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

RISKS RELATING TO OUR FINANCIAL POSITION AND PROSPECTS

Our revenue from COVID-19 tests may decrease in the future.

In response to the COVID-19 pandemic, in 2020 and 2021, a significant portion of our revenues were generated from COVID-19 tests. In 2020 and 2021, our revenue generated from COVID-19 tests amounted to RMB547.1 million and RMB985.7 million, respectively, representing 45.6% and 58.1% of our total revenue for the same year, respectively. For the same period, our gross profits from COVID-19 tests were RMB347.7 million and RMB560.0 million, representing 53.0% and 62.3% of our total gross profit for the same year and our gross profit margins for COVID-19 tests were 63.6% and 56.8%, respectively. However, the COVID-19 pandemic may become further alleviated in the future, leading to a significant decrease in market demand for COVID-19 tests. In such events, our revenue generated from COVID-19 tests may significantly decrease and our financial condition and results of operations may be materially and adversely affected.

We have incurred accumulated losses as of January 1, 2018 and incurred significant net losses in 2018 and 2019. Although we recorded net profit in 2020 and 2021, our historical financial and operating results may not be indicative of our future performance, and we may not be able to achieve and sustain the historical level of revenue growth and profitability.

We recorded accumulated losses of RMB83.3 million as of January 1, 2018 and net losses of RMB49.4 million and RMB31.0 million for the years ended December 31, 2018 and 2019, respectively. Our accumulated losses as of January 1, 2018 were primarily due to the net losses from 2015 to 2017, which were attributable to (i) the lower gross profit margins from 2015 to 2017 primarily due to a significant portion of our diagnostic testing at that time being routine tests, which generally have a lower gross profit margin, (ii) more selling expenses as we engaged more third-party marketing service providers to build up our sales network of diagnostic testing services, and (iii) more administrative expenses attributable to (a) higher staff costs as we hired more employees to support our business and research and development activities; and (b) higher research and development expenses as the development of the Yunkang apps was expensed off in 2016 and 2017; as well as certain research and development costs relating to the improvement of cold chain logistics system and the research and development of our IT system and diagnostic methods. Our financial performance in 2018 and

2019 primarily reflected our efforts to promote our diagnostic testing services for medical institution alliances and to develop our diagnostic capabilities and platforms, which required initial expenditures and investments. As a result, we recorded a profit of RMB260.2 million in 2020, which was mainly because we leveraged our experience and foundation in infectious diseases diagnostic testing and were able to provide a significant volume of infectious disease diagnostic tests to meet the large market demand due to the COVID-19 pandemic. We recorded revenue of RMB985.7 million and gross profit of RMB560.0 million from COVID-19 diagnostic testing in 2021 which accounted for 58.1% of our revenue and 62.3% of our gross profit for the same period, respectively. Our past performance is not necessarily indicative of future results.

We also disposed of certain discontinued operations in January 2021 as part of our Reorganization, which we will no longer operate in the future. We had loss from discontinued operations of RMB21.6 million, RMB20.2 million and RMB10.1 million for the years ended December 31, 2018, 2019 and 2020, respectively. The effects of changing regulatory, economic, public health, environmental, competitive conditions and future expansion of our workforce, and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. As we continue our business expansion, we cannot assure you that we will achieve the expected results or maintain the same levels of revenue growth and profitability as we have achieved historically. In particular, the increase in demand for COVID-19 tests may be one-off in nature. Year-to-year comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on them to predict the future performance of our operating results.

Our financial prospects depends on the success of our service portfolio.

Our business substantially depends on the success of the services in our existing service portfolio and other services we may provide in the future. We have invested a significant portion of our efforts and financial resources in the development of our existing service portfolio. Whether we can generate profit from our operating activities largely depends on the success of our service portfolio.

The successful marketing of our services will depend on several factors, including but not limited to:

- continued and growing relationships with lead hospitals and member hospitals and the establishment of on-site diagnostic centers;
- maintaining market recognition of our ICLs;
- renewal of the licenses and certificates for our diagnostic testing services, such as "Qualification Certificate of Inspection and Testing Agency" (檢驗檢測機構資質認定證書) and the "Laboratory Accreditation Certificate" (實驗室認可證書);

- maintaining sufficient testing capacity by making procurement arrangements with suppliers;
- the performance by any third parties we may retain in a manner that complies with our protocols and applicable laws and that protect the integrity of the resulting data;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;
- successful promotion and marketing of our services;
- obtaining favorable governmental and private medical reimbursement for our services; and
- competition with other players in our industry.

If our efforts fail to satisfy one or more of these factors in a timely manner or at all, we could experience significant delays or be unable to obtain approvals for and/or to successfully promote our services, which would materially harm our business and we may not be able to generate sufficient revenue and cash flows to continue our operations.

We may need to obtain substantial financing for our operations. If we cannot raise sufficient additional capital on acceptable terms, our business, financial condition and prospects may be adversely affected.

Net cash generated from our operating activities was RMB16.4 million, RMB4.8 million, RMB203.1 million and RMB369.5 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively. We cannot assure you that we will be able to continue generating positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. The cost of continuing operations could further reduce our cash position, and any increase in our net cash outflow from operating activities could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our business and to fund our business expansion. During the Track Record Period, we obtained banking loans to finance our operations. In 2018, 2019, 2020 and 2021 we incurred net finance costs of RMB4.8 million, RMB11.7 million, RMB17.1 million and RMB6.5 million, respectively. As of March 31, 2022, being the latest practicable date for determining our indebtedness, we had utilized bank facilities of RMB303.9 million and unutilized bank facilities of RMB316.1 million. We may not be able to renew existing banking loans or obtain other sources of financing. If we resort to other financing sources, we may incur higher financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all. If we continue to have negative operating cash flow in the future, our liquidity and financial condition may be materially and adversely affected.

We expect to continue to spend on optimizing the quality of our services and sales and marketing. Our existing cash and cash equivalents may not be sufficient to enable us to complete our business strategies, such as developing new services to expand our service portfolio. Accordingly, we may require further funding through public or private offerings, debt or equity financing, collaboration and licensing arrangements or other sources. We cannot assure you that our financial resources will be adequate to support our operations. Our future funding requirements will depend on many factors, including but not limited to:

- the outcome, timing and cost of regulatory approvals of our services;
- the number and characteristics of the services that we may provide;
- marketing costs associated with our services and any existing or future services, including the cost and timing of expanding the marketing and sales activities of our services;
- the terms and timing of any potential future collaborations or other arrangements that we may engage in;
- cash requirements of any future acquisitions and/or the development of other services; and
- our headcount growth and associated costs.

If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our efforts in optimizing the quality of our services and sales and marketing, which could materially and adversely affect our business, results of operations and financial condition.

We are subject to credit risk with respect to trade receivables.

During the Track Record Period, our customers mainly comprised hospitals and other medical institutions and financial institutions and insurance companies. We generally allow a credit period of up to 180 days to our customers. For the years ended December 31, 2018, 2019, 2020 and 2021, our trade receivable turnover days were 142 days, 132 days, 113 days and 141 days, respectively. There can be no assurance that all such amounts due to us would be settled on time, or that such amounts will not continue to increase in the future. We recorded allowance for impairment of trade receivables of RMB17.9 million, RMB24.4 million, RMB29.7 million and RMB52.6 million as of December 31, 2018, 2019, 2020 and 2021, respectively, which accounted for 7.2%, 8.6%, 5.8% and 6.0% of our total trade receivables as of December 31, 2018, 2019, 2020 and 2021. Accordingly, we face credit risk in collecting trade receivables due from customers. Our performance, liquidity and profitability would be adversely affected if significant amounts due to us are not settled on time or substantial impairment is incurred. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business, results of operations and financial condition.

We are uncertain about the recoverability of our deferred income tax assets, which may affect our financial positions in the future.

As of December 31, 2018, 2019, 2020 and 2021, our deferred tax assets amounted to RMB24.4 million, RMB25.7 million, RMB40.2 million and RMB35.8 million, respectively, which represented the allowance for impairment losses of certain accounts receivables and unused tax losses from our group companies. For details, please see note 18 to the Accountants' Report in Appendix I to this document. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial positions in the future.

We are exposed to changes in the fair value of financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVTPL") and valuation uncertainties due to the use of unobservable inputs.

During the Track Record Period, we invested and held minority interests in six companies with the view of developing our presence in the healthcare industry. Three of these companies primarily engage in healthcare related consulting services and the other three of these companies primarily engage in investment management business covering a full range of medical operation services. These minority interests were recorded as financial assets at FVOCI or financial assets at FVTPL. As of December 31, 2018, 2019, 2020 and 2021, our financial assets at FVOCI amounted to RMB53.8 million, RMB187.6 million, RMB108.7 million and RMB110.0 million, respectively. As of December 31, 2018, 2019, 2020 and 2021, our financial assets at FVTPL amounted to RMB47.5 million, RMB57.4 million, RMB209.2 million and RMB58.2 million, respectively. These financial assets are level three financial instruments, and are valued at least once every year to determine their fair value. Financial assets at FVTPL and FVOCI are not traded in an active market, and therefore their fair values have been determined by using various applicable valuation techniques, including (i) the latest round financing, i.e. the prior transaction price or the third-party pricing information; and (ii) a combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples. This requires our management to make estimates about risk-free rates, expected volatility, discounted for lack of marketability and comparable price-to-book or price-to-earnings multiples, and hence they are subject to uncertainty. As a result, such treatment of carrying amounts of our financial assets at FVOCI or FVTPL may causing significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations.

Our lending activities may not be in compliance with the relevant PRC laws and regulations.

We have historically provided loans to the third parties. As of December 31, 2018, 2019, 2020 and 2021, our loan receivables was RMB1.8 million, RMB16.1 million, RMB62.7 million and nil, respectively. For more details, please see "Financial Information—Certain Items of Statements of Financial Position—Prepayments and Other Receivables."

As advised by our PRC Legal Advisors, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions (貸款通則) promulgated by PBOC in June 1996. Furthermore, pursuant to Article 73 of the General Lending Provisions, PBOC may impose a fine on the non-compliant lender of one to five times of the income received by the lender from such loans. Notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions under the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the "**Judicial Interpretations on Private Lending Cases**"), which came into effect on September 1, 2015 and was amended on August 19, 2020 and December 29, 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of applicable laws and regulations. Our PRC Legal Advisors advised that, under the Judicial Interpretations on Private Lending Cases, PRC courts will support a non-financial institution's claim for interests on loans as long as the annual interest rate does not exceed four times of the loan prime rate, as published by the National Interbank Funding Center, for loans with maturities of one year applicable on the date of loan agreement, or other interest rate specified in the Judicial Interpretations on Private Lending Cases applicable on the date of such loan agreement.

During the Track Record Period and up to the Latest Practicable Date, we had not been imposed any administrative penalty by government authorities, or become subject to any investigation relating to the interest-bearing loans to related parties or third parties. Based on the above, our PRC Legal Advisors are of the view that the risk that we become subject to any penalty with respect to our interest-bearing loans to third parties pursuant to the General Lending Provisions is low, and our interest-bearing loans to related parties or third parties do not constitute material non-compliance of any applicable laws and regulations. However, if PBOC imposes penalties against us under the General Lending Provisions, our business, financial position and results of operations could be adversely affected.

Certain equity interests of our Controlling Shareholders, Shares in our Company and registered capital of Yunkang Industry are charged as security interests pursuant to the Facility Agreements and the related security documents. A default under such Facility Agreements could result in the enforcement of the security interests, which could materially and adversely affect our Controlling Shareholders' ownership in our Group.

Pursuant to the Offshore Facility Agreement and the related security documents, (i) certain equity interests in Huizekx Limited, YK Development and our Company; and (ii) certain assets of YK Development, Huizekx Limited and Mouduans Limited have been pledged in favour of China Construction Bank (Asia) Corporation Limited as security trustee for, among others, SPDB International Investment Management Limited and SPDB HK. Such share pledges will be released before the [**REDACTED**].

Pursuant to the Onshore Facility Agreements, YK Development will pledge up to all of its Shares to Shanghai Pudong Development Bank Co., Ltd after the [**REDACTED**]. Please refer to "History, Reorganization and Corporate Structure—Facility Agreements and Security Documents" for details.

If an event of default occurs under the Facility Agreements, the lenders may be able to enforce their rights against our Controlling Shareholders, including enforcing their rights against all of the pledged Shares in our Company under the Facility Agreements and the related security documents. Events of default under the Facility Agreements include, among others, non-repayment, misrepresentation and breach of certain covenants. In such event, we may no longer be affiliated with our Controlling Shareholders which could adversely affect our shareholding structure. In addition, if a change of control event occurs under the Facility Agreements, the lenders may have the right to accelerate the repayment of debt under the Facility Agreements. If agreements on alternative arrangements cannot be made with the lenders in time or at all, the debt under the Facility Agreements may become immediately due and payable and may give the lenders the right to exercise their rights under various security documents, which could have a material adverse effect on our business, financial condition and results of operations.

Our operating costs, especially staff costs, may continue to increase due to the execution of our business strategies.

To maintain our competitiveness in China's medical operation service market, we plan to implement a number of business strategies. For details, see "Business — Business Strategies." We may have to incur significant costs in implementation of such business strategies. For example, we plan to assist in establishing more on-site diagnostic centers and several small to mid-size ICLs, which may result us in hiring more technicians, procuring more testing equipment and acquiring or leasing more premises. As such, our operating costs may increase significantly and we cannot guarantee you that our business strategies may eventually succeed to cover the increased costs we incurred. In such event, our results of operations and financial condition will be materially and adversely affected.

RISKS RELATING TO GOVERNMENT REGULATIONS

We conduct our business in a heavily regulated industry.

The operation of our business is subject to various laws and regulations issued by a number of government agencies at the national and local levels. Such rules and regulations relate mainly to the offering of diagnostic testing services, including diagnostic testing, the pricing of medical services and the licensing and operations of diagnostic testing service providers. In particular, quality control and occupational health and safety of medical laboratories are highly regulated in China. Our business, results of operations and prospects may be constrained by such rules and regulations. Please refer to "Regulations" in this document. If we, our customers or suppliers fail to comply with such applicable laws and regulations, we could be required to make significant changes to our business and operations or suffer fines or penalties, including the potential revocation of our business license and the suspension or cessation of our services.

In particular, our diagnostic testing services fees may be affected by the national and provincial diagnostic testing pricing protocol. Such pricing protocol usually sets ceiling prices that medical institutions can charge each individual patient for different types of diagnostic testing. Based on such ceiling prices the medical institutions can charge individual patients, we will negotiate with medical institutions on our service fees, normally being a percentage ranging from 5% to 40% of the prices a medical institution charges individual patients. As such, we have limited ability in setting our own service prices, which may have a material and adverse impact on our business, results of operations and financial conditions.

Any failure to comply with applicable laws and regulations, or obtain or maintain, or experience delays in obtaining or maintaining, required regulatory licenses, approvals or certificates may adversely affect our business and results of operations.

In accordance with current applicable PRC laws and regulations, medical operation service providers are required to obtain various certificates, licenses and permits, including but not limited to the Practice License for Medical Institutions, and the Qualification Certificate of Inspection and Testing Agency. We are required to meet specific conditions in order for government authorities to issue or renew any certificates, licenses or permits. If we fail to obtain or renew the certificates, licenses or permits in a timely manner, the relevant government authorities may impose administrative penalties on us and our operations may be adversely affected.

Our services could fail to receive or maintain regulatory approval for many reasons, including but not limited to:

- failure to maintain the necessary level of quality of our services and ICLs;

- data integrity issues related to our diagnostic testing;

- regulatory requests for additional analyses, reports or data;

- our failure to conduct diagnostic testing in accordance with regulatory requirements or our diagnostic testing protocols;

- testing sites, professionals or other participants deviating from diagnostic testing protocol, or failing to conduct the testing in accordance with regulatory requirements; and

- rejection by the relevant authorities to approve pending applications or supplements to approved applications filed by us or suspension, revocation or withdrawal of approvals.

Government policies relating to the medical operation services industry in the PRC are still evolving. As a result, changes in regulatory requirements and guidance may also occur, and we may need to amend diagnostic testing and other protocols to reflect these changes. Amendments may require us to incur more costs, time and communication with regulatory authorities for our services. If we fail to keep up with new polices or best practices, our standard of service may fall short of the latest standard and we could become more prone to non-compliance or even penalties, including fines, injunction of our services, disgorgements of illegal gains or even suspension of our business, which could materially adversely affect our business, financial condition, results of operations and prospects.

In addition, the interpretation, implementation and enforcement of government policies and regulations may vary among different regulators. Our ability to offer and market our medical operation services may be limited, and our business, financial condition and results of operations may be materially and adversely affected, by such differences in interpreting, implementing and enforcing and changes in government policies or regulations, which may result in increased cost of compliance and operation, which in turn will affect our business, results of operations and financial condition.

We face uncertainties in relation to the volume procurement policies in China.

In 2016, the State Council published the 13th Five-Year Plan for Deepening the Healthcare Reform (《"十三五"深化醫藥衛生體制改革規劃》) which proposed to carry out the centralized procurement of high-value medical consumables, testing reagents and large-scale medical equipment. With an aim to lower the medical costs for both patients and medical institutions, the policy encourages to promote the centralized procurement of high-value medical consumables, uniform coding standards and distinguish different situations to pursue different procurement methods, which in turn ensures that all aspects of procurement are public. During the Track Record Period, only Anhui province implemented centralized procurement regime in public medical institutions, which only included chemiluminescent reagents. Following the implementation of the centralized procurement regime, the costs of these reagents for public medical institutions in Anhui decreased by over 40%. In the meantime, Anhui province also implemented a revised pricing protocol, pursuant to which the diagnostic testing fees paid by patients for the diagnostic tests involving chemiluminescent reagents also decreased by approximately 25% to 55%. As the policies had only been implemented in one province in China and such reagents are only used in approximately 1% of the diagnostic tests we conducted, such policies did not have a material and adverse impact on us during the Track Record Period.

Nevertheless, we cannot guarantee whether more reagents or diagnostic testing types will be included in the volume procurement regime and whether more and more provinces will implement such policies. As inclusion of the centralized procurement regime is expected to lead to a decrease in the prices at which public medical institutions procure reagents from suppliers, it may further result in a decrease of the costs for these medical institutions to perform these tests themselves. In such event, they may prefer to performing these tests themselves and cease to engage medical operation service providers. As a result, our business and financial conditions will be materially and adversely affected.

We are subject to PRC laws, rules and regulations on occupational health and safety and may be exposed to liabilities and costs for occupational health and safety compliance.

Our business is also subject to PRC laws, rules and regulations relating to occupational health and safety for the healthcare industry. For additional information regarding our compliance with respect to health and work safety laws, rules and regulations, please refer to "Business—Environmental, Social And Governance" in this document. Healthcare companies that fail to comply with applicable safety laws, rules and regulations may be subject to fines, penalties or even suspension of operations. At the same time, relevant governmental authorities may regularly conduct safety inspections of the laboratories that are subject to safety compliance and facilities of healthcare companies. The timing and the outcome of such safety inspections, nevertheless, is hard to predict since their standards are somewhat obscure. Failure to pass the safety inspections may harm our corporate image, reputation and the credibility of our management, and thus have material adverse effect on our financial conditions and results of operations.

RISKS RELATING TO OUR INDUSTRY

If we fail to keep up with industry and technology developments in a timely and cost-effective manner, we may be unable to compete effectively and demand for our services may decrease, which in turn may cause our business and prospects to suffer.

China's medical operation service market is constantly evolving, including technological and scientific breakthroughs, increasing amounts of data, frequent introductions of new testing devices, emergence of alternative diagnostic methods, and evolving medical standards. If we are not able to keep pace with these advances and increased customer/patient/member hospitals' expectations as a result of these advances and capture new market opportunities that develop as a result of these advances, our diagnostic testing technologies could be rendered obsolete, our existing services and services we are developing could be rendered less effective, demand for our services may diminish, and our future operations and prospect could suffer. To remain competitive, we must continuously upgrade and further optimize our existing services and launch new services, to keep pace with these developments. We must expend significant resources in order to continuously upgrade our existing services or launch new services to keep pace with industry and technological advances. We may never realise a return on investment on these efforts, especially if the improved or new services fail to perform as expected, in which case our business, financial condition and results of operations could be adversely affected. We cannot assure you that our efforts will be successful.

If we cannot compete successfully with our competitors, we may be unable to increase or sustain our revenue or achieve and sustain profitability.

With the development of medical operation services, the medical operation services industry in the PRC has become increasingly competitive, and we expect this competition to intensify further in the future. The medical operation service market in China is highly fragmented. In terms of revenue in 2020, we had a market share of 3.7% in China's medical operation service market, according to Frost & Sullivan. We are also a major market player with a market share of 12.5% in China's diagnostic testing services for medical institution alliances market in terms of revenue in 2020, whereas the largest provider had a market share of 68.6%, according to the same source. Some of our existing and potential future competitors may have longer operating histories, larger customer bases, more expansive brand recognition and deeper market penetration, substantially greater financial, technological and research and development resources and marketing capabilities, and more favorable terms from suppliers. As a result, they may be able to respond more quickly to changes in customer requirements or preferences, develop faster, better and more expansive advances for their services provided, create and implement more successful strategies for the promotion and marketing of their services, adopt more aggressive pricing policies for their services, secure suppliers from vendors on more favorable terms or develop substantially more resources to infrastructure and system development. In addition, competitors may be acquired by, receive investments from or enter into other commercial relationships with larger, well-established and well-financed companies as the demand for medical operations services increases.

If we are unable to compete successfully with current and future competitors for these or any other reasons, we may be unable to increase market acceptance and customer demands for our services, which could prevent us from maintaining or increasing our revenue levels or achieving or sustaining profitability or could otherwise negatively affect our performance.

Negative publicity and allegations involving us, our Directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

We, our Directors, officers, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees and business partners were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. Although during the Track Record Period and up to the Latest Practicable Date, we had not experienced any negative publicity or allegation that had a material and adverse impact on us, if any such event happens, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our [**REDACTED**] and customers.

Our business may be adversely affected by impeding healthcare reforms in PRC.

In January 2019, the PRC government approved in principle a healthcare reform plan to address the affordability of healthcare services, the rural healthcare system and healthcare service quality in China. The published healthcare reform plan also called for additional government spending on healthcare over the next three years of RMB850.0 billion to support the reform plan. As part of this healthcare reform plan, the PRC government has introduced the HDTS and medical institution alliances, which are regional associations of hospitals, community health clinics and other medical institutions, aimed to optimize the allocation of medical resources in China. Many details related to the implementation of the healthcare reform plan are not yet available. Any policy changes may have a material and adverse effect on our business, financial condition and results of operations. For example, the government has implemented a pilot plan as to the new rural healthcare insurance program whereby patients are required to pay hospitals only a portion of their medical expenses upfront and hospitals are required to seek payment of the balance from the government. Any resulting disputes or late or delinquent reimbursement payments may affect the collection of revenue of hospitals which we provide diagnostic testing services to and member hospitals in the medical institution alliances, which in turn may increase our accounts receivable days.

The market opportunities for our services may be uncertain, which could render some services ultimately unprofitable even if promoted.

We estimate the demand for our medical operation services based on various third-party sources, such as scientific literature, announcements from governmental authorities or market research, as well as internally generated analysis. We use such estimates in making decisions regarding our service marketing strategy, including determining on which disease areas to focus on with our resources. As the medical operation service market in PRC is rapidly growing and changing, these estimates may be inaccurate or based on imprecise data and the future growth in the market opportunities may be unpredictable. The overall market opportunity will depend on, among other things, acceptance of our services by the medical community, ethical, legal and social concerns on our services, patient access and service pricing. The demand for services we provide may turn out to be lower than expected, which could have a material adverse effect on our business, financial condition and results of operations.

Availability of public and private insurance coverage and insurers reimbursement policies may affect our revenues, margins and results of operations.

The success of our diagnostic testing services partly depends on the reimbursement policies of the governmental authorities and health insurers. Failure to obtain or maintain adequate medical insurance coverage and reimbursement for our testing services could limit our ability to market those services and decrease our ability to generate revenue.

Our ability to sell our diagnostic testing services may be affected by the availability of governmental and private health insurance in China. China has a complex medical insurance system that is undergoing reform. The governmental insurance coverage or reimbursement level in China for new healthcare services is subject to significant uncertainty and varies from region to region, as local government approvals for such coverage must be obtained in each geographic region in China. In addition, the PRC government may change, reduce or eliminate the governmental insurance coverage currently available for treatments based on a number of factors, including price and efficacy. We cannot assure you that our diagnostic testing services will be covered by the PRC national medical insurance reimbursement list in the future or our services will be covered by private insurance companies in China in the future.

RISKS RELATING TO SALES AND MARKETING OF OUR SERVICES

If we cannot maintain existing relationships with our customers, or cannot expand our customer base in the future, our results of operations and prospects could be adversely affected.

As of December 31, 2018, 2019, 2020 and 2021 and the Latest Practicable Date, we had assisted in establishing and operating 79, 132, 199, 275 and 322 on-site diagnostic centers, respectively. We are developing and expanding our businesses and we served approximately 1.0% of all the medical institution alliances during the Track Record Period and up to the Latest Practicable Date, according to Frost & Sullivan. During the Track Record Period and up to the Latest Practicable Date, our network covered over 3,600 customers, primarily consisting of hospitals and other medical institutions and served over 300 medical institution alliances.

Our customers also consist of certain non-medical institutions, including financial institutions and insurance companies. We provide diagnostic outsourcing services and/or diagnostic testing services for medical institution alliances. Our success in part depends on our ability to maintain our relationships with lead hospitals and establish new hospital clients in the future. Maintaining and developing customer relationships are subject to numerous risks, which may include the following:

- customers have significant discretion in determining the efforts and resources that they will apply to the on-site diagnostic centers;

- member hospital customers may decide to terminate or not to renew our services and collaboration agreements upon expiry;

- customers may no longer need the diagnostic testing services that we provide for a number of reasons, including if they build their own diagnostic testing department, or change their strategic focus due to the patients' needs, availability of funding, or other external factors;

- government policy may change to restrict or prohibit our current service model, making it unlawful for us to continue to perform our obligations under the relevant agreements;

- member hospital customers may fail to obtain, maintain or renew the approvals, permits, licenses or certificates requisite for their operations, or are otherwise found to be non-compliant with any applicable laws and regulations, and they may be subject to administrative penalties, increased compliance costs, or even temporary or permanent closure of all or part of their business;

- our customers may choose to work with competitors instead and terminate their relationship with us, if we cannot maintain customer satisfaction, provide the services they need or at competitive prices; and

- disputes may arise between us and customers that cause the delay or termination of our services, or that result in costly litigation or arbitration that diverts management attention and resources.

If we are unable to conduct our marketing activities effectively, our results of operations and financial condition may be materially and adversely affected.

Our sales and marketing activities may not achieve the desired promotional effects. Please see "Business—Sales and Marketing" for further details. During the Track Record Period, we incurred marketing and advertising expenses to enhance our brand recognition and implement our sales and marketing strategies for our services. We incurred RMB187.1 million, RMB192.7 million, RMB219.0 million and RMB273.3 million of selling expenses for the years ended December 31, 2018, 2019, 2020 and 2021, respectively. Our in-house sales and marketing team focuses on serving lead hospitals and conducting academic marketing activities to interact with physicians as well as other industry professionals. The performance and ability of our sales and marketing personnel to promote our services and our brand are crucial to the growth of our sales network. We also work with third-party marketing service providers to promote our services and pay them a service fee for their marketing and promotion services. We cannot guarantee that their services will be effective in helping us expand and deepen our sales network. Failure to achieve the desired promotional effects or anticipated benefit may materially adversely affect our business, financial condition, results of operations and prospects.

We may fail to maintain or renew relationships with third-party marketing service providers, or effectively manage our third-party marketing service providers. Actions taken by our third-party marketing service providers in violation of our agreements or any applicable laws and regulations could materially and adversely affect our business, financial condition, results of operations, prospects and reputation.

We work with external third-party marketing service providers to promote our services and pay them a service fee for their marketing and promotion services. For the years ended December 31, 2018, 2019, 2020 and 2021, marketing and promotion expenses mainly reflected the amount we paid to these third-party marketing service providers, which amounted to RMB105.0 million, RMB118.0 million, RMB139.8 million and RMB169.3 million, respectively. The performance of our third-party marketing service providers and their ability to market and advertise our services, uphold our brand, expand their businesses and their network may directly affect our business, financial condition and results of operations. Although we maintain an in-house sales and marketing team, any decline in performance of our third-party marketing service providers, or our failure to renew our marketing agreements, maintain good relationships with existing third-party marketing service providers, or timely identify and engage additional or replacement third-party marketing service providers, may cause material fluctuations or declines in our revenue or market share and have a material and adverse effect on our business, financial condition and results of operations. We cannot guarantee that our third-party marketing service providers' services will be effective in helping us expand and deepen our sales network. Our third-party marketing service providers may fail to adequately promote our services since they may be promoting the same kind of medical operation services provided by our competitors at the same time.

In addition, we have limited control over the activities of our third-party marketing service providers, who are independent from us. Our business, results of operations and prospects may be adversely affected due to our third-party marketing service providers' failure to maintain the requisite licenses, permits or approvals, or failure to comply with applicable regulatory requirements when promoting our services, or violation of anti-corruption, anti-bribery, competition or other laws and regulations of China or other jurisdictions. Failure to adequately manage third-party marketing service providers, or non-compliance by third-party marketing service providers with our agreements could harm our reputation and disrupt our business. Our third-party marketing service providers may violate applicable laws or otherwise engage in illegal practices, including improper payments to hospitals and physicians, in relation to their marketing and promotion of our services. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any disputes with our third-party marketing service providers that had a material and adverse impact on us and to the best of our knowledge, they had not committed any contractual breaches or legal/regulatory non-compliances that had a material adverse effect on us. In the event that any such dispute, breach or non-compliance occurs, our reputation, business, financial condition and results of operations could be materially adversely affected.

Our services may fail to achieve market recognition and customer satisfaction.

The commercial success of our current and future services depends upon the degree of market recognition and acceptance our services achieve, particularly among hospitals, other medical institutions, financial institutions and insurance companies. If our services do not achieve an adequate level of acceptance, we may not be able to expand our business. The degree of market acceptance of our services will depend on a number of factors, including but not limited to:

- satisfaction of member hospitals, other medical institutions, financial institutions, insurance companies, physicians and patients with the quality of our medical operations services;
- the potential and perceived advantages of our services over services provided by alternative service providers;
- our ability to help our customers to improve diagnostic capacity and solve problems;
- the cost of alternative testing; and
- the effectiveness of our sales and marketing efforts.

If our services fail to achieve market acceptance among hospitals, other medical institutions, financial institutions, insurance companies, physicians and patients, or if we fail to maintain good relationships with them, we will not be able to expand our business. Even if our services achieve market acceptance, we may not be able to maintain that market acceptance over time if new services or technologies are introduced that are more favorably received than our services, are more cost effective or render our services obsolete.

RISKS RELATING TO OUR OPERATIONS

We depend on third-party suppliers to supply testing kits, raw materials, machinery and equipment used in our services. If these suppliers can no longer provide satisfactory products to us on commercially reasonable terms, our business and results of operations could be adversely affected.

We depend on third parties for different aspects of our business, such as supplying the testing kits and equipment for our services. In particular, during each year of the Track Record Period, one of our five largest suppliers was our connected person, namely Da An Gene Group. Our purchase amount from Da An Gene Group was RMB80.1 million, RMB52.4 million, RMB81.9 million and RMB226.5 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively, representing 15.4%, 9.9%, 11.7% and 22.1% of our total purchases for the same period, respectively. Our testing kits primarily include chemical and biochemical materials. Our equipment primarily includes equipment used for providing diagnostic testing services, such as biochemical analyzer and iScan system. We mainly rely on third-party suppliers, a majority of which are local suppliers, to supply such testing kits and equipment with consistently high quality and in sufficient volumes. Selecting, managing and supervising these third-party suppliers requires significant resources and expertise. Any disruption in production or inability of our suppliers to produce adequate quantities to meet our needs could impair our ability to provide services as scheduled and to operate our business on a day-to-day basis. Moreover, we expect our demand for such testing kits and equipment to increase as we expand our business scale and market our services, and we cannot guarantee that current suppliers have the capacity to meet our demand. We are also exposed to the possibility of increased testing kits and equipment costs, which we may not be able to pass on to customers, and as a result, lower our profitability. Costs of testing kits and equipment are subject to factors beyond our control, including supply and demand, general economic conditions and governmental regulations, each of which may affect the procurement costs or cause a disruption in the supply. We have not entered into any long-term supply agreements with our suppliers and we cannot assure you that we will be able to anticipate and effectively react to changes in medical supply costs in the future. In addition, although we have implemented quality inspection procedures on such testing kits and equipment before they are used in our services and require our suppliers to maintain quality standards, we cannot guarantee that we will be able to detect all quality issues in the supplies we use. These third parties suppliers may not be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruption in their business operations, which in turn may result in shortage of the testing kits and/or equipment supplied to us. If we are unable to do so and the quality of our services suffers as a result, we may have to delay or suspend our services, be subject to consumer claims, fail to comply with continuing regulatory requirements and incur significant costs to rectify such issue, which may have a material and adverse effect on our business, financial condition and results of operations.

We rely on the operation of our ICLs and disruptions to the operation of our ICLs could materially adversely affect our business, financial condition and results of operations.

As of December 31, 2021, we had six laboratories located in Guangzhou, Chengdu, Shanghai, Hefei, Kunming and Nanchang, each aiming to provide diagnostic testing services for our customers in provinces or cities nearby. See "Business—Our Services—Diagnostic Outsourcing Services—Our Independent Clinical Laboratories ("ICLs")" for details. Tests for our diagnostic outsourcing services are usually performed in our own ICLs. As such, diagnostic outsourcing services is heavily dependent on normal operation of such six ICLs. Such dependence subjects us to risks relating to ICLs' failure to perform our diagnostic outsourcing services as anticipated. Unexpected damage to or natural aging of the facilities, equipment or instruments in our ICLs may result in interruption of the performance of our diagnostic outsourcing services. Some of the licenses that ICLs hold are subject to periodic renewal. If we fail to maintain or one or more of our licenses and certificates when their current term expires, or obtain such renewals on a timely manner, our operations could be disrupted.

We face risks in the transportation of test samples.

Our logistic department is in charge of the transportation of test samples, including control of temperature and humidity of the condition in which the test samples are stored throughout the transportation process. It is responsible for collecting the test samples from medical institutions and then delivering the samples to our ICLs. Most of the test samples are collected from the medical institutions near our ICLs. For medical institutions located distant from our ICLs, the test samples will be delivered by air freight or train depending the type of diagnostic tests and the nature of the samples. During the transportation process, the test samples may be contaminated, whether or not at our fault. In such event, the diagnostic testing results may become inaccurate and we may have to re-collect such samples from the patients, which will incur additional costs and resources. Accordingly, our reputation, financial conditions and results of operation may be materially and adversely affected.

Acquisitions of and investments in other businesses may subject us to risks and uncertainties.

We plan to pursue potential acquisition and investment opportunities to further enhance our diagnostic testing capabilities and expand our business. See "Business—Business Strategies" for details. Such acquisitions or investments may involve significant risks and uncertainties, including distraction of management from current operations, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions and risks relating to market acceptance, loss of key personnel, difficulties in integrating diverse corporate cultures, and increased costs to integrate managerial, operational, financial, and administrative systems. These factors could harm our ability to or realize the anticipated benefits of an acquisition or investment, and could adversely affect our business, financial condition and results of operations. During the Track Record Period, we have made investments in certain companies or projects which were later terminated, which had an impact on our financial condition and results of operations. Any acquisition or investment may also cause us to assume liabilities, increase our expenses and working capital requirements, or subject us to litigation, which would reduce our return on invested capital.

Failure to manage the acquisitions and investments we make could materially harm our business and operating results. We may be unable to manage an acquired entity profitably or successfully integrate its operations with our own, achieve the expected synergies with our existing operations and to fulfill the contemplated purposes of the acquisition. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and may be beyond our control. Also, the synergies from our acquisition or investment may be offset by costs incurred in the acquisition, increases in other expenses, operating losses or other problems in the business. As a result, there can be no assurance that these synergies will be achieved.

If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

We are subject to the anti-bribery laws in the PRC that generally prohibits companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. As our business expands, the applicability of the applicable anti-bribery laws to our operations has increased. Although we have policies and procedures designed to ensure that we, our employees, our agents or any persons working on our behalf comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent them from engaging in bribery activities and our procedures and controls to monitor compliance with anti-bribery law may fail to protect us from reckless or criminal acts committed by our employees, agents or any persons working on our behalf. If we fail to comply with the applicable anti-bribery laws due to either our own deliberate or inadvertent acts or those of others, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

If we fail to implement our business strategies effectively, our business, financial condition and results of operations may suffer.

As part of our business strategy, we intend to further expand our diagnostic testing services and advance our service portfolio. For more details, see "Business—Business Strategies." Generally, we are subject to the following risks associated with our business strategy:

- significant demand on our management's time and attention and diversion of resources from our expansion may be costly and time-consuming and may require us to obtain third-party financing, which may not be available on commercially acceptable terms;

- uncertainties associated with the local rules and regulations which we may not be familiar with;

- failure to achieve the expected operating levels, target return on investment or intended benefits or operating synergies from new business opportunities; and/or

- our due diligence may not uncover all unknown or contingent liabilities or other negative developments with respect to acquired targets.

There is no assurance that our expansion strategies will be successful. To manage and support our growth, we may need to improve our existing operational and administrative systems, as well as our financial and management controls. If we fail to expand at our expected pace, we may face capacity constraints in the future which may adversely affect our business and financial condition. We also need to continue to properly maintain our relationships with our customers and suppliers. All of these endeavors will require substantial management attention and efforts and significant additional expenditures.

We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business, financial condition and results of operations.

Our future success depends on our ability to retain key management as well as experienced and capable personnel, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.

Our business and growth depend on the continued service of our key management and personnel to provide diagnostic testing services and our sales and marketing team to promote our services. Although we have formal employment agreements with each of our employees, these agreements do not prevent them from terminating their employment with us at any time. We do not maintain key person insurance for any of our executive or other employees. The loss of the services of any of these persons could undermine the quality of our services and impede the development and commercialization objectives.

Furthermore, replacing executive officers, key management, experienced and capable employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully provide, gain regulatory approval of and market our services. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain, or motivate these key personnel on acceptable terms given the competition among numerous diagnostic testing service providers for similar personnel.

Our self-developed testing processes and methodologies are complex and may contain errors or may not operate properly, which could adversely affect our business, financial condition and results of operations.

We have developed testing processes and methodologies to support our operations, including our intelligence medical data platform, intelligence medical logistics system, remote pathology consultation platform, quality management system, pathology quality control system and regional examination information system. Technology development is time-consuming, expensive and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our technologies from operating properly and consequently adversely affect our information infrastructure and other aspects of our business where these technologies are applied. If our solution does not function reliably or fails to achieve customers' and business partners' expectations in terms of performance, we may lose existing, or fail to attract new, customers or business partners, which may damage our reputation and adversely affect our business.

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

We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, the COVID-19 outbreak in PRC and worldwide has adversely affected, and may continue to adversely affect PRC's economy, which in turn may have a material adverse impact on our business, results of operations and financial condition.

We are vulnerable to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics, and other catastrophes, which may materially and adversely affect our business. Since December 2019, a novel strain of coronavirus or COVID-19, has become widespread in China and around the world. In March 2020, the World Health Organization declared the COVID-19 pandemic. Since early 2020, China and many other countries have taken various restrictive measures to contain the COVID-19 outbreak, such as mandatory quarantine, travel restrictions and stay home orders. The level of new local infections in China have fluctuated since early 2020. Generally, the spread of COVID-19 has slowed. However, spikes in infection levels have occurred towards early 2021 and early 2022.

While COVID-19 has begun to show signs of stabilizing in certain areas of the PRC and the economy of the PRC has started to recover, the downturn brought by and the duration of the COVID-19 outbreak is difficult to assess or predict and the full impact of the COVID-19 outbreak on our operations will depend on many factors beyond our control. Our business, results of operations, financial condition and prospects could be materially adversely affected to the extent that COVID-19 harms the PRC and global economy in general. Our business operations could be disrupted if any of our employees is suspected of contracting COVID-19, since our employees could be quarantined and/or our offices may be shut down for disinfection. In addition, we may experience inventory shortage if our suppliers of testing kits and equipment continue to be affected by COVID-19. The extent to which the COVID-19 outbreak may impact our business, results of operations and financial condition remains uncertain, and we are closely monitoring its impact on us. To the extent the COVID-19 pandemic may adversely affect our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

Any material litigations arising from disputes between our hospital customers and us may adversely affect our business, financial condition and results of operations.

We have assisted in establishing and will continue to assist in establishing and operating on-site diagnostic centers to provide diagnostic testing services. If there is a material litigation arising from dispute with our member hospitals in connection with the performance of a party's obligations or the scope of a party's responsibilities under medical institution alliances, we may not be able to resolve such disputes through negotiation. In the event a material dispute cannot be resolved, their business and operations may be terminated by mutual consent of the parties or as a result of a material breach of one party. In addition, the operational, financial or other conditions of our member hospitals may deteriorate, which may adversely affect their ability to continue to perform their obligations under this collaboration, which in turn could have an adverse impact on our business. In the event that any of the above occurs, our financial condition and results of operations may be adversely affected.

We face risks related to claims from patients, physicians or hospitals, which may have adverse impact on our reputation, financial condition and results of operations.

We may be subject to claims from patients, physicians and hospitals for any inaccurate test results produced in our ICLs or at these on-site diagnostic centers, which may occur even if protocols were strictly followed and tests were correctly performed. Moreover, even if test results were correct, we may be subject to claims if physicians do not make the correct medical diagnosis or if there is medical malpractice. Any of these above could lead to disputes with patients and/or their families or the medical professionals. Any dispute or legal proceeding with patients and/or their families or the medical professionals, regardless of its merit or eventual outcome, could result in significant legal costs and reputational damage to us, and further affect our business, financial condition and results of operations.

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

We need to ensure optimal inventory levels of reagents and pharmaceuticals for our diagnostic testing services. For the years ended December 31, 2018, 2019, 2020 and 2021, our inventory turnover days were 27 days, 15 days, 13 days and 15 days, respectively. We are exposed to inventory risk as a result of rapid changes in inventory life cycles, changing customers' needs, technology development, uncertainty of service portfolio developments, manufacturer back orders and other related problems as well as the volatile economic environment in the PRC. There can be no assurance that we can accurately predict these trends and events and avoid over-stocking or under-stocking of reagents and pharmaceuticals. Further, demand for diagnostic testing services could change significantly between the time when the reagents and pharmaceuticals are ordered and the time when they are ready for delivery. When we begin to provide a new type of diagnostic testing service, it is particularly difficult to forecast service demand accurately. Inventory levels in excess of service demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a potential negative effect on our liquidity. Conversely, if we underestimate service demand or if our suppliers fail to provide reagents and pharmaceuticals to us in a timely manner, we may experience inventory shortage, which may, in turn, result in unfulfilled service orders, leading to an adverse effect on our relationships with customers.

If we fail to comply with environmental, health and safety laws and regulations, we could be subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations may involve the use of hazardous and flammable materials, including chemicals. Our operations may also produce hazardous waste products. We cannot eliminate the risk of contamination or injury from these materials. We also engage third-party medical waste disposal companies to handle certain of our waste products, and cannot guarantee that they will comply with relevant laws and regulations. In the event of contamination or injury resulting from our use of hazardous materials or our or third parties' disposal of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

We may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research or development efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

We rely on subcontractors to conduct a portion of our business activities.

We outsource a portion of our testing services to subcontractors. For the years ended December 31, 2018, 2019, 2020 and 2021, our subcontracting costs paid to these subcontractors amounted to RMB81.4 million, RMB81.2 million, RMB80.6 million and RMB95.0 million, respectively. For details, see "Business—Suppliers and Procurement." As such, our operations will be affected by the performance of these subcontractors. Although from time to time, we monitor the work of these subcontractors to ensure that they are carrying out their work on time, on budget and in accordance with our specifications and quality control standards, we may not be able to directly control the quality of their work. In addition, we may be involved in disputes with our subcontractors, which could lead to additional expenses, distractions and additional costs, any of which could materially and adversely affect our business, financial conditions and results of operations. We may also be held directly liable or liable for compensation to the extent of our faults regardless of any contractual provisions to the contrary in the event of any safety-related accident involving a subcontractor. Any failure by subcontractors to meet our quality, safety and data protection requirements could also affect our compliance with applicable government rules and regulations, which may have a material and adverse effect on our business, financial conditions and results of operations.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make social insurance and housing provident funds for our employees. In the past, our PRC subsidiaries have failed to make full contribution to the social insurance and housing provident funds. For details, see "Business—Legal Proceedings and Regulatory Compliance." We have made provisions of RMB12.2 million, RMB14.6 million, RMB4.2 million and RMB15.8 million for the social insurance and housing provident fund contribution shortfall in 2018, 2019, 2020 and 2021, respectively. As advised by our PRC Legal Advisers, the relevant PRC authorities may require us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to pay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the amount of the overdue payment. In case we fail to make payments of outstanding housing fund contributions within the specified timeframe, we may be subject to an order from the relevant people's courts to make such payment. In addition, we cannot guarantee that the amount of social insurance contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfalls or be subject to any penalties or fines, any of which may have a material and adverse effect on our business and results of operations.

Some of our leased properties have title defects and did not complete registration procedures at relevant authorities.

We have a number of title defects relating to our leased properties. For details, see "Business—Property—Leased Property." As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to these leased properties which the relevant lessors do not hold valid title certificates. If the title of any leased properties were successfully challenged, we may be forced to relocate our operations on the affected properties and we may have to cease our operation activities in the event we face challenges in relation to our properties. If we fail to find suitable replacement properties or terms acceptable to us for the affected operations, our business, financial condition and results of operations may be materially and adversely affected. Furthermore, as of the Latest Practicable Date, we did not complete registration procedures with respect to certain leases and we may be subject to fines and penalties imposed by government authorities.

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

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our suppliers, customers, subcontractors, business partners and other third parties that we engage for our business operations. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs and may cause a distraction to our management. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business projects. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and services. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

The discontinuation of any preferential tax treatment or government grants currently available to us could adversely affect our financial position, results of operations, cash flows and prospects.

The EIT Law and its implementing rules permit certain "high-technology enterprises strongly supported by the state" which hold independent ownership of core intellectual property and simultaneously meet a list of other criteria, financial or non-financial, as stipulated in the implementation rules of the EIT Law, to enjoy a reduced 15% enterprise income tax rate subject to certain new qualification criteria. Three of our operating subsidiaries, namely Yunkang Health, Chengdu Daan and Guangzhou Daan, have been recognized by the local provincial level Municipal Science and Technology Commission, Finance Bureau, and State and Local Tax Bureaus as "high and new technology enterprises" and were further registered with the local tax authorities to be eligible to the reduced 15% enterprise income tax rate. The continued qualification of a "high and new technology enterprise" will be subject to annual evaluation and a three-year review by the relevant government authority in PRC. If any of our subsidiaries fail to maintain the "high and new technology enterprise" qualification or renew such qualification when the valid term expires, their applicable enterprise income tax rate may increase to up to 25%, which could have a material adverse effect on our financial condition and results of operations.

In addition, *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* exempts certain medical institutions which provide diagnostic testing services for the purposes of medical treatment from value-added tax. Our six ICLs have been registered by the local health commissions as medical institutions and were further registered with local tax authorities to be exempt from value-added tax in respect of providing medical services. The continued qualification of medical institution will be subject to annual evaluation and five-year review by the relevant government authority in the PRC. If any of our ICLs fail to maintain the medical institution qualification or renew such qualification when the valid term expires, they may lose their exemption from value added tax and would then be subject to a value-added tax rate of up to 6% which could have a material adverse effect on our financial condition and results of operations.

Preferential tax treatment and exempted tax status granted to us and our ICLs by governmental authorities are subject to review and may be adjusted or revoked at any time. The discontinuation of any preferential tax treatments or exempted tax status currently available to us and our ICLs will cause our effective tax rate to increase, which could have a material adverse effect on our financial condition and results of operations. We cannot assure you that we will be able to maintain our current effective tax rate in the future.

In addition, we have received governmental grants recognized as other income in financial statement in the amount of RMB4.7 million, RMB5.9 million, RMB2.9 million and RMB6.2 million, respectively, for the years ended December 31, 2018, 2019, 2020 and 2021. Government agencies may decide to reduce or eliminate grants at any time. We cannot assure you of the continued availability of the government grants currently enjoyed by us. The discontinuation of these governmental grants could adversely affect our financial condition and results of operations.

Fluctuations in the value of the Renminbi may have a material adverse effect on our business.

All of our business is conducted in Renminbi. However, following the [**REDACTED**], we may also maintain a significant portion of the [**REDACTED**] in Hong Kong dollars before they are used in our PRC operations. The value of the Renminbi against the US dollar, Hong Kong dollar and other currencies may be affected by changes in the PRC government's policies and international economic and political developments. As a result of these and any future changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the US dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars, which are pegged to the US dollar, of our cash flows, revenue, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. An appreciation of the Renminbi against the US dollar or the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert US dollars or Hong Kong dollars into Renminbi for such purposes.

Security breaches, loss of data, and other disruptions could compromise sensitive information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, as a provider of medical operation services, we collect and store sensitive data, including protected health information and personally identifiable information owned or controlled by ourselves or our customers and other parties. These applications and data encompass a wide variety of personal-critical information, including age, gender, disease status and medical records. We face a number of risks related to protecting this critical information, including loss of access risk, inappropriate use or disclosure, inappropriate modification, and the risk of our being unable to adequately monitor, audit, and modify our controls over our critical information.

The secure processing, storage, maintenance, and transmission of this critical information are vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance, or other malicious or inadvertent disruptions. In addition, while we have implemented security measures and a formal, dedicated enterprise security program to prevent unauthorized access to sensitive data, such data is currently accessible through multiple channels, and there is no guarantee we can protect our data from breach. Unauthorized access, loss, or dissemination could also result in delays of our services optimization and commercialization as well as damage our reputation, including our ability to conduct research and development activities, collect, process, and prepare company financial information, provide information about patient and physician education and outreach efforts through our website, and manage the administrative aspects of our business. Any such unauthorized access, loss or dissemination of information could also result in legal claims or proceedings, liabilities under PRC laws and regulations in relation to the protection of personal information and cybersecurity as well as those specifically governing patient and medical data.

Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection.

During the ordinary course of business, we may receive medical data of patients that are collected and delivered to us for diagnostic testing. As such, we are subject to the relevant data protection and privacy laws, directives regulations and standards that apply to the use, retention, protection and other processing of data in the China. These data protection and privacy law regimes continue to evolve and may result in increasing public scrutiny and escalating levels of enforcement and sanctions and increased costs of compliance. For details, see "Regulations—Regulations Relating to Data Security and Personal Information Protection." Failure to comply with any of these laws could result in enforcement action against us, including fines, imprisonment of company officers and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our business, financial condition, results of operations or prospects.

Complying with all applicable laws, regulations, standards and obligations relating to data privacy, security, and transfers may cause us to incur substantial operational costs or require us to modify our data processing practices and processes. Non-compliance could result in proceedings against us by data protection authorities, governmental entities or others, including class action privacy litigation in certain jurisdictions, which would subject us to significant fines, penalties, judgments and negative publicity. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, including changes in laws, regulations and standards or new interpretations or applications of existing laws, regulations and standards, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, severe criminal or civil sanctions and reputational damage. Any of the foregoing could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation.

We maintain insurance policies that are required under PRC laws and administrative regulations as well as based on our assessment of our operational needs and industry practice. However, we cannot assure that our insurance coverage will be sufficient or available to cover damage, liabilities or losses we may incur in the ordinary course of our business. Our insurance coverage may be insufficient to cover any claim for medical disputes, damage to our fixed assets or employee injuries. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources. In addition, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses and there is an insufficiency or unavailability of insurance, we could suffer significant costs and diversion of our resources, and thereby materially and adversely affect our business, financial condition and results of operation.

Our future success depends on our ability to promote our brand and protect our reputation. If we are unable to effectively promote our brand, our business may be adversely affected.

We believe that enhancing and maintaining awareness of our "Yunkang" brand is critical to achieving widespread acceptance of our diagnostic testing services, gaining trust for our testing services and attracting new customers including member hospitals, insurance companies and individuals. Successful promotion of our brand depends largely on the quality of the services we offer and the effectiveness of our branding and marketing efforts. Currently, we rely primarily on our own sales and marketing team to promote our brand and our diagnostic testing services. We expect that our branding and marketing efforts will require us to incur significant expenses and devote substantial resources. We cannot guarantee that our sales and marketing efforts will be successful. Brand promotion activities may not lead to increased revenue in the near term, and, even if they do, any revenue increases may not offset the expenses we incur to promote our brand. Our failure to establish and promote our brand and any damage to our reputation will hinder our growth. In addition, our reputation may be undermined as a result of any negative publicity about our Company or our industry in general. If medical operations services provided by us or our competitors do not perform to customers' expectations, it may result in lower confidence in medical operation service market in general, which may in turn impair our operating results and our reputation.

If we fail to implement or maintain adequate internal controls, we may not be able to effectively manage our business and may experience errors or information lapses affecting our business.

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

We may not be able to obtain or maintain sufficient intellectual property rights for our services.

Our success depends in large part on our ability to protect our proprietary technology and services from competition by obtaining intellectual property rights protection. As of the Latest Practicable Date, we owned 31 patents and had made 9 patent applications in the PRC relating to our service portfolio. See "Business—Intellectual Property." If we are unable to obtain patent protection with respect to our technologies, third parties could develop and commercialize technologies similar or identical to ours and compete directly against us. Our ability to successfully commercialize any technology may be adversely affected, and our business, financial condition, results of operations and prospects could be materially harmed.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost or in a timely manner in all desirable territories. In addition, patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application, lack of novelty or inventiveness of the underlying invention or technology, or failure to comply with the confidentiality examination requirement. In the PRC, the National Intellectual Property Administration of the PRC (國家知識產權局) ("**CNIPA**"), may require us to amend our patent applications after substantive examinations, including reducing the patentable coverage, and if we fail to respond within a specified period, our applications will be deemed to be withdrawn. Furthermore, the CNIPA may still reject the patent applications after our amendment.

We may also fail to develop patentable technologies or identify patentable aspects of our research and development output in time to obtain patent protection. In addition, the PRC has adopted the "first-to-file" system under which whoever first files a patent application on an invention will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology which we invented.

If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue providing the affected services.

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties when we provide services and use our own technology. We may also be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. The defense against any of these claims would be both costly and time-consuming, and could significantly divert the efforts and resources of our management and technical personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties or redesign our services, or subject us to injunctions prohibiting us from providing diagnostic services or the use of technologies. To the extent that licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources developing alternative technologies, services may be delayed or suspended, or we may be forced to provide our services with reduced features or functionalities. Protracted litigation could also result in our member hospitals or potential member hospitals deferring, reducing or cancelling their existing agreements with us. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in PRC.

The M&A Rules established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulations require, among other things, that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions of the State Council on Thresholds for Prior Notification of Concentrations of Undertakings (《國務院關於經營者集中申報標準的規定》), effective on August 3, 2008, were triggered. In addition, PRC national security review rules which became effective on September 1, 2011 require acquisitions by foreign investors of PRC companies engaged in military related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. It is not certain whether businesses we may acquire would fall within the scope of industries required for national security review and whether such acquisitions may be required to go through the national security review process. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share, as well as our overall competitiveness.

Adverse changes in political, economic and other policies of PRC government could have a material adverse effect on the overall economic growth of the PRC, which could reduce the demand for our services; and could otherwise materially and adversely affect our business, operations or competitive position.

Substantially all of our business, assets, operations and revenue are located in or derived from our operations in the PRC and, as a result, our business, financial condition, results of operations and prospects are significantly affected by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including, but not limited to:

- the extent of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange;
- the allocation of resources;
- an evolving regulatory system; and
- the level of transparency in the regulatory process.

Although the PRC has experienced rapid economic growth over the past decades, its continued growth has slowed since the second half of 2008. There is no assurance that future growth will be sustained at similar rates or at all. The PRC government implements various measures intended to encourage economic growth and guide the allocation of resources. These measures may include differential policies towards specific groups of biotechnology companies, which may have an adverse effect on us. Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Further, any adverse change in the economic conditions or government policies in the PRC could have a material adverse effect on overall economic growth and the level of healthcare investments and expenditures in PRC, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our business.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has implemented reform measures allowing for an increasingly market-based economy, reduced state ownership of productive assets and established sound corporate governance practices in business enterprises, a substantial portion of the productive assets in PRC is owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Changes and developments in PRC's economic, political and social conditions could adversely affect our financial condition and results of operations. In particular, the diagnostic testing market may grow at a slower pace than expected, which could adversely affect our business, financial condition or results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

All of our operations are conducted in PRC, and are governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in PRC. However, PRC has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in PRC or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new and often give the relevant regulator significant discretion in how to enforce them, and because of the limited number of published decisions and the non-binding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

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

Substantially all of our assets and all of our Directors are located in the PRC. It may not be possible for [**REDACTED**] to effect service of process upon us or those persons in the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "Arrangement"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the

Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for [**REDACTED**] to effect service of process against certain of our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

We may be adversely affected by fluctuations in the global economy and financial markets, and the occurrence of geopolitical events.

Our business may be directly or indirectly affected by fluctuations in the global and/or PRC economy and financial markets, as well as geopolitical events. Since 2018, the trade war between the U.S. government, under the administration of former President Donald J. Trump, and the PRC government created substantial uncertainties and volatilities to global markets. The roadmap to the comprehensive resolution of the trade war remains unclear, and the lasting impact the trade war may have on PRC's economy and the medical operation services industry remains uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected. Additionally, the effect of the official exit of the United Kingdom from the European Union ("Brexit") along with the following negotiations on trade agreements may create negative economic impact and increase volatility in the global market. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue to adversely affect the general demand for our diagnostic testing services. For example, since the beginning of the Sino-U.S. trade war, we had experienced difficulties importing testing kits from abroad. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, our business, financial condition and results of operations may be adversely affected.

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

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the SAT, which became effective retroactively as of January 1, 2008, where a non-resident enterprise investor transfers equity interests in a PRC resident enterprise indirectly by way of disposing of equity interests in an overseas holding company, the non-resident enterprise investor, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at the rate of up to 10%. In addition, the PRC resident enterprise may be required to provide necessary assistance to support the enforcement of Circular 698.

On February 3, 2015, the State Administration of Tax issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7. Public Notice 7 has introduced a new tax regime that is significantly different from that under Circular 698. Public Notice 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, Public Notice 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Public Notice 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an "indirect transfer" by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a "substance over form" principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in PRC. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our Company by [**REDACTED**] that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our Company and other non-resident enterprises of ours may be subject to filing or tax obligations if our Company and other non-resident enterprises of ours are transferors in such transactions, and may be subject to withholding obligations if our Company and other non-resident enterprises of ours are transferees in such transactions, under Circular 698 and Public Notice 7. For the transfer of shares in our Company by [**REDACTED**] that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Circular 698 and Public Notice 7. As a result, we may be required to expend valuable resources to comply with Circular 698 and Public Notice 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company and other non-resident enterprises of ours should not be taxed under these circulars. The PRC tax authorities have the discretion under Circular 698 and Public Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Circular 698 and Public Notice 7, our income tax costs associated with such transactions will be increased, which may have an adverse effect on our financial condition and results of operations. We may conduct additional acquisitions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations.

The PRC government imposes controls on the convertibility between the Renminbi and foreign currencies and the remittance of foreign exchange out of the PRC. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of the PRC for capital-account transactions, such as the repatriation of equity investment in the PRC and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to provide financing to our PRC subsidiaries. Subsequent to this [**REDACTED**], we have the option, as permitted by the PRC foreign investment regulations, to invest the [**REDACTED**] from this [**REDACTED**] in the form of registered capital into our PRC subsidiaries to finance our operations in the PRC. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in the PRC. In addition, our transfer of funds to our subsidiaries in the PRC is subject to approval by PRC governmental authorities in the case of an increase in registered capital. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to provide financing to these subsidiaries, to undertake certain business opportunities and act in response to changing market conditions.

The PRC regulations of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could have a material adverse effect on our liquidity and our ability to fund and expand our business.

As the offshore holding company of our PRC subsidiaries, any capital contributions or loans that we make to our PRC subsidiaries, including from the [**REDACTED**] of our securities [**REDACTED**], are subject to PRC regulations. Any loans by us to our PRC subsidiaries to finance the operations of our PRC subsidiaries, which are foreign-invested enterprises, may not exceed statutory limits and are required to be registered with SAFE or its local branches. We may also decide to finance our PRC subsidiaries by means of capital contributions, in which case the PRC subsidiary is required to register the details of the capital contribution with the local branch of administration of market regulation and submit a report on the capital contribution via the online enterprise registration system to the MOFCOM. We cannot assure you that we will be able to obtain these government approvals or registrations on a timely basis, if at all. If we fail to obtain such approvals or registrations, our ability to use our net [**REDACTED**] from our [**REDACTED**] and to capitalize our operations in PRC may be severely restricted, and could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated the Circular of SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("SAFE Circular 19"), which has become effective and replaced the SAFE Circular 142 since June 1, 2015. SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) ("Circular 16"), effective on June 9, 2016, which, among other things, amend certain provisions of Circular 19. According to Circular 19 and Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope, or to provide loans to persons other than affiliates, unless otherwise permitted under its business scope. Circular 19 and Circular 16 may limit our ability to transfer the net [**REDACTED**] from our securities [**REDACTED**] to our affiliated PRC entities or their respective subsidiaries through our PRC subsidiaries in PRC, which may adversely affect the business expansion of our affiliated PRC entities or their respective subsidiaries, and our affiliated PRC entities and their respective subsidiaries may not be able to convert the net [**REDACTED**] from the [**REDACTED**] into Renminbi to [**REDACTED**] in or acquire any other PRC companies, or establish other variable interest entities in the PRC. See "Regulations—Regulations on Foreign Exchange."

Companies having business in the PRC may have a chance to be classified as a "resident enterprise" for PRC enterprise income tax purposes, and such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.

According to the EIT Law which was promulgated by the SAT on March 16, 2007 and effective on January 1, 2008 and last revised on December 29, 2018, enterprises established under the laws of jurisdictions other than the PRC may nevertheless be considered as PRC tax resident enterprises for tax purposes if these enterprises have their "de facto management body" within the PRC. Under the supplementary rules for the PRC EIT Law, the term "de facto management body" is defined as a body which substantially manages, or has control over the business, personnel, finance and assets, etc. of an enterprise. Since we are conducting business in the PRC through our PRC subsidiaries and some of the members of our management team continue to be located in the PRC after the effective date of the PRC EIT Law and as we expect them to continue to be located in the PRC for the foreseeable future, we may be considered as a PRC resident enterprise by the PRC tax authorities and therefore be subject to the EIT at the rate of 25% on our worldwide income. If we are considered by the PRC tax authorities as a PRC tax resident enterprise under the PRC tax regime, our business, financial condition and operating results may be materially and adversely affected.

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

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("SAFE Circular 37"), on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfil the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

We have requested our beneficial owners who are subject to SAFE regulations to make the necessary registrations under SAFE regulations. Our ultimate Controlling Shareholder, Mr. Zhang Yong, had registered with the local SAFE branch under SAFE Circular 37 in July 2019. However, we may not at all times be fully aware or informed of the identities of all of our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with SAFE Circular 37; nor can we ensure you that their registrations, if they choose to apply, will be successful. The failure or inability of our PRC resident beneficial owners to make any required registrations or comply with these requirements may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans (including using the [**REDACTED**] from the [**REDACTED**]) to our operations in PRC, limit our PRC subsidiary's ability to pay dividends or otherwise distribute profits to us, or otherwise materially and adversely affect us.

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

Pursuant to the EIT Laws, we may be treated as a PRC resident enterprise for PRC tax purposes. See "—Companies having business in the PRC may have a chance to be classified as a "resident enterprise" for PRC enterprise income tax purposes, and such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders" for details. If we are so treated by the PRC tax authorities, we may be obligated to withhold PRC income tax on payments of dividends on our ordinary shares to investors that are non-resident enterprises of the PRC because the dividends payable on our Shares may be regarded as being derived from sources within the PRC. The withholding tax rate would generally be 10% on dividends paid to non-resident enterprises. In addition, if we are treated as a PRC tax resident enterprise, any gain realized by investors who are non-resident enterprises of the PRC from the transfer of our ordinary shares may be regarded as being derived from sources within the PRC and be subject to withholding tax at the rate of 10%. The PRC tax may be reduced under applicable tax treaty.

Moreover, if we are treated as a PRC resident enterprise, it is possible that a non-resident individual investor would be subject to PRC individual income tax at a rate of 20% under the PRC Individual Income Tax Law (《中華人民共和國個人所得税法》) (the "IITL"), on dividends paid to such investor (which tax on dividends may be withheld at source) and any capital gains realized from the transfer of our ordinary shares if such dividends and gains are deemed income derived from sources within the PRC. The PRC tax rate may be reduced under applicable tax treaty. A non-resident individual is an individual who is not domiciled in the PRC and does not reside within the PRC or has resided within the PRC for less than one year. Pursuant to the IITL and its implementation rules, the taxable gain from the transfer of our ordinary shares will be based on the total amount obtained minus all the costs and expenses that are permitted under PRC tax laws to be deducted from the income. The foregoing PRC tax may reduce your [**REDACTED**] return on our ordinary shares and may also affect the [**REDACTED**] of our ordinary shares.

RISKS RELATING TO CONTRACTUAL ARRANGEMENTS

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

Foreign ownership of certain business in PRC is subject to restrictions under current PRC laws and regulations. For example, except for qualified service providers from Hong Kong, Macao and Taiwan, foreign investors are not allowed to own 100% of the equity interest in medical institutions.

We are an exempted company incorporated in the Cayman Islands, as such, we are classified as a foreign enterprise under PRC laws and regulations. Through our wholly-owned PRC subsidiary, WFOE, we have entered into a series of Contractual Arrangements with Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic, our Consolidated Affiliated Entities and their Registered Shareholders. Please see "Contractual Arrangements" for a detailed description of the Contractual Arrangements. Through our shareholdings and the Contractual Arrangements, our Company acquired effective control over Consolidated Affiliated Entities and, at our Company's sole discretion, can receive all of the economic interest returns generated by Consolidated Affiliated Entities.

As advised by our PRC Legal Advisers, save as disclosed in "Contractual Arrangements—Legality of The Contractual Arrangements," the Contractual Arrangements are legal, valid, enforceable and binding upon the parties thereto under the current laws and regulations. Please see "Contractual Arrangements—Legality of The Contractual Arrangements" for details. However, our PRC Legal Advisers have also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. In addition, certain PRC court rulings invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of the PRC Civil Law. Accordingly, there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC Legal Advisers.

On March 15, 2019, the second meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "FIL") which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as "Foreign Investors"). However, the interpretation and application of the FIL remain uncertain. In addition, the FIL stipulates that foreign investment includes "Foreign Investors investing in PRC through many other methods under laws, administrative regulations or provisions prescribed by the State Council." We cannot assure you that the Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the Contractual Arrangements. If our ownership structure, Contractual Arrangements and business or that of Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violations, including:

- levying fines on us;

- confiscating our income or the income of our Consolidated Affiliated Entities;

- revoking our business licenses and/or operating licenses;
- shutting down our institutions;
- discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would result in us failing to receive a portion of the economic benefits from Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic, which in turn may materially and adversely affect our business, financial condition and results of operations.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and the Contractual Arrangements. In addition, if any equity interest held by WFOE in Consolidated Affiliated Entities is held in the court custody in connection with its litigation, arbitration or other judicial or dispute resolution proceedings, we cannot assure you that the equity interest will be disposed of to us in such proceedings in accordance with the Contractual Arrangements. The occurrence of any of these events could adversely affect our business, financial condition and results of operations.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and our Consolidated Affiliated Entities and their shareholders may fail to perform their obligations under our Contractual Arrangements.

We provide business support, technical and consulting services to our Consolidated Affiliated Entities, Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic, in which we have no ownership interest and rely on the Contractual Agreements with our Consolidated Affiliated Entities and their shareholders to control and operate the relevant business. Although we have been advised by our PRC Legal Advisers that save as disclosed in the section headed "Contractual Arrangements—Legality of The Contractual Arrangements," our Contractual Arrangements constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these Contractual Arrangements may not be as effective in providing us with control over Yunkang Industry as direct ownership. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of Consolidated Affiliated Entities, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level. If any Consolidated Affiliated Entity fails to perform its respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these Contractual Arrangements will be resolved through arbitration or litigation in PRC. However, the legal system in PRC is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how Contractual Arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce these Contractual Arrangements. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Consolidated Affiliated Entities, injunctive relief and/or winding up of these entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief to issue a provisional or final liquidation order. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over Consolidated Affiliated Entities and may not prevent leakage of equity and values to the minority shareholder of the Consolidated Affiliated Entities or obtain the full economic benefits of the same. Our ability to conduct our business may be negatively affected.

Our Contractual Arrangements may result in adverse tax consequences to us.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that our Contractual Arrangements were not made on an arm's length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could materially and adversely affect us by (i) increasing the tax liabilities of Consolidated Affiliated Entities without reducing the tax liability of WFOE; or (ii) limiting the ability of Consolidated Affiliated Entities to obtain or maintain preferential tax treatments and other financial incentives.

The shareholders of Consolidated Affiliated Entities may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

Our control over Consolidated Affiliated Entities is based upon the Contractual Arrangements with, among others, Consolidated Affiliated Entities' Registered Shareholders. These Registered Shareholders may potentially have a conflict of interest with us, and it may breach its agreements with us or if it otherwise acts in bad faith, if it believes the Contractual Arrangements would adversely affect its own interests. We cannot assure you that when conflicts of interest arise between us and Consolidated Affiliated Entities Registered Shareholders, Consolidated Affiliated Entities will act completely in our interests or that the conflicts of interest will be resolved in our favor. If any Consolidated Affiliated Entity does not act completely in our interests or the conflicts of interest between us and it are not resolved in our favor, our business and financial condition may be materially and adversely affected.

Currently, we do not have arrangements to address the potential conflicts of interest faced by the ultimate beneficial owners of Consolidated Affiliated Entities in their dual capacity as beneficial owners of our Group. We rely on the ultimate beneficial owners of Consolidated Affiliated Entities to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to us and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of the PRC and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime.

In addition, Consolidated Affiliated Entities' Registered Shareholders may breach or refuse to renew, or cause any Consolidated Affiliated Entity to breach or refuse to renew, the Contractual Arrangements with us. If any Consolidated Affiliated Entity's Registered Shareholders or Consolidated Affiliated Entity breaches its agreements with us or otherwise have disputes with us, we may have to initiate arbitration or other legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly distract our management's attention, adversely affect our ability to control Consolidated Affiliated Entities and otherwise result in negative publicity and adversely affect our reputation. We cannot assure you that the outcome of any such dispute or proceeding will be in our favor.

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

In October 2019, we entered into a series of Contractual Arrangements with Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic, our Consolidated Affiliated Entities and their Registered Shareholders. Pursuant to the contractual arrangements, WFOEs or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in Consolidated Affiliated Entities from their Registered Shareholders for a nominal price.

The equity transfer may be subject to the approvals from and filings with the SAMR and other competent governmental authorities and/or their local competent branches. Besides, the equity transfer price may be subject to review and tax adjustment by the relevant tax or commerce authority. The Registered Shareholders of Consolidated Affiliated Entities will pay the equity transfer price they receive to Consolidated Affiliated Entities under the contractual arrangements. The amount to be received by Consolidated Affiliated Entities may also be subject to enterprise income tax. Such tax amounts could be substantial.

RISKS RELATING TO THE [REDACTED]

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

Prior to completion of the [**REDACTED**], there has been no public market for our [**REDACTED**]. The [**REDACTED**] for our Shares was the result of negotiations among us and [**REDACTED**] and the [**REDACTED**] may differ significantly from the [**REDACTED**] for our Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of and permission to [**REDACTED**]. There is no assurance that the [**REDACTED**] will result in the development of an active, liquid public [**REDACTED**] for our Shares. The [**REDACTED**] of our Shares may drop below the [**REDACTED**] at any time after completion of the [**REDACTED**].

We may be subject to additional regulatory requirements if certain new draft regulations in relation to variable interest entity are implemented in China.

On December 24, 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) ("**Draft VIE Regulations**"). The Draft VIE Regulations have imposed a number of regulatory requirements for listing applicants adopting a variable interest entity structure through contractual arrangements. As of the Latest Practicable Date, the Draft VIE Regulations were in draft form and had not come into effect.

On December 24, 2021, the spokesperson of the CSRC held a press conference in relation to the Draft VIE Regulations ("**Press Conference**"), during which it was stated that the principle of non-retroactivity of the law would be followed and the CSRC would start with the incremental enterprises (new applicants), i.e., impose filing procedures on incremental enterprises as well as stock enterprises (existing applicants) with refinancing requests, while filing by other stock enterprises will be arranged separately so as to give them a sufficient transitional period. However, the spokesperson of the CSRC did not provide a clear definition of these terms. Therefore, whether our Company, for the purpose of the [**REDACTED**], is an "incremental enterprises" or a "stock enterprises" is subject to further explanation by the CSRC.

We cannot guarantee that we will be categorized as an "stock enterprise" by the CSRC. If we are categorized as a "stock enterprise", we may have to incur significant time, costs and resources to comply with these regulatory requirements. Further, even if we are categorized as a "stock enterprise," we may still face more stringent regulatory requirements as compared to its current status. As such, our business operations may be materially and adversely affected.

Purchasers of our [REDACTED] in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our [**REDACTED**] is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**]. Therefore, if we distribute our net tangible assets to our Shareholders immediately following the [**REDACTED**], [**REDACTED**] of our [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible assets and will receive less than the amount they paid for their Shares.

In order to expand our business, we may consider [**REDACTED**] and issuing additional Shares in the future. We may also raise additional funds to finance future acquisitions or expansions of our business operations by issuing [**REDACTED**] Shares or other securities of our Company in the future. As a result, [**REDACTED**] of our [**REDACTED**] may experience dilution in the net tangible assets value [**REDACTED**] of their [**REDACTED**] in the [**REDACTED**] and such newly issued Shares or other securities may confer rights and privileges that have priority over those of the then Shareholders.

The liquidity and [REDACTED] of our [REDACTED] may be volatile, which may result in substantial losses for [REDACTED] or [REDACTED] pursuant to the [REDACTED].

The [**REDACTED**] of our [**REDACTED**] may be volatile as a result of the following factors, as well as others, which are discussed in this "Risk Factors" section or elsewhere in this document, some of which are beyond our control:

- variations in our financial position and/or results of operations;
- unexpected business interruptions resulting from, among others, natural disasters or power shortage;
- our inability to compete effectively in the market;
- major changes in our key personnel or senior management;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- changes in laws and regulations in PRC;
- changes in securities analysts' estimates of our financial condition and/or results of operations, regardless of the accuracy of information on which their estimates are based;

- changes in [**REDACTED**] perception of us and the [**REDACTED**] environment generally;
- fluctuations in stock [**REDACTED**] and volume;
- announcement made by us or our competitors;
- changes in [**REDACTED**] adopted by our competitors;
- political, economic, financial and social developments in PRC and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. For instance, the global stock markets witnessed drastic price drops during the financial market crisis begun around the middle of 2008, and the effect of Brexit in January 2020 along with the following negotiation between the United Kingdom and the European Union has and may continue to create negative economic impact and increase volatility the global market. These developments include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, in interest expenses on our bank borrowings, or reduction of the amount of banking loans currently available to us. If we experience such fluctuations, results of operations and financial position could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the [**REDACTED**] of our [**REDACTED**].

The [REDACTED] of our [REDACTED] when [REDACTED] begins could be lower than the [REDACTED] as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time [REDACTED] begins.

The [**REDACTED**] is HK$[**REDACTED**] per [**REDACTED**]. However, the [**REDACTED**] will not commence [**REDACTED**] until they are [**REDACTED**]. As a result, [**REDACTED**] may not be able to sell or otherwise [**REDACTED**] during that period. Accordingly, [**REDACTED**] are subject to the risk that the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between [**REDACTED**].

Our Controlling Shareholders or management have substantial control over our Company and its interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the [**REDACTED**], our Controlling Shareholders will remain having substantial control over their interests in the issued share capital of our Company. Subject to the Articles of Association, the Companies Ordinance and the Listing Rules, the Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of our Company, will be able to exercise significant beneficial ownership of the share capital of our Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to use and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. Therefore, our Controlling Shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. The interests of the Controlling Shareholders may differ from the interests of our Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interest of other Shareholders, the interest of other Shareholders can be disadvantaged and harmed.

Payment of dividends is subject to restrictions under the PRC law and there is no assurance whether and when we will pay dividends.

No dividend has been paid or declared by our Company during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under HKFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under HKFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

[REDACTED] may experience difficulties in enforcing their Shareholder rights because we are incorporated in the Cayman Islands and the protection afforded to minority Shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by our Memorandum, Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or those of other jurisdictions where [**REDACTED**] may be located. As a result, minority Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or in other jurisdictions. A summary of the Cayman Companies Act on protection of minority shareholders is set out in "Summary of the Constitution of Our Company and Cayman Islands Companies Law—Summary of the Constitution of the Company—2. Articles of Association—2.20 Rights of minorities in relation to fraud or oppression" in Appendix III to this document.

Certain statistics contained in this document are derived from publicly available official sources and may not be fully reliable.

Certain statistics contained in this document relating to China, the PRC economy and the industry in which we operate have been derived from various official government sources. We have taken reasonable care in the reproduction or extraction of such information for the purpose of disclosure in this document. However we cannot guarantee the quality or reliability of such information derived from official government sources. They have not been prepared or independently verified by us, the [**REDACTED**] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such information, from official government sources, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between information from official government source and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced from other sources. In all cases, [**REDACTED**] should give consideration as to how much weight or importance they should attach to or place on such information from official government source.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

There may be coverage in the media regarding the [**REDACTED**] and our operations. There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**], which contained, among other matters, certain financial information, projections, valuations and other forward-looking information about us and [**REDACTED**]. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, [**REDACTED**] should read the entire document carefully and should not rely on any of the information in press articles or other media coverage. [**REDACTED**] should only rely on the information contained in this document to make [**REDACTED**] about us.

Forward-looking information in this document is subject to risks and uncertainties.

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words "anticipate," "believe," "estimate," "expect," "plans," "prospects," "going forward," "intend" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.