adverse effect on our business, financial condition and results of operations.

We have experienced and may continue to experience customer and supplier concentration risks.

We have derived a significant portion of our revenue from a limited number of major customers. In 2023, 2024 and 2025 and the six months ended June 30, 2026, our five largest customers in each year or period during the Track Record Period accounted for approximately 59.9%, 56.0%, 59.2% and 54.3% of our total revenue, respectively. During the same years or periods, our largest customer accounted for approximately 21.6%, 16.2%, 19.1% and 17.6% of our total revenue, respectively. Our reliance on a limited number of major customers means that the loss of, or a significant reduction in business from, any of these customers could have a material adverse effect on our business, financial condition, and results of operations. There is no assurance that we will be able to maintain our relationships with these major customers or that the revenue generated from them will be sustained at current levels. Any failure to retain these customers or to secure new customers could result in a significant decline in our revenue and profitability.

RISK FACTORS

We have relied on a limited number of suppliers for certain services and materials. In 2023, 2024 and 2025 and the six months ended June 30, 2026, our largest supplier in each year or period during the Track Record Period accounted for approximately 11.2%, 9.2%, 10.4% and 7.6% of our total purchases, respectively. In 2023, 2024 and 2025 and the six months ended June 30, 2026, the aggregate purchase amount from our top five suppliers in each year or period during the Track Record Period was RMB38.3 million, RMB29.1 million, RMB20.2 million and RMB15.1 million, respectively, representing 28.6%, 25.4%, 18.3% and 20.5% of our total purchases, respectively. Our dependence on a small number of key suppliers exposes us to risks of supply disruption and pricing volatility. If our relationship with any of our major suppliers is terminated, or if they are unable to provide the required services or materials in a timely manner or on commercially reasonable terms, our operations could be disrupted. We may not be able to find alternative suppliers on a timely basis or on terms as favorable as our current arrangements. Any such disruption could adversely affect our ability to fulfill our contractual obligations to our customers, which could in turn damage our reputation and have a material adverse effect on our business, financial condition, and prospects.

Our services are complex and may contain unknown defects or errors, which may give rise to legal claims against us, harming our brand or reputation.

Our services involve complex and highly regulated activities across the clinical research lifecycle, including clinical development planning, initiation, management, monitoring, data management and analysis, reporting and filing assistance and related technology-enabled services. These services require the exercise of professional judgment, strict adherence to protocols, and applicable laws and regulations, and coordination among multiple stakeholders, including sponsors, investigators, clinical sites, suppliers and regulatory authorities. Due to their inherent complexity, our services may contain errors, omissions, defects or failures that are not immediately identifiable.

Errors or deficiencies may arise from a variety of factors, including human errors, system or technology failures, deficiencies in internal controls, reliance on third-party suppliers or clinical sites, changes in regulatory requirements, or deviations from trial protocols or applicable standards.

If our services fail to meet contractual requirements, regulatory standards or sponsor expectations, we may be subject to legal claims, contractual disputes, regulatory inquiries, administrative penalties, suspension or termination of projects, or demands for remediation, refunds or damages. For more details, see “— We may be involved in legal proceedings, arbitrations, mediations, and commercial disputes, which could materially and adversely affect our business, financial condition and outcome of operations.”.

Accordingly, the complexity of our services and the possibility of unknown defects or errors may expose us to legal claims and reputational damage, which could have a material adverse effect on our business, financial condition and results of operations.

Our business relies largely on the continuous contributions of our senior management, staff, and other key personnel. If we are unable to retain, attract, recruit and train such workforce, our business may be significantly and adversely affected.

Our Directors and senior management have been instrumental in achieving our growth during the Track Record Period. In particular, the industry experience, management expertise, and contributions of our Directors and senior management. Detailed information regarding

RISK FACTORS

these individuals is set forth in the section headed “Directors and Senior Management.” If we lose the services of any of our Directors or senior management, we may be unable to replace them with suitable and qualified candidates and may incur additional expenses to recruit and train new personnel, which could disrupt our business and growth.

Furthermore, as we expect to continue to expand our operations and develop new services and products, we must continue to attract and retain experienced management personnel. Competition for skilled and experienced management personnel is intense, and the availability of suitable and qualified candidates is limited. We may be unable to attract or retain the management personnel required to achieve our business objectives, and any failure or delay in doing so could materially and adversely impact our competitiveness, business, financial condition, and results of operations.

Our possible future acquisitions may not achieve the desired results, and we may be unable to effectively integrate them into our existing business.

The success of our acquisition strategy is subject to significant uncertainty and depends upon, among other factors, our ability to identify suitable targets, accurately assess their valuation, strengths, weaknesses, and potential liabilities, secure sufficient financial and operational resources, and negotiate favorable terms. In December 2025, we completed the acquisition of Guangdong Weilin.

In connection with international acquisitions, we may face challenges in overcoming differences in local regulations, business practices, languages, or customs. If we fail to successfully integrate or restructure recent or future acquisitions, our business, financial condition, and results of operations could be adversely affected. In addition, acquisitions involve inherent valuation risks, and our assessment of the fair value of acquisition targets is based on assumptions and estimates that may prove to be inaccurate. Even where an acquisition is completed, there is no assurance that we will be able to realize the anticipated benefits, synergies, cost savings, or operational efficiencies expected at the time of acquisition, whether due to integration difficulties, market changes, loss of key personnel, or other factors beyond our control. We may not realize the anticipated returns on these investments and could incur significant acquisition-related charges or experience dilution to our shareholders.

We plan to make selective acquisitions in the future. Specifically, we intend to allocate a portion of [REDACTED]% of the [REDACTED] from the [REDACTED], or approximately HK\$[REDACTED] million, to establish strategic cooperation or alliances with two to three mid-sized overseas therapeutic-focused CROs or biometrics CRO in North America, Europe, with a view to sharing customer resources and local networks. If our cooperation is satisfactory to us, we will consider acquiring minority or majority shareholding of them. Our criteria for selecting cooperation partners will include, among others, their regulatory compliance track record, therapeutic area expertise, operational execution capabilities, financial stability, client base quality and geographical coverage. Through such strategic partnerships investment or acquisition, we expect to expand our overseas customers base in the North American, European, South Korean and Southeast Asian markets. As of the Latest Practicable Date, we have not commenced the identification of any specific acquisition targets, nor have we entered into any definitive agreements. We may acquire minority or majority shareholding of our partners in future. As of the Latest Practicable Date, we had not identified any specific acquisition targets or entered into any definitive agreements or commitments, except as

RISK FACTORS

disclosed in “Waivers from Strict Compliance with the Listing Rules — Waiver in Respect of Acquisition after the Track Record Period”. For further information regarding our acquisition criteria and [REDACTED], see “Future Plans and [REDACTED].”

We rely on the stable supply services from our suppliers. Any major price increase or disruption in their services could adversely affect our operations.

We primarily procure CRO related services from our suppliers. In the event of significant price increases for these supplies, we may be required to pass such costs on to our customers. However, we cannot assure you that we will be able to increase our service pricing sufficiently to offset these higher costs. Consequently, any significant increase in supply cost, services, could have an adverse effect on our profitability. As we scale, our existing partners may be unable to meet our increased requirements, necessitating the engagement of additional suppliers. There can be no assurance that we will be able to secure suppliers who meet our specifications for quality and quantity, or that we will be able to negotiate acceptable pricing and service terms.

Generally, the master supply and service agreements related to CRO related services which we enter into with these parties have terms of one to three years. Certain of our supply arrangements are entered into on a project-by-project basis. Our ability to continue to receive such services may depend on, among other things, the suppliers’ availability, performance and willingness to continue to work with us on commercially acceptable terms. Our suppliers may reduce or terminate their services to us at any time pursuant to the terms of the relevant agreements or upon expiry or non-renewal of such agreements. Furthermore, we cannot assure you that our suppliers have obtained, or will be able to renew, all licenses, permits, and approvals necessary for their operations, or that they will remain in compliance with all applicable laws and regulations. Any failure by these parties to maintain such compliance could lead to interruptions in their business operations, resulting in a shortage of products or services supplied to us. Any such interruption could delay our production processes and adversely affect our operations and financial position. There can be no assurance that these measures will be sufficient to ensure that our suppliers will consistently meet our standards or comply with applicable requirements.

Illegal conduct, misconduct, or any failure by our suppliers to provide satisfactory products or services could materially and adversely impact our business, reputation, financial condition, and results of operations, for which we may not be able to claim adequate compensation.

Our reputation and operations may be harmed by illegal actions or unsatisfactory performance by suppliers that are outside of our control. We cannot assure that our customers and suppliers will continue to comply with applicable laws and regulations, and we may be subject to claims arising from their non-compliance.

The failure of our hospital partners to conduct clinical trials in accordance with their contractual commitments could delay our scheduled trials. Furthermore, the failure of our suppliers to ensure the high quality of their goods and services could interrupt our operations; either occurrence could result in claims against us. In the event that we become subject to claims caused by actions taken by our hospital partners, suppliers, we may attempt to seek compensation from the relevant parties. However, such compensation may be limited. If no

RISK FACTORS

claim can be asserted against a supplier, or if the amounts we claim cannot be fully recovered, we may be required to bear such losses and compensation at our own cost. This could have a material adverse effect on our business, financial condition, and results of operations.

We may be unable to consistently uphold the same quality control across our services.

The quality of our service might not always align with our customers' standards and evolving needs. We cannot guarantee that we will always pass all customer audits and inspections. If customers determine that our services do not meet their expected results, they may reallocate their budgets to our competitors and reduce or terminate their business with us. Accordingly, historical engagement and spending patterns are not indicative of future commitments; there can be no assurance that existing customers will maintain their current expenditure levels or continue to utilize the Company's services in future periods. Furthermore, the failure of being unable to recover lost revenue from departing customers with revenue from new clients will adversely harm our business and financial conditions.

If we fail to effectively implement our strategies, including global market expansion, our business, revenue, and operating results could be materially and adversely impacted.

As we continue to diversify our service offerings and enhance our global presence, we will need to continuously enhance and upgrade our services and technology, optimize our branding, sales and marketing efforts, and expand, train, and manage our employees. All of these efforts will require significant managerial, financial, and human resources. We cannot assure you that we will be able to effectively manage our growth, that our current technology, infrastructure, and operational capabilities will be adequate to support our expanding operations, or that our strategies and new business initiatives will be executed successfully. If we are unable to manage our growth or execute our strategies effectively, our expansion may be unsuccessful, and our business, financial condition, and results of operations may be materially and adversely affected.

Upgrading our information systems and enhancing the technology platforms for our services involves risks that could affect our business.

Continued efficient operation of our business requires that we implement standardized global business processes and evolve our information systems to enable this implementation. In particular, certain of our key systems, such as CTMS, are primarily self-developed, while certain supporting services used by such systems, including, among others, cloud services, office productivity and collaboration tools, are procured from third-party suppliers. We continue to undertake significant programs to optimize business processes with respect to our services. Such initiatives may involve, among other things, system upgrades, integration, data migration and user adoption, and may require significant management attention and financial resources. Our inability to effectively manage such implementation and adapt to new processes designed into these new or upgraded systems in a timely and cost-effective manner may result in disruption to our business and negatively affect our business, financial condition, and results of operations.

We have entered into agreements with certain suppliers to provide cloud services and other third-party services that support the operation of our IT platforms for programs to optimize our business processes. If such suppliers fail to perform as required, if such third-party services are interrupted or otherwise become unavailable, or if there are substantial

RISK FACTORS

delays in developing, implementing, or updating such IT platforms, the delivery of our services to our customers may be negatively impaired, and we may have to make substantial further investments, internally or with third parties, to achieve our objectives.

We have experienced certain incidents and failures affecting our internally-used information systems, which were generally resolved within a few hours. Similar incidents may occur in the future, depending on their frequency, duration and severity, and could adversely affect our business, financial condition and results of operations.

Our operations are dependent on a number of factors that may not materialize as we anticipate, including obtaining adequate technology-enabled services, creating IT-enabled services that our customers will find desirable, and implementing our business model with respect to these services. In addition, our IT platforms and the data processed or stored in our systems are subject to risks of cybersecurity incidents, unauthorized access, malware, dDoS attacks, data loss or corruption, and other security breaches or integrity issues, including those relating to database operations and third-party network and cloud services. Any IT-related failure or increased IT expenditures may negatively impact our business, financial condition, and results of operations.

We have adopted certain policies and procedures designed to manage our information technology operations and data security risks, including measures relating to access management, system monitoring and backups, incident response and change management. However, there can be no assurance that these policies and procedures will be effective in preventing or mitigating all IT-related failures, security incidents or human errors, or that they will enable us to fully recover from any material outages or data loss in a timely manner.

Our insurance coverage may not fully protect the company against all risks or losses related to our business and operations.

We maintain a range of insurance policies consistent with industry practice, including professional liability insurance against claims of negligence arising from our business operations, and medical insurance for our employees. We do not, however, maintain key-man life insurance for any members of our senior management, nor do we carry business interruption insurance.

There can be no assurance that our insurance will be adequate to cover all potential claims, including those related to product liability, damage to our assets, and equipment, or employee injuries. Any liability or damage exceeding our insurance limits could result in substantial costs and a significant diversion of resources, which may adversely affect our financial condition.

We rely on information technology and other infrastructure that are potentially vulnerable to security risks, including cybersecurity dangers, which could lead to the disruption of business stability, client access, and platform availability.

We rely on a variety of information technology and automated operating systems to manage and support our operations, including the protection of our customers’ intellectual property. The proper functioning of these systems is critical to our daily business management. These systems may require periodic modifications or upgrades to accommodate technological advancements or the growth of our business; such transitions may be costly, disruptive to our operations, and impose substantial demands on management’s time. Furthermore, our systems,

RISK FACTORS

and those of our third-party providers, are vulnerable to damage or disruption from circumstances beyond our control, including catastrophic events, power outages, natural disasters, network failures, computer viruses, malware, physical or electronic break-ins, unauthorized access, cyber-attacks, and theft. We cannot assure you that the measures we have implemented to secure our systems and electronic information will be adequate. Any significant system disruption could result in the unauthorized disclosure of confidential information and materially and adversely affect our business and operating results.

Events like force majeure, natural disasters, acts of war or terrorism, contagious disease outbreaks, epidemics, or similar occurrences, could materially and adversely impact our business, financial condition, and operating outcomes.

Our business, financial condition, and results of operations may be materially and adversely affected by future force majeure events, natural disasters, acts of war, or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome (SARS), H1N1 influenza, or the Ebola virus. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict business activities in affected areas, which may, in turn, materially and adversely affect our business.

Certain countries and regions in which we operate have historically experienced natural disasters, such as earthquakes, floods, and droughts. The future occurrence of severe natural disasters in any of these jurisdictions may materially and adversely affect the local economy and our business. We cannot assure you that future natural disasters, outbreaks of contagious diseases, or the responsive measures implemented by governmental authorities in China, the U.S., and the U.K., or other countries, will not seriously disrupt our operations or those of our customers.

In addition, geopolitical tensions, armed conflicts, trade restrictions or sanctions may also disrupt cross-border operations, supply chains and collaborations with international clients, suppliers or partners, and may increase costs or limit our ability to perform certain services. In addition, government-imposed measures in response to emergencies, such as lockdowns, travel restrictions, quarantine requirements or workplace safety mandates, may constrain workforce availability, reduce operational efficiency or increase compliance and operating costs. Any such disruptions may materially and adversely affect our business, financial condition, and results of operations.

RISKS RELATED TO OUR FINANCIAL PERFORMANCE

We recorded a net operating cash outflow during the Track Record Period, and we may continue to experience net operating cash outflows in the future.

We recorded net cash outflow for the six months ended June 30, 2025 of RMB7.8 million used in operating activities. The net cash outflow for the six months ended June 30, 2025 was primarily attributable to the seasonality of the settlement patterns of the clients. As many clients complete internal payment approval and settlement processes toward year-end, trade receivable collections are back-loaded, resulting in lower cash inflows in the first half of the year. According to the Frost & Sullivan, this settlement patterns is consistent with industry norms where budget cycles and procurement settlements are concentrated in the year-end period.

RISK FACTORS

During the Track Record Period, we recorded net cash generated from operating activities of RMB55.4 million, RMB1.8 million, RMB11.6 million and RMB46.6 million in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. The fluctuations in our net cash generated from/(used in) operating activities during the Track Record Period, including the decrease in net cash generated from operating activities from RMB55.4 million in 2023 to RMB1.8 million in 2024, net cash used in operating activities of RMB7.8 million for the six months ended June 30, 2025, net cash generated from operating activities of RMB11.6 million in 2025 and RMB46.6 million for the six months ended June 30, 2026, demonstrate the volatility of our operating cash flows. For further details, see “Financial Information — Liquidity and Capital Resources — Cash Flows”.

Our ability to generate positive net operating cash flow is subject to a number of factors, including the pace of growth of our business, the timing of payments from our customers, our ability to manage our operating expenses, and movements in working capital items. There is no assurance that we will be able to maintain positive net operating cash flow in the future. If we are unable to generate sufficient cash from our operating activities, we may be required to seek additional financing to fund our operations. There can be no assurance that such financing will be available on terms acceptable to us, or at all. Any failure to obtain adequate financing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our trade and bills receivables exhibited a general upward trend during the Track Record Period, and any delay or default in payment by our customers could adversely affect our liquidity, cash flows, results of operations and financial condition.

Our trade and bills receivables exhibited a general upward trend during the Track Record Period. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our trade and bills receivables amounted to RMB50.0 million, RMB85.7 million, RMB87.7 million and RMB70.9 million, respectively. In 2023, 2024 and 2025 and the six months ended June 30, 2026, we recognized impairment losses in respect of trade receivables of RMB38 thousand, RMB0.3 million, RMB1.5 million and RMB1.6 million, respectively. The increase in trade and bills receivable from 2023 to 2025 was primarily due to the prolonged payment cycles of certain clients. The decrease of trade and bills receivables in the six months ended June 30, 2026 was due to collection from certain of our customers. As our business continues to grow, our trade receivables may continue to increase. There can be no assurance that we will be able to collect all of our trade receivables in a timely manner, or at all. A significant portion of our trade receivables are due from a limited number of customers, and the loss of, or a significant reduction in, payments from any of these customers could have a material adverse effect on our financial condition. In addition, our customers may experience financial difficulties that could affect their ability to pay our invoices. If we are unable to collect our trade and bills receivables in a timely manner, our business, financial condition, and results of operations could be materially and adversely affected.

Any discontinuation, reduction or delay of any preferential tax treatments or government grants that may be available to us in the future could materially and adversely affect our business, results of operations, financial condition, and prospects.

We have historically benefited from various preferential government policies and support measures, including government grants, preferential tax treatments, and other incentives, provided by governmental authorities in support of our business operations and development.

Certain such preferential government policies and support measures are subject to applicable eligibility criteria, conditions and the discretion of the relevant governmental authorities, and may be non-recurring in nature. Such conditions include maintaining enterprise

RISK FACTORS

registration and operation in certain areas for a certain period. As of the Latest Practicable Date, we may fail to fully satisfy certain conditions attached to government grants previously received by us. As a result, we may be required to repay all or part of such conditional government grants to governmental authorities and may be subject to the revocation of any preferential policies or incentives. As of June 30, 2026, we recognized an amount of RMB14.4 million under accruals and other payables in respect of our repayment obligations relating to such conditional government grants. See “Financial Information — Accruals and Other Payables” for further details.

Any discontinuation, reduction, delay, revocation or adverse change in the preferential tax treatments, government grants or other benefits that may be available to us could materially and adversely affect our financial performance and results of operations. There can be no assurance that changes in our business strategies, operational arrangements or other circumstances will not result in our inability to comply with the applicable conditions in the future, or that the relevant governmental authorities will not exercise their rights to reclaim such grants, revoke preferential policies or incentives, or impose other liabilities on us. If we are required to repay a material amount of government grants, incur additional tax liabilities or other liabilities, or cease to benefit from preferential policies or incentives in the future, our cash flow, liquidity, financial condition, results of operations and prospects could be materially and adversely affected.

We may be unable to perform our contracts with customers and fulfill our obligations in respect of contract liabilities, which could have a material adverse effect on our business and reputation.

Our contracts with customers typically require us to provide a range of services over a specified period of time. Our ability to perform our obligations under these contracts is subject to a number of factors, including our ability to attract and retain qualified personnel, our ability to maintain our technology infrastructure, and our ability to comply with applicable laws and regulations. If we are unable to perform our obligations under our contracts with customers, we may be subject to claims for damages, termination of our contracts, and reputational harm.

In addition, we have recorded contract liabilities on our statement of financial position, which represent our obligation to provide services to our customers for which we have received consideration (or an amount of consideration is due) from our customers. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our contract liabilities amounted to RMB97.0 million, RMB93.0 million, RMB62.0 million and RMB62.9 million, respectively. If we are unable to fulfill our obligations in respect of our contract liabilities, we may be required to refund the payments we have received from our customers, which could have a material adverse effect on our financial condition.

Our past performance may not predict future growth, and we may be unable to maintain similar growth going forward.

As of June 30, 2026, our contracted future revenue was RMB578.3 million, representing the estimated value of services yet to be completed or performed under signed contracts. This figure is based on the assumption that such contracts will be fulfilled according to their terms without early termination. However, because these contracts may be terminated by a customer at any time, any modification, termination, or suspension, particularly regarding one or more sizeable contracts, could have a substantial and immediate effect on our contracted future revenue.

RISK FACTORS

The timing of our revenue recognition is contingent upon the delivery of services pursuant to the terms of our customer contracts and work orders. Consequently, the amount and timing of this revenue may be adversely affected by project delays resulting from: schedule disruptions, government policies beyond our control, and natural disasters or other unanticipated catastrophic events, including the COVID-19 outbreak.

Our contracted future revenue represents only an estimate of the remaining consideration we are entitled to receive, and we cannot guarantee the accuracy of this estimate. The actual revenue generated will depend on multiple factors, including contract modifications and terminations. Accordingly, investors should not rely on contracted future revenue as a definitive indicator of our future performance.

Furthermore, because there is no standardized accounting practice for calculating contracted future revenue, estimation methodologies may vary significantly across the industry. We therefore advise caution when comparing our contracted future revenue with that of our competitors, as such figures may not be directly comparable.

Our financial performance may be undermined from our limited forecast ability of future revenues and results of operations due to the evolving nature of our industries, changing market dynamics, and regulatory uncertainties.

A substantial portion of our revenue is derived from project-based service contracts, many of which are subject to changes in scope, timing, pricing, regulatory requirements or early termination at the discretion of our clients. As a result, the timing and amount of revenue recognized may vary significantly from period to period. Decisions by pharmaceutical and biotechnology companies regarding the initiation, continuation or termination of clinical trials are influenced by factors largely beyond our control, such as clinical trial results, regulatory feedback, capital market conditions and strategic priorities. These factors may lead to delays, suspensions or cancellations of projects, which could adversely affect our revenue visibility and utilization rates.

In addition, our operations are subject to regulatory uncertainties, including changes in laws, regulations, guidance and enforcement practices relating to clinical research, data protection, foreign investment, pricing, labor and other areas. Regulatory developments or differing interpretations by competent authorities may affect client demand, project timelines, cost structures or the scope of services we are permitted or required to provide, further complicating our ability to forecast operating results.

Macroeconomic conditions, geopolitical developments and public health events may also affect our clients' research and development spending and investment decisions, thereby increasing volatility in demand for our services. As a result of these factors, our actual revenues and results of operations may differ materially from management expectations or market estimates.

Our insurance coverage is limited, and any claims exceeding such coverage could impose a significant financial burden on us.

We maintain professional liability insurance against claims of negligence arising from our business operations, as well as medical insurance for our personnel. However, we do not maintain business interruption insurance or key-man life insurance for any members of our senior management.

RISK FACTORS

There can be no assurance that our insurance coverage will be sufficient to satisfy all potential claims for product liability, employee injuries, or damage to our assets, plant, and equipment. Any liability or damage involving our assets or personnel that exceeds our insurance limits may result in substantial costs and a significant diversion of resources.

RISKS RELATED TO LEGAL AND COMPLIANCE

Managing medical and other data of the patients and healthy volunteers enrolled in our clinical trials, exposes us to the risk of noncompliance with data protection and regulations.

As a CRO, we process data, including personal information of clinical trial participants, subject health information, research data, and proprietary information of our clients, in accordance with trial sponsors’ instructions. In addition, we also process the personal information of researchers, clinical research coordinators, collaborator contacts and candidates of our FSP business. In many cases, such data are first collected by research institutions after they have informed trial participants and obtained their consent, and are then de-identified before being provided to us and made available to sponsors in accordance with the trial protocol and the sponsors’ instructions. Because our relationship with trial sponsors in clinical trials may be viewed as an entrusted processing arrangement, any use of clinical trial data for our own purposes could be deemed to exceed the sponsors’ instructions and could require us to obtain sponsor authorization and to satisfy additional obligations applicable to a personal information handler, including, where required, obtaining separate consents for the processing of sensitive personal information. We also rely on third-party service providers and collaborators in connection with clinical trials, including statistical service providers, site management organizations, laboratories and information systems providers, and we may be exposed to regulatory and contractual risks if such parties are engaged without the necessary authorizations or fail to comply with applicable requirements. We cannot assure you that our measures are effective in ensuring our compliance with the relevant laws and regulations or that we are able to prevent the enrolled subjects’ private or medical records being divulged without their consent. Our information technology systems could be hacked, and personal information could leak due to theft or misuse of personal information arising from misconduct or negligence. In addition, our clinical trials frequently also involve professionals from third party institutions working on-site with our staff and enrolled subjects. We cannot ensure that such persons will always comply with our data privacy measures. Furthermore, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Any failure to protect the confidentiality of subjects’ medical records and personal data, or any restriction on or liability as a result of our use of medical data, could have a material adverse effect on our business, financial condition and results of operations.

The practice of our services is subject to regulatory oversight. If we fail to provide compliant and eligible services that meet regulatory requirements, our business and operating results could be significantly and adversely affected.

The provision of our services is subject to extensive and evolving regulatory oversight across the jurisdictions in which we operate. Our operations span multiple stages of biopharmaceutical research and development and involve activities that are regulated by various governmental and regulatory authorities, including those overseeing clinical trials, data integrity, subject safety, pharmacovigilance, data protection, import and export of clinical materials and professional qualifications. Compliance with these regulatory requirements requires us to maintain effective internal controls, quality management systems, ethical regulations, trained personnel and robust information systems. Regulatory requirements may differ across jurisdictions and may change over time, sometimes with limited advance notice. As we continue to expand our international operations and provide services across multiple countries and regions, the complexity, cost and risk of compliance increase significantly.

RISK FACTORS

Failure, or allegations of failure, to comply with applicable laws, regulations, or regulatory requirements could subject us to significant penalties. These may include investigations, warning letters, fines, operational restrictions, the suspension or termination of studies, the loss of required licenses or certifications, or disqualification from future clinical trials. In some cases, authorities may mandate costly remedial programs, impose broad operational restrictions, or prohibit us from conducting certain regulated activities altogether.

In addition, our clients rely on us to provide compliant and eligible services that meet regulatory standards. Any material non-compliance by us or by third parties engaged by us, such as clinical sites or suppliers, may result in delays, rejection or invalidation of clinical trial data or regulatory submissions, which could expose us to contractual disputes, claims for damages or termination of service agreements.

Therefore, any failure to provide compliant and eligible services that meet applicable regulatory requirements could materially and adversely affect our business, financial condition, results of operations and future prospects.

Our past Third Party Payment Arrangements may expose us to regulatory risk under PRC foreign exchange administration regulations.

During the Track Record Period, we received certain payments through third parties primarily where the payor and the customer are affiliates, arising from cross-border remittance difficulties encountered by the relevant customer due to banking and foreign exchange constraints between the relevant jurisdictions (the “Third Party Payment Arrangements”). Our PRC Legal Advisors are of the view that such arrangements constitute a violation of the foreign exchange administration regulations of the PRC, specifically Article 40 of the Foreign Exchange Administration Regulations, which prohibits illegal arbitrage. The foreign exchange control authorities may order the repatriation of the illegally arbitrated funds and impose a fine of up to 30% of the transaction value for non-serious violations, or a fine ranging from 30% to the full equivalent amount where the case is serious. There is no assurance as to the level of any penalties that the relevant authorities may impose. We cannot guarantee that the relevant authorities will not initiate investigations or impose penalties in the future in respect of the historical arrangements, which could adversely affect our reputation, financial condition, and results of operations. See “Business – Environmental, Social And Governance Matters — Third Party Payment.”

We may be involved in legal proceedings, arbitrations, mediations, and commercial disputes, which could materially and adversely affect our business, financial condition and outcome of operations.

We are and may in the future be subject to contractual disputes, legal proceedings, and regulatory enforcement actions arising in the ordinary course of business. Any such action could result in substantial costs, lengthy settlements, judgments, or fines, and could divert significant management attention and resources.

Legal proceedings that initially appear immaterial may escalate, becoming material due to adverse factual developments, increased monetary exposure, changes in applicable law, or the involvement of governmental authorities. Furthermore, adverse outcomes could trigger additional regulatory enforcement actions.

RISK FACTORS

We maintain insurance against certain claims; however, this coverage may not apply to all claims brought against us, may be insufficient to cover all associated costs, or may not remain available on commercially reasonable terms. Our risk is heightened if a claim falls outside the scope of customer indemnification, if a customer fails to honor its indemnity obligations, or if potential liability exceeds applicable indemnification or insurance limits. Any significant uninsured or underinsured claim could have a material adverse effect on our business, financial condition, and results of operations.

Not all of our employees are bound by non-compete agreements; the confidentiality agreements with employees and third parties may not fully prevent the disclosure of trade secrets or other proprietary information.

We may not be able to prevent our employees, consultants, or other third parties from unauthorized disclosure of our confidential information. While we typically require these parties to sign confidentiality and non-compete agreements, we cannot assure you that all such parties have signed these agreements, or that these agreements will not be breached.

We require our employees, consultants, and certain third parties to enter into confidentiality or non-disclosure agreements. However, these contractual protections may not fully prevent the unauthorized use or disclosure of confidential information or trade secrets, whether as a result of intentional misconduct, inadvertent disclosure, cyber incidents, or disputes regarding ownership or the scope of protected information. In addition, monitoring and enforcing compliance with confidentiality obligations can be difficult, time-consuming, and costly, particularly in cross-border contexts or after an employee or contractor has departed our organization.

Given the nature, we also regularly access sensitive client data, clinical trial information, and intellectual property owned by our customers. Any unauthorized disclosure, misuse, or loss of such information could expose us to contractual claims, regulatory investigations, fines or penalties, and reputational harm. Such incidents could also lead to the loss of existing or prospective clients and negatively affect our ability to compete for new projects.

If we are unable to effectively protect our trade secrets and confidential information through contractual, technical, and operational safeguards, or if former employees or third parties exploit such information in competition with us or disclose it to competitors, our competitive advantages may be diminished. Any of the foregoing could materially and adversely affect our business, financial condition, and results of operations.

Our failure to make sufficient contributions to employee benefit plans as mandated by PRC regulations may lead to penalties, which could adversely affect our business, financial condition and reputation.

Our operations in China are subject to extensive labor and social security laws and regulations, including requirements under the PRC Labor Contract Law, the Social Insurance Law, and the regulations governing housing provident fund contributions.

During the Track Record Period, we failed to make full social insurance and housing provident fund contributions for certain of our employees in the PRC. The non-compliance was primarily because certain employees were unwilling to pay the social insurance and housing provident funds in full as it requires additional contributions from our employees. As a result, we may be required by competent authorities to pay the outstanding contributions and may be

RISK FACTORS

subject to late payment fees and penalties. In 2023, 2024 and 2025 and the six months ended June 30, 2026, the aggregate shortfall amount of social insurance contributions to our employees was RMB4.4 million, RMB5.7 million, RMB7.8 million and RMB4.3 million, respectively, and the aggregate shortfall amount of housing provident fund contributions was RMB1.6 million, RMB2.1 million, RMB2.8 million and RMB1.9 million, respectively. The maximum aggregate potential late fees for which we may be liable in connection with the inadequate contributions to social insurance were approximately RMB0.3 million, RMB0.4 million, RMB0.5 million and RMB0.1 million in 2023, 2024 and 2025 and the six months ended June 30, 2026, respectively. In addition, during the Track Record Period, we engaged third-party human resources agencies to make social insurance and housing provident fund contributions for a portion of our employees, primarily because they prefer their social insurance and housing provident funds to be paid at their respective places of residence for the convenience of utilizing such benefits locally. This practice does not constitute compliance with applicable PRC laws and regulations, as such contributions are required to be made directly by the employing entity. If this arrangement is challenged by the relevant authorities, we may be deemed to have failed to discharge our statutory obligations and may be required to make supplementary contributions in respect of the relevant employees. For further details on our non-compliance, the potential financial impact, and the rectification measures we have implemented, please see the section headed “Business-Employees-Social Insurance and Housing Provident Funds Contribution” in this document. We cannot assure you that the relevant government authorities will not require us to pay the outstanding contributions or impose late payment fees or other penalties on us, which could materially and adversely affect our business, financial condition, and results of operations.

We may be subject to risks relating to our failure to complete lease registration for our leased properties.

As of the Latest Practicable Date, we leased four properties as business registration addresses. Pursuant to the applicable PRC laws and regulations, property lease agreements should be registered and filed with the relevant local housing or urban-rural development authorities in the PRC. As of the Latest Practicable Date, lease registration was not completed with the relevant authorities for two of our lease agreements of properties which were in use as offices and research. Failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements, but the relevant government authorities may order us to complete the lease registration for such lease agreements within a prescribed period, failing which we may be subject to a fine from RMB1,000 to RMB10,000 for each non-registered lease. We cannot assure you that we will be able to complete the lease registration on a timely basis or at all in such cases, and we may be subject to penalties arising from the failure to complete the lease registration filing of lease agreements and any disputes arising from our leased properties in the future. During the Track Record Period and as of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities. See “Business — Our Offices and Properties — Leased Properties” for further details.

RISK FACTORS

Failure to obtain or renew the necessary regulatory approvals, licenses, permits, or certificates for our business could materially and adversely impact our business, financial condition, operating results, and future prospects.

We are required to obtain and maintain numerous approvals, licenses, assurances, accreditations, permits, registrations, and certificates from various regulatory authorities to operate our business. Any failure by us or our business partners to obtain the necessary authorizations, or to comply with their terms and conditions, may result in enforcement actions. Such actions could include the suspension or termination of our licenses and permits, regulatory orders to cease operations, fines, or other penalties, as well as requirements for corrective capital expenditures or remedial actions. The imposition of any such enforcement action could materially and adversely disrupt our business operations.

Furthermore, many of these approvals and licenses are subject to periodic renewal, and the standards for such renewals may change over time. There can be no assurance that we will successfully procure these renewals. Any failure to obtain necessary renewals or to maintain our standing could severely disrupt our operations and prevent us from continuing our business, which could have a material adverse effect on our business, financial condition, and results of operations.

In addition, if the interpretation or implementation of existing laws changes, or if new regulations mandate additional approvals, permits, or licenses that were not previously required for our current or planned facilities and operations, we cannot assure you that we will be able to obtain them. Our failure to secure these additional authorizations may restrict our ability to conduct our business, which, in turn, could have a material adverse effect on our business, financial condition, and results of operations.

Collection of medical and other data of patients and volunteers in our clinical trials exposes us to potential non-compliance with data protection laws and regulations.

During clinical trials, we are entrusted by the trial sponsors to routinely collect and maintain medical data, treatment records, and other personal information from enrolled patients and healthy volunteers. We are subject to the privacy laws and regulations of the various jurisdictions where we conduct these trials. We cannot assure you that these measures will effectively ensure compliance or prevent the unauthorized disclosure of private medical records.

For instance, our information technology systems could be compromised by hacking, and personal information could be leaked due to theft, misconduct, or negligence. Furthermore, our clinical trials often involve professionals from third-party institutions working on-site; we cannot ensure that these individuals will consistently comply with our data privacy protocols. Additionally, any changes in applicable laws and regulations could restrict our ability to utilize medical data or subject us to liability for data use that was previously permitted. Any failure to protect the confidentiality of subject data, or any resulting legal restrictions or liabilities, could have a material adverse effect on our business, financial condition, and results of operations.

RISK FACTORS

Failure to comply with PRC laws and regulations regarding employee share schemes may expose us to legal liabilities.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Scheme of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules, which replaced the earlier rules issued in March 2007. Under these rules, PRC residents participating in stock incentive plans of overseas publicly listed companies are required to register with SAFE and complete specific procedures through a PRC agent or subsidiary. Participants must also engage an overseas entrusted institution to manage matters related to the exercise of stock options, the purchase and sale of corresponding interests, and fund transfers. Furthermore, the PRC agent must amend the SAFE registration if there are material changes to the incentive plan, the agent, or the entrusted institution.

Upon completion of this [REDACTED], we and our PRC resident employees who have been granted restricted shares will become subject to these Stock Option Rules. Any failure by such PRC resident holders to complete their SAFE registrations may subject them to fines and legal sanctions. Such failure could also restrict our ability to contribute additional capital to our PRC subsidiaries, limit the ability of those subsidiaries to distribute dividends to us, or otherwise materially and adversely affect our business.

If we fail to fully comply with applicable PRC and overseas clinical trial regulations, it could result in administrative penalties or delays in project execution.

Our CRO services are subject to extensive and evolving regulatory requirements in the PRC and other jurisdictions in which we operate or provide services. Regulatory frameworks applicable to clinical trials may differ across jurisdictions and are subject to change, reinterpretation or heightened enforcement. As a result, ensuring consistent compliance across multiple projects, service lines, trial sites and geographic regions requires significant management attention and robust internal controls. Any failure by us, our employees, investigators, clinical trial sites or third-party suppliers to comply with applicable laws, regulations, guidelines or regulatory expectations may expose us to administrative penalties, warnings, fines, suspension of business activities, restrictions on service offerings or other regulatory actions.

Non-compliance may also result in delays or suspension of ongoing clinical trials, rejection or requests for supplementation of trial data by regulatory authorities, or requirements to repeat certain trial activities. Such outcomes could increase project costs, extend timelines, disrupt client relationships and adversely affect our reputation and credibility with regulators and customers.

If we fail to fully comply with applicable PRC or overseas clinical trial regulations, our business operations, project execution, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

You may encounter difficulties in serving legal process on us or in enforcing foreign court judgments against us and our directors and senior management.

We are incorporated under the laws of the PRC, and the majority of our assets, subsidiaries, and key personnel, including Directors and senior management, are located within the PRC. Consequently, it may be difficult or impossible to effect service of process upon these individuals outside of the PRC. Furthermore, the PRC lacks treaties for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan, and most other nations. Similarly, Hong Kong has no such arrangement with the United States, making the enforcement of foreign judgments in these jurisdictions challenging.

While the Supreme People’s Court of Chinese Mainland and the Hong Kong government signed an Arrangement in 2006 for the Reciprocal Enforcement of Judgments in Civil and Commercial Matters (《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》), its application is limited to cases involving a choice of court agreement and an enforceable final judgment for the payment of money. Despite this arrangement taking effect in 2008, the outcomes of actions brought under it remain uncertain. Additionally, while we will be subject to the Hong Kong Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases upon [REDACTED], these rules do not have the force of law. Therefore, H-Share holders cannot bring private legal actions based on violations of these rules and must instead rely on the Stock Exchange for enforcement.

On January 18, 2019, the Supreme People’s Court and the Hong Kong SAR Government 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》), or 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 SAR and 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 SAR, which has replaced the Arrangement. However, the New Arrangement does not apply to certain judgments of civil and commercial matters. Furthermore, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in the PRC.

As a clinically related business, we may be subject to additional and continually evolving regulatory requirements in various jurisdictions, which could adversely affect our performance.

Government agencies and industry regulatory bodies globally enforce stringent rules, regulations, and industry standards governing the development, testing, research, and manufacture of drugs, medical devices, and biologics, as well as the performance of regulated services by CROs and other third parties on behalf of customers. Due to the broad spectrum of services we provide and our extensive geographic reach, we are required to comply with various applicable legal and regulatory frameworks across different jurisdictions.

Regulatory authorities, may perform scheduled or unscheduled periodic inspections of our facilities and services to monitor adherence to applicable rules, regulations, and industry standards. Any adverse findings by these authorities, or other instances of regulatory or legal noncompliance, could result in immediate and severe actions against us. These actions may include, among others, issuance of inspectional findings of noncompliance, warning or untitled

RISK FACTORS

letters, product recalls, the discontinuation or suspension of studies, mandatory material modifications to studies, requirement for the implementation of corrective actions, the revocation or limitation of approvals, registrations, licenses, permits, assurances, or certificates, operational restrictions, adverse public statements or alerts, fines, injunctions, and civil or criminal penalties. Such adverse findings, critical observations, or other regulatory noncompliance could also lead to significant consequences for our customers, potentially resulting in customer claims or other commercial repercussions for us. Furthermore, regulatory authorities may periodically amend their legal and regulatory requirements; consequently, our current compliance procedures may prove inadequate for new standards, necessitating additional compliance expenditures and exposing us to negative findings by governmental authorities. If we are unable to timely or adequately adapt to new regulatory requirements, we may be subject to regulatory attention or requests for improvement by the relevant competent authorities. The occurrence of any of these events may cause serious reputational damage and have a material adverse effect on our business, financial condition, and results of operations. Additionally, any legal or regulatory action against us, even if successfully defended or settled, could result in significant expenses, divert management’s attention from business operations, and may adversely affect our reputation, business, financial condition, and results of operations.

We may be restricted from transferring our scientific data abroad, which could limit our operations and expansion of business.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》) (the “Scientific Data Measures”), which provides a broad definition of scientific data along with relevant rules for its management. Pursuant to the Scientific Data Measures, enterprises in China are required to obtain governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Furthermore, any researcher conducting research funded, at least in part, by the Chinese government must submit relevant scientific data to their affiliated entity for management prior to publishing such data in any foreign academic journal.

If and to the extent that any data collected or generated in connection with our services becomes subject to the Scientific Data Measures or any subsequent laws as required by the relevant government authorities, there can be no assurance that we will consistently obtain the necessary approvals for transmitting scientific data (such as results from pre-clinical studies or clinical trials conducted within China) abroad or to our foreign partners in China. If we fail to secure the required approvals in a timely manner, or at all, our business, results of operations, financial condition, and prospects may be materially and adversely affected. Should the relevant government authorities determine that our transmission of scientific data violates the requirements of the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by such authorities.

RISKS RELATED TO THE [REDACTED]

There has been no prior public market for our H Shares, and there can be no assurance that an active market will take place after the [REDACTED].

Prior to the [REDACTED], no public market existed for our H Shares. We cannot provide assurance that an active public market with sufficient liquidity for our H Shares will develop or be maintained after the [REDACTED] is completed. The initial [REDACTED] for our H

RISK FACTORS

Shares will be determined through negotiations between the Company and the Joint Representatives (acting for themselves and on behalf of [REDACTED]), and this [REDACTED] may vary significantly from the market price of the H Shares subsequent to the [REDACTED].

While we have applied to the Hong Kong Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the H Shares (including any H Shares potentially issued upon the exercise of the [REDACTED]), such a [REDACTED] does not guarantee the development of an active and liquid [REDACTED] market. Furthermore, if such a market does develop, there is no assurance it will be sustained after the [REDACTED] or that the market price of the H Shares will not decrease. In the event that an active public market for our H Shares fails to develop following the completion of the [REDACTED], the market price and liquidity of our H Shares could be materially and adversely affected.

Raising additional capital may dilute our shareholders’ equity or introduce covenants that may restrict our operations or our ability to pay dividends.

The [REDACTED] of the [REDACTED] exceeds the net tangible asset value per Share immediately preceding the [REDACTED]. Consequently, purchasers of the [REDACTED] will experience an immediate dilution. There can be no assurance that, in the event of an immediate liquidation following the [REDACTED], any assets would be available for distribution to Shareholders after the satisfaction of creditors’ claims. Furthermore, to facilitate the expansion of our business, we may consider the [REDACTED] and [REDACTED] of additional H Shares in the future. [REDACTED] of the [REDACTED] may experience further dilution in the net tangible asset value per Share if we [REDACTED] additional H Shares at a [REDACTED] below the net tangible asset value per Share at the time of such issuance.

The [REDACTED] and [REDACTED] volume of our H Shares may be subject to volatility, which could result in substantial losses for [REDACTED].

The [REDACTED] and [REDACTED] volume of our H Shares may experience significant fluctuations due to various factors beyond our control, including political uncertainties in Hong Kong and general market conditions for securities in Hong Kong and other global markets. Specifically, the business performance and share price movements of other companies engaged in similar industries may influence the [REDACTED] and [REDACTED] volume of our H Shares. Beyond market and industry-wide factors, the [REDACTED] and [REDACTED] volume of our H Shares may be highly volatile due to specific business-related factors, such as variations in our revenue, earnings, cash flows, investments, and expenditures, as well as regulatory developments, supplier relationships, movements or activities involving key personnel, or actions by our competitors. Furthermore, shares of other companies [REDACTED] on the Hong Kong Stock Exchange with substantial operations and assets in China have historically experienced [REDACTED] volatility; it is possible that our H Shares may undergo [REDACTED] changes that are not directly related to our performance but are instead linked to the broader political and economic climate in Hong Kong, the PRC, or other regions worldwide.

Future [REDACTED] or the perceived [REDACTED] of a large number of our H Shares in the [REDACTED] could materially and adversely affect their trading [REDACTED].

The [REDACTED] of our H Shares may experience a decline due to future [REDACTED] of a significant volume of our H Shares or other related securities in the [REDACTED], or through the [REDACTED] of additional shares or other securities, or even

RISK FACTORS

the perception that such [REDACTED] or [REDACTED] could happen. The actual or anticipated [REDACTED] of substantial amounts of our securities, including any future [REDACTED], could also materially and adversely impact our capacity to [REDACTED] at specific times and on terms favorable to the Company. Furthermore, our Shareholders may face dilution of their ownership interests if we [REDACTED] further securities in the future. Any [REDACTED] shares or share-linked securities [REDACTED] by us may also carry rights and privileges that rank in priority to those associated with the H Shares.

The [REDACTED] and [REDACTED] volume of our H Shares may be volatile, which could result in significant losses for [REDACTED].

The [REDACTED] of our H Shares may decrease following the future [REDACTED] of a significant quantity of our H Shares or other related securities in the [REDACTED], the [REDACTED] of [REDACTED] shares or other securities, or the mere perception that such [REDACTED] or [REDACTED] could take place. The actual or anticipated [REDACTED] of substantial volumes of our securities, including any future [REDACTED], could also materially and adversely impact our capacity to [REDACTED] at a particular time or on terms advantageous to us. Furthermore, our Shareholders may face dilution of their holdings should we [REDACTED] additional securities in the future. Any [REDACTED] shares or share-linked securities [REDACTED] by the Company may also carry rights and privileges that rank in priority to those associated with the H Shares.

We have not independently verified the statistics and information in this document from official government sources.

This document contains certain statistics and information relating to our industry, the markets in which we operate, and our competitive position within those markets. We have derived such statistics and information from various available sources, which include official government sources and publications, as well as industry and market research reports. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. However, the information from official government sources has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. You should give consideration as to how much weight or importance you should attach to or place on the statistics or information from official government sources.

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

Prior to the publication of this document, and potentially following its date but preceding the completion of the [REDACTED], there has been and may continue to be press and media coverage concerning the Company and the [REDACTED]. We have not authorized the disclosure of any information regarding the [REDACTED] to the press or media, and we do not accept responsibility for the accuracy or completeness of such articles or media reports.

We make no representation regarding the appropriateness, accuracy, completeness, or reliability of any projections, valuations, or other forward-looking information concerning us. To the extent that any such external statements are inconsistent or conflict with the information presented in this document, we disclaim all responsibility for them. Accordingly, prospective [REDACTED] are cautioned to base their [REDACTED] decisions solely on the information contained within this document and should not rely on any other information.

RISK FACTORS

We cannot assure you that we will declare or distribute any dividends in the future; you may have to rely on the appreciation of our H Shares’ price to achieve returns on your [REDACTED].

We cannot provide any guarantee regarding whether, when, or in what form future dividends will be paid. The Board of Directors maintains discretion in determining the frequency and amount of dividend distributions, which remains subject to the approval of the Shareholders. Any decision to declare or pay dividends, as well as the specific amount thereof, will be contingent upon various factors. These considerations include our results of operations, cash flows and financial condition, capital adequacy ratios, requirements for operating and capital expenditures, distributable profits, our Articles of Association, statutory and regulatory restrictions concerning dividend payments, and any other factors the Board considers relevant. For further details, see “Financial Information — Dividends”. There is no assurance that the Company will maintain the same dividend policy as has been adopted in the past.

Forward-looking statements contained in this document may not be accurate, therefore prospective [REDACTED] should not place undue reliance on such statements.

This document contains certain forward-looking statements that reflect our current expectations, assumptions, estimates and projections regarding our business, financial condition, results of operations, industry trends, regulatory environment and future development plans. These forward-looking statements are based on management’s beliefs and assumptions as of the date of this document and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements. You should not place undue reliance on forward-looking statements contained in this document and are advised to carefully consider all risk factors and disclosures set forth herein before making an [REDACTED] decision.

[REDACTED] in our H Shares may be subject to PRC taxation.

Under applicable PRC tax laws, dividends paid by the Company to non-PRC resident individual holders of H shares (“non-resident individual holders”), as well as gains realized by such shareholders through the sale or other transfer of H shares, are generally subject to PRC individual income tax at a rate of 20%, unless such rate is reduced under applicable tax treaties or arrangements. Furthermore, dividends paid to, and gains realized from the sale or transfer of H shares by, non-PRC resident enterprise holders of H shares (“non-resident enterprise holders”) are subject to PRC enterprise income tax at a rate of 10%, subject to reduction by applicable tax treaties or arrangements. Pursuant to the Arrangement between the Mainland of China 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) dated August 21, 2006, a non-resident enterprise registered in Hong Kong that directly holds at least 25% of the Company’s shares may be eligible for a reduced enterprise income tax rate of 5% on dividends declared and paid by us.

Pursuant to the Circular on Questions Concerning Tax on the Profits Earned by Foreign Invested Enterprises, Foreign Enterprises and Individual Foreigners from the Transfer of Shares (Equity Interests) and on Dividend Income (關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知) issued by the State Administration of Taxation, non-resident individual holders were previously granted a temporary exemption from

RISK FACTORS

PRC individual income tax on dividends or bonuses paid by issuers of H shares. However, this circular was repealed by the Announcement on the List of Fully or Partially Invalid and Repealed Tax Regulatory Documents (關於公佈全文失效廢止、部分條款失效廢止的稅收規範性文件目錄的公告) dated January 4, 2011.

For non-resident individual holders, gains realized through the transfer of property are typically subject to PRC individual income tax at a rate of 20%. Nevertheless, according to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Individual Income Tax Policies (財政部、國家稅務總局關於個人所得稅若干政策問題的通知), income received by foreign individuals from dividends and bonuses of a foreign-invested enterprise is currently exempt from individual income tax. Furthermore, under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the SAT (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) effective March 30, 1998, income from the transfer of shares in listed companies by individuals continues to be temporarily exempt from individual income tax. On February 3, 2013, the State Council approved the Notice of Suggestions to Deepen the Reform of System of Income Distribution, and on February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知). These documents indicate that the PRC government intends to terminate the tax exemption for foreign individuals on dividends from foreign-invested enterprises, with the Ministry of Finance and the State Administration of Taxation tasked with the formulation and implementation of such plans. To date, the relevant implementation rules or regulations have not been promulgated.

Given these uncertainties, non-resident holders of our H Shares should be mindful of potential obligations to pay PRC income tax on dividends and gains derived from the sale or transfer of H Shares. For further details, see Appendix IV to this document.