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## RISK FACTORS

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*[REDACTED] in our Shares involves risks. Before deciding to [REDACTED] in the Shares, you should carefully consider all of the information in this Document, including the following risk factors, in light of the circumstances and your own [REDACTED] objectives. The occurrence of any of the following events could materially adversely affect our business, financial condition and results of operations, in which case the [REDACTED] of our Shares could also decline, and you could lose part or all of your [REDACTED]. You should pay particular attention to the fact that we are an exempted company incorporated in the Cayman Islands and that our principal operations are conducted in the PRC and are governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

#### **Failure to monetize our MedSci platform may materially and adversely affect our business, financial condition and results of operations.**

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

#### *Precision Omni-channel Marketing Solutions*

During the Track Record Period, we derived a majority of our revenue from precision omni-channel marketing solutions to pharmaceutical and medical device companies. As a result, our business is highly dependent on our ability to retain existing and engage new pharmaceutical and medical device companies, especially those in the innovative drug and device market. Our ability to continue to retain and attract pharmaceutical and medical device companies depends on our ability to create value for participants in the healthcare industry, particularly our ability to provide cost-efficient targeted digital marketing means to achieve the desired results and meet the marketing needs of pharmaceutical and medical device companies. We leverage our large physician user base and data to provide precision omni-channel marketing solutions, and our revenue from digital marketing is tied directly to our ability to maintain a large and engaged physician user base. If we are unable to retain our existing users and attract new users, especially physician users in specialties of interest to the pharmaceutical and medical device companies we serve, to our platform, pharmaceutical and medical device companies will be less interested in collaborating with us, which would have a material and adverse effect on our business, results of operations, financial condition and prospects. See “— If we fail to retain existing customers or add new customers, our revenue, operating results, financial condition and business may be significantly harmed” for more details.

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In addition, our ability to maintain and increase revenue generated from existing pharmaceutical and medical device companies and new pharmaceutical and medical device companies for our precision omni-channel marketing solutions also depends on a variety of factors, including but not limited to:

- demand for and market acceptance of our solutions, or digital promotion in general, by pharmaceutical and medical device companies;
- factors relating to pharmaceutical and medical device companies’ budget cycles and other factors that may affect the timing of promotional campaigns for specific products or demand for our solutions by our pharmaceutical and medical device companies;
- changes in pharmaceutical and medical device companies demand as a result of delays or changes in product approvals, changes in marketing strategies, modifications of pharmaceutical and medical device companies’ budgets and similar matters;
- the length of sales cycles and fulfillment periods of our solutions to pharmaceutical and medical device companies;
- the timing of new solution introductions and product enhancements by us; and
- the potential emergence of competing digital platforms, the failure of our solutions, services or tools to meet pharmaceutical and medical device companies’ expectations or to provide desired results.

Any failure to retain existing pharmaceutical and medical device companies or engage new pharmaceutical and medical device companies as a result of these or other factors may materially and adversely affect our business, results of operations, financial condition and prospects.

### *Physician Platform Solutions*

A significant amount of our revenue is derived from our physician platform solutions. We offer a variety of services under our physician platform solutions to address physicians’ life-long research and learning needs and our exact fee rate for certain premium contents depends on a number of factors, such as the pricing of competitors’ products and costs incurred in preparing such premium contents. Our physician platform primarily includes useful information, online courses and research tools that address the clinical study and education needs of physicians and we use a freemium model to acquire subscribing users. Most of our clinical knowledge information and research tools are free of charge, and users pay fees only to access certain premium contents. Users accessing our platform for free contents may stop using the solutions at any time without loss. The physician users have no obligation to renew their services when such services expire. Under certain circumstances, our users may cancel their services prior to expiration or simply stop using the services before the service term expires.

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Factors that may affect the retention rate of our existing users and the rate at which we attract new users to our platform include:

- our ability to hire or retain professional medical personnel for content production;
- our ability to provide professional comments that address the research and continuing education needs of the physicians;
- our ability to provide up-to-date, relevant and reliable medical knowledge and other services that meet the needs of healthcare professionals, especially physicians, for continuing medical education and clinical decision support. See “— If we are unable to continue to provide current, relevant and reliable medical knowledge information, our results of operations and financial condition may be materially and adversely affected”;
- our ability to provide reliable applications and to enhance the functionality, availability, performance and features of our existing and future services to meet the evolving requirements and expectations of our existing and future users;
- the availability, price, performance and functionality of competing products and services, including competing mobile, desktop, Web-based and traditional products and services for medical knowledge information; and
- deterioration of our reputation and brand for any reason, including user concerns with our privacy practices or our relationships with the healthcare industry.

In addition, our paid products compete with free products offered by competitors or those available through online resources and searches which can be accessed through most mobile devices. If we are unable to attract or retain users or if our existing business model fails to maintain market acceptance, we may lose subscribing users, which will cause a loss of subscription revenue for our medical knowledge solutions.

### ***RWS Solutions***

We also derive a significant portion of our revenue from RWS solutions, which offer pharmaceutical and medical device companies’ digital real-world evidence-based research projects testifying to the effectiveness and safety data of their approved drugs and medical devices. As a result, our revenue contribution from RWS solutions is highly dependent on our ability to retain existing, and engage new, pharmaceutical and medical device companies, especially in the innovative drug and medical device market. Our ability to continue to retain and attract pharmaceutical and medical device companies depends on our ability to create value for our business customers, particularly our ability to provide cost-effective digital solutions to obtain real-world effectiveness and safety data of our business customers’ approved products. If we are unable to solicit sufficient participating physicians, researchers or hospitals to participate in our RWS solutions or if we are unable to provide our solutions cost-effectively, our ability to retain existing or attract new pharmaceutical and medical device companies will be severely affected, which would have a

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material and adverse effect on our business, results of operations, financial condition and prospect. See “— If we fail to retain existing customers or add new customers, our revenue, operating results, financial condition, and business may be significantly harmed” for more details.

Factors that may affect the retention rate of our existing users and the rate at which we attract new users to our RWS solutions include:

- our ability to solicit participating patients, physicians, hospitals and researchers to report relevant cases;
- our ability to collect, manage and process real-world clinical data obtained and to conduct statistical analysis;
- factors relating to the budget cycles of pharmaceutical and medical device companies and other factors that may affect the overall demand for our RWS solutions; and
- the potential emergence of competitors who provide similar services and the failure of our solutions to address the expectation of pharmaceutical and medical device companies.

If any of the events above occurs, we may not be able to maintain or increase our revenue or effectively manage any associated costs.

**Any damage to the reputation and recognition of our brand names, or failure to maintain or enhance users’ trust in our platform, may materially and adversely affect our business operations and prospects.**

We depend on our reputation and brand names as well as users’ trust in our platform in many aspects of our business operations. However, we cannot assure you that we will be able to maintain or enhance a positive reputation, brand names, or users’ trust for all of our businesses in the future. Our reputation and brand names and users’ trust in our platform may be materially and adversely affected by a number of factors, many of which are beyond our control, including:

- adverse associations with the third-party-branded products promoted using our platform, including with respect to their quality, effectiveness or side effects;
- lawsuits, regulatory investigations, fines and penalties against us or otherwise relating to the products or services available on our platform;
- adverse publicity and disputes over the contents shared on our platform as contributed by our users;

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- improper or illegal conduct by our employees, suppliers, pharmaceutical and medical device companies we serve, and other participants on our platform; and
- adverse publicity associated with us, our Directors, officers, employees or business partners, the products or services available on our platform or our industry in general, whether founded or unfounded.

Any damage to our brand names or reputation or failure to maintain or enhance users’ trust in our platform as a result of these or other factors may cause our products and services to be perceived unfavorably by our users, pharmaceutical and medical device companies we serve, and other participants on our platform, and our business operations and prospects could be materially and adversely affected as a result.

**Our physician platform solutions and RWS solutions rely on physicians, pharmaceutical and medical device companies, hospitals and other supporting staff to update and enrich healthcare data through their diagnosis and research activities. We cannot guarantee the accuracy, quality and timeliness of such data.**

Clinical records of hospitals in China customarily are made in natural language in free-form text format. Our digital tools provided to our customers in physician platform solutions and RWS solutions, such as EDC system, therefore, begin with translation of a large volume of free-form text into computable data, which involves judgments on, and interpretations of, the meaning of the text. In practice, some of the clinical information is expressed with symbols that are hard to discern for lay people without medical education or related experience. The situation is further complicated by the fact that multiple medical natural language expressions may be used by different physicians in clinical records to convey the same idea. We cannot rule out the possibility of certain text or information being misidentified, mistranslated or inaccurately categorized when we perform the natural language processing. Any such mistakes or errors could lead to defects or inaccuracies in our physician platform solutions and RWS solutions, which could lead to liabilities against us, deter prospective customers and harm our reputation, business and results of operations.

In addition, collecting, holding, and processing individually identifiable or de-identified healthcare data are highly regulated in China. Therefore, we do not collect healthcare data by ourselves in offering our services to physicians, hospitals and pharmaceutical and medical device companies. We only provide SaaS programs to our physicians for physician platform solutions which can be used by physicians to collect, manage and process clinical data and to conduct statistical analysis. For RWS solutions, in addition to SaaS programs, we store clinical data contributed by participating physicians with patients’ prior consent in our data centers pursuant to the agreements with our customers, and these data are processed and analyzed by our customers using our solutions. Physicians or other staff of our customers or the hospitals with whom our customers collaborate may fail to log the original healthcare data into the hospital’s system accurately. In addition, physicians in many hospitals of China were trained to record diagnosis and prescribe treatments in the handwritten format in natural language. It may take longer than we expect to reshape physicians’ behaviors. We cannot rule out the possibility that some

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physicians and hospital personnel may still choose to record their clinical data in handwritten format, or may fail to log the healthcare data into the database in a timely manner. Any of these occurrences may compromise the quality or timeliness of the data and negatively impact the performance of data analysis results, which may lead to legal liabilities against us, render our products less attractive and harm our reputation. As a result, our business, results of operations and financial condition could be adversely affected.

### **Changes in the healthcare industry could negatively affect our business.**

Most of our revenue is derived from the healthcare industry and could be reduced by changes affecting healthcare spending. General reductions in expenditures by pharmaceutical and medical device companies could result from, among other things:

- government regulation or private initiatives that affect the manner in which healthcare providers interact with patients, pharmaceutical and medical device companies, or other healthcare industry participants, including changes in pricing or means of delivery of healthcare products and services;
- consolidation of pharmaceutical and medical device companies;
- reductions in governmental funding for healthcare; and
- adverse changes in business or economic conditions affecting healthcare providers, the pharmaceutical industry or other pharmaceutical and medical device companies.

We are particularly dependent upon pharmaceutical and medical device companies. Our business will be harmed if business or economic conditions or government regulations result in the reduction of purchases by such customers, the non-renewal of our agreements with such customers, or the need to materially revise our offerings. Even if general expenditures by pharmaceutical and medical device companies remain the same or increase, developments in the healthcare industry may result in reduced spending in some or all of the specific segments of the market we serve or are planning to serve. For example, purchase of our services could be affected by:

- a decrease in the number of new drugs or medical devices coming to market;
- a decrease in marketing expenditures by pharmaceutical and medical device companies as a result of governmental regulation or private initiatives that discourage or reduce the incentives of advertising or sponsorship activities by pharmaceutical and medical device companies, such as volume-based procurement, which has dramatically reduced unit sales prices of relevant drugs and medical devices and, as a result, marketing budgets of pharmaceutical and medical device companies; and
- changes in coverage of health insurance plans.



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In addition, our customers’ expectations regarding pending or potential industry developments may also affect their budgeting processes and spending plans with respect to services of the types we provide. The healthcare industry has changed significantly in recent years and we expect that significant changes will continue to occur. However, the timing and impact of developments in the healthcare industry are difficult to predict. We cannot assure you that the markets for our solutions will continue to exist at current levels or that we will have adequate technical, financial and marketing resources to react to changes in those markets.

**We may be adversely affected by the complexity, uncertainties and changes in PRC regulations on healthcare, healthcare marketing services and internet-related business and companies.**

Healthcare, healthcare marketing services and internet-related business and companies in China are highly regulated, which require multiple licenses, permits, filings and approvals to conduct and develop such business. Foreign ownership of and the licensing and permit requirements pertaining to companies in such industries and the access and usage of relevant data are among such areas that are subject to government scrutiny. Meanwhile, relevant laws and regulations are also relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

Moreover, any amendment to applicable laws and regulations, such as changes in existing practice requirements for healthcare professionals, may affect the demand for our current solutions. Therefore, our existing customers may reduce their purchases or stop purchasing at all, and we may face difficulties in attracting prospective customers. To address such challenges, we might need to invest significant amounts of time and money in developing new features for our solutions or even launching brand new offerings that are both satisfactory for our customers and also legally compliant. However, there is no guarantee that we might be able to succeed in this regard.

In addition, it is uncertain whether existing laws governing issues such as privacy, property ownership and other forms of torts or contract liabilities could apply to healthcare data processing, digital medical knowledge and service offerings and other online services. Such uncertainty may take years to resolve. Furthermore, due to the increasing popularity of digital healthcare marketing and the significant impact of any potential safety and security breaches, it is possible that a number of laws and regulations may be adopted in these areas. The adoption of additional laws or regulations, or the application to our business of existing laws and regulations that are traditionally not applicable to our business could in turn increase our operating costs and expenses, disrupt our business and impede the development or growth of our solutions and the industry generally. As such, we may incur substantial costs in ensuring compliance with the current and upcoming relevant laws and regulations in China.

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

Under our medical knowledge services, we post and allow our users to post articles and other information on our platform to promote healthcare, disease and recovery care knowledge and instigate users’ interests in our offerings. China has enacted laws and regulations governing Internet access and the distribution of products, services, news, advertisements, information, audio-video programs and other information through the Internet. Under PRC law, we are required to monitor contents, including contents posted or distributed by our users or available on our platform, for items deemed to be factually incorrect or defamatory, and promptly take appropriate actions with respect to such items. Sometimes, it is not apparent as to whether a piece of information is factually incorrect or involved other types of illegality, and it may be difficult to determine the type of content that may expose us to liabilities. During the Track Record Period, a few third parties filed litigations against us, claiming that medical academic contents on our *MedSci* platform infringed their intellectual property rights. Our Directors confirmed that, as of the Latest Practicable Date, all of such litigations were settled and none of such litigations, in isolation or in aggregate, had a material impact on our business operations and financial performance. See “Business — Legal Proceedings and Compliance” for further details on our internal control procedures. Even though we implement measures to review medical knowledge information and sponsored information in light of the relevant laws and regulations as well as our internal guidelines before they are published on our platform, such measures may not be effective and may still subject us to potential liabilities. For instance, physician users on our platform may exchange practice tips and medical study findings as well as prominent case studies on our websites or mobile applications, etc. If such information posted by our physician users involves personal information of patients, such as, among others, contact information and medical records, obtained without such patients’ prior consent or through illegal sources, we might be held liable for displaying such information on our *MedSci* platform. For the information posted by users, we have implemented the terms with users for our platform through which users agree to take all responsibilities and legal consequences for the information they post on the platform; however, we cannot assure that all users will read through and strictly follow these terms and policies. Furthermore, for information we sourced from third-party copyright owners, we also entered into agreements with such copyright owners requiring them to take all responsibilities and legal consequences for the information provided to us. We also include warnings to users that the information provided on our *MedSci* platform may not be accurate. Our burden to administer the content may be exacerbated as we gradually introduce more features and functions to our platform. If we are found to be liable, we may be subject to fines, have our relevant business operation licenses revoked, or be prevented from operating our websites or mobile interfaces in the PRC.

In addition, the Internet information providers and Internet publishers are prohibited from posting or displaying over the Internet any information that, among other things, violates PRC laws and regulations, impairs the national dignity of China or the public interest, or is obscene, superstitious, frightening, gruesome, offensive, fraudulent or defamatory. In November 2016, China promulgated the Cybersecurity Law, which came into effect on June 1, 2017, to protect cyberspace security and order. The Cybersecurity Law



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tightens control of cybersecurity and sets forth various security protection obligations for network operators. If any of our Internet information were deemed by the PRC government to violate any restrictions, we would not be able to continue to display such information and could become subject to penalties, including confiscation of income, fines, suspension of business and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions by users of the websites we operate or for information we distribute that is deemed inappropriate. It may be difficult to determine the type of information that may result in liability to us, and if we are found to be liable, we may be prevented from operating our website, mobile applications and social media accounts in China.

Furthermore, our reputation may be harmed and we may be subject to claims brought against us as a result of the information we provide. Healthcare professionals and patients access information, including information regarding particular medical conditions and the use of particular medications, through contents published on our *MedSci* platform. If such information contains inaccuracies or any use or misuse of such information by healthcare professionals or patients results in any personal injury or death, we may be subject to claims brought against us by users for any damages caused by such inaccuracies or such use or misuse of the information on our platform. We could be required to spend significant amounts of time and money to defend ourselves against any such claims. We have editorial procedures in place to provide quality control of the information that we publish or provide. However, we cannot assure you that our editorial and other quality control procedures will be sufficient to ensure that there are no errors or omissions in particular information. In addition, our business is based on establishing the reputation of our services as trustworthy and reliable sources of medical knowledge information. Allegations of impropriety or inaccuracy, even if unfounded, could therefore harm our reputation and business.

**We may not be able to conduct our marketing activities effectively, properly or at reasonable costs, which may have a negative impact on our business operations.**

We invest resources from time to time in a variety of marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our products and services. However, our brand promotion and marketing activities may not be well received and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the PRC Internet healthcare market are continually evolving, which may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and user preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share and materially and adversely affect our financial condition, results of operations and profitability. In addition, we are subject to certain limitations in promoting services and products. The external physicians and other relevant parties with whom we collaborate in the provision of our various service offerings have to comply with rules and regulations that restrict the promotion or dissemination of information about the professional healthcare services and practice provided by licensed physicians, and the publication or marketing efforts for the

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predominant purpose of promoting the products or services of physicians to consumers. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future.

As an internet platform service provider in the PRC, we are subject to a variety of laws and regulations concerning the various advertisements posted on our website and platform. Under PRC laws and regulations, all advertisements published online containing drug names, applicable symptoms treated by such drugs (major functions) or other drug-related contents, and advertisements published online containing medical device names and the applicable scope, performance, structure and composition, function and other contents relevant to medical device are subject to examination by relevant governmental authorities. We are prohibited from publishing advertisements of prescription drugs on our website and must ensure that any advertisement of any medical treatment, drugs or medical devices does not include any assertion or guarantee as to the function and safety or any statement of curative rate and effectiveness of such medical treatment, drugs or medical devices. Any violation of advertisement-related laws and regulations may subject us to fines, or even suspension of our business or revocation of our business licenses. See “Regulatory Overview — Regulations Relating to Internet Advertising” for further details. Although we have implemented internal procedures to examine the content of advertisements displayed on our website, we cannot assure you that all such content meets the requirements under PRC advertising-related laws and regulations at all times. If any of the advertisements posted by us or exhibited as requested by pharmaceutical and medical device companies is considered to be untruthful, we may be penalized and required to cease publishing the advertisements. In addition, any false advertising may cast doubt on our other disclosures, advertisements, filings and publications, deteriorate our brand names and reputation and consequently materially and adversely affect our business, financial condition and results of operations.

**If we fail to retain existing customers or add new customers, our revenue, operating results, financial condition, and business may be significantly harmed.**

The size of our customer base and our customers’ level of engagement are critical to our success. Our financial performance has been and will continue to be significantly determined by our success in adding, retaining, and engaging customers. Our ability to do so depends in large part on the success of our sales and marketing efforts. Most pharmaceutical and medical device companies engage us on particular marketing campaigns, either directly or through marketing agencies that act on their behalf. We do not typically enter into long-term contracts with pharmaceutical and medical device companies, which represent a significant portion of our revenue. When we do enter into long-term relationships with customers, they can generally terminate their relationship with us. Even if we are successful in attracting new customers and their agencies, it may take several months or years for them to meaningfully increase the amount that they spend with us. Further, larger pharmaceutical and medical device customers with multiple brands typically have brand-level marketing budgets and marketing decision-makers, and we may not be able to leverage our success into expanded business with other brands within the customer’s portfolio. Moreover, customers may place internal limits on the allocation of

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their marketing budgets to digital marketing to particular campaigns or marketing vendors or for other reasons. We may not accurately predict future trends with respect to rates of customer renewals, upgrades, and expansions.

Customers of our precision omni-channel marketing solutions may not continue to do business with us if their marketing contents did not reach their intended audiences. Therefore, we must continue to demonstrate to our customers that using our precision omni-channel marketing solutions is the most effective and cost-efficient way to maximize their results.

Our customer base may decline or fluctuate due to a number of factors, including the prices of our solutions, the prices of products and services offered by our competitors, reduced hiring by our customers or reductions in their talent or marketing spending levels due to macroeconomic or other factors, and the effectiveness and cost-effectiveness of our solutions. Internet search engines could also change their methodologies in ways that adversely affect our ability to optimize our page rankings within their search results. If this occurs, our ability to successfully market our services may be harmed. If we are unable to retain and increase sales of our solutions to existing customers and their agencies or attract new ones for any of the reasons above or for other reasons, our business, financial condition, and results of operations could be adversely affected.

If physicians and pharmaceutical and medical device companies do not perceive our platform to be useful, reliable, and trustworthy, we may not be able to attract or retain customers or otherwise maintain or increase the frequency and duration of their engagement. A decrease in customer retention, growth, or engagement could render us less attractive to our pharmaceutical manufacturer and health system customers, which may have a material and adverse impact on our revenue, business, financial condition, and results of operations. Any number of factors could potentially negatively affect member retention, growth, and engagement, including if:

- we fail to introduce new and improved tools, services or solutions or if we introduce new tools, services or solutions for our customers that are not favorably received;
- there are changes in customer sentiment about the quality or usefulness of our tools or concerns related to privacy and sharing, safety, security, or other factors;
- we are unable to manage and prioritize information to ensure customers are presented with contents that are interesting, useful, and relevant to them;
- there are adverse changes in our tools and services that are mandated by legislation, regulatory authorities, or litigation, including settlements or consent decrees;
- technical or other problems prevent us from delivering our tools and services in a rapid and reliable manner or otherwise affect the member experience;

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- the overall demand for our solutions decreases as a result of, among other things, industry updates, regulatory changes or economic downturns;
- we adopt policies or procedures related to areas such as sharing our customer data that are perceived negatively by our customer or the general public; and
- new offerings from our competitors are introduced to the market.

If we are unable to maintain and increase our customer base and engagement, our revenue, operating results, financial condition, business, and future growth potential may be adversely affected.

**We help recruit patients by posting notifications on our website free of charge and may become subject to claims, lawsuits and liabilities arising thereunder if any of these patients incurs personal injury or other harms from drugs or devices tested on them, which could adversely affect our business and results of operations.**

Historically, we provided standalone patient recruitment assistance to pharmaceutical and medical device companies. As of the Latest Practicable Date, we ceased posting notifications on our website for standalone patient recruitment assistance. Since April 2018, we have ceased to provide standalone patient recruitment assistance to pharmaceutical and medical device companies because we found it commercially burdensome to attract enough patients for pharmaceutical and medical device companies, and we have no plan to continue to provide standalone patient recruitment assistance as of the Latest Practicable Date. Although we are not a recruiter, our involvement in the recruiting process, which involves inherent risks of inflicting harm to the health of participating patients, could expose us to potential claims, lawsuits and liabilities. Under the applicable PRC laws and regulations, the sponsors of the clinical trials, such as pharmaceutical and medical device companies, physicians and the CROs are responsible for the personal injury or other harms from the drugs or devices tested on patients in connection with the clinical trials. However, if any of the patients recruited by us incurs personal injury or other harm from the drugs or devices involved in the tests they participated in, we, by facilitating the recruiting process, may be subject to legal proceedings claiming for damages, penalties or else due to our involvement. Although unfounded under the applicable PRC laws and regulations, any of these claims and actions could be time-consuming and costly to defend and distractive to our management, and could hurt our reputation, harm our business operations and financial position. According to the Good Practice for Clinical Trials of Drugs (《藥物臨床試驗質量管理規範》), the sponsors (申辦者) of the clinical trials, such as pharmaceutical and medical device companies, could be liable for potential personal injury or other harm from the drugs or devices tested on patients in connection with the clinical trials. We are not the sponsors of the clinical trials, and we do not provide research services to or have any contractual relationship with patients. In addition, the Informed Consent Form (ICF) signed by patients in the relevant clinical trials usually stipulates that patients with investigation-related injuries should be compensated by the sponsors of the clinical trial.

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During the Track Record Period and up to the Latest Practicable Date, there was no material dispute or litigation arising from the provision of standalone patient recruitment assistance. As of the Latest Practicable Date, we had not been subject to any fines, penalties or enforcement actions in relation to the standalone patient recruitment assistance. Our PRC Legal Adviser conducted public searches on official websites of relevant government bureaus on the Latest Practicable Date and there was no dispute related to patient recruitment assistance with the sponsors or patients. Based on the above, our PRC Legal Adviser is not aware that we are not in compliance with the relevant rules and regulations of patient recruitment. Therefore, we are of the view that all of the patient recruitment measures are in compliance with the relevant rules and regulations.

**Our business processes a large amount of data. Complying with evolving laws and regulations regarding including, among others, cybersecurity, information security, privacy and data protection may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to changes and uncertain interpretations, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business.**

We store and process clinical data from physician customers in our data system pursuant to the agreements with such customers, and these data are processed and analyzed by our physician customers pursuant to their specific demand with prior consents from patients. We are not involved in disease diagnosis, treatment, clinical trials, research or any other clinical practice, and are not responsible for collecting clinical data or the accuracy thereof. As such, we do not believe we should be liable for any potential claims of personal injury or other harm caused by our physician customers or pharmaceutical and medical device customers in connection with their research. Our PRC Legal Adviser is of the view that the likelihood that we are liable for any potential claim of personal injury or other harm caused by our customers in connection with their clinical practice as well as the risk of being penalized for providing our solutions is remote.

However, we face risks inherent in handling and protecting a large amount of data that our business generates and processes from user activities on our platform, and such data might include sensitive personal information. In particular, we face a number of challenges relating to data from user activities on our platform, including:

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



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In particular, if we fail to secure our users’ identity and protect their personally identifiable data, otherwise as consented by the users to publish such data on our platform, such as their addresses and contact information, such data may be misused and our users may be vulnerable to harassments, and their assets may also be put at risk due to data leakages. As a result, we may be held liable for these incidents, and our users may feel insecure and cease to use our services. In addition, any system or technological failure or compromise of our technology system that results in loss of, unauthorized access to or release of any data collected or stored in connection with providing our solutions, such as personal data of our users or proprietary information of our business operations, could significantly harm our reputation and/or result in litigation, regulatory investigations and penalties against us.

According to the PRC National Security Law (中華人民共和國國家安全法), the state shall establish institutions and mechanisms for national security review and regulation, and conduct national security reviews on key technologies and IT products and services that affect or may affect the national security. The PRC Cybersecurity Law, which became effective in June 2017, created China’s national-level data protection framework for “network operators,” which may potentially include all organizations in China that provide services over the internet or through other types of information networks. Numerous regulations, guidelines and other measures have been and are expected to be adopted under the PRC Cybersecurity Law. Any actual or perceived noncompliance with the relevant cybersecurity laws and regulations, may result in administrative penalties, including fines, a shut-down of our business, suspension of our solutions and services and revocation of requisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have material adverse effects on our business, financial condition or results of operations.

On June 10, 2021, the Standing Committee of the National People’s Congress of China promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”), which became effective in September 2021. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used, provides for a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information.

Furthermore, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with Law, which were available to the public on July 6, 2021 and further emphasized to strengthen the cross-border regulatory collaboration, to improve relevant laws and regulations on data security, cross-border data transmission, and confidential information management, and provided that efforts will be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities



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overseas, to implement the responsibility on information security of overseas listed companies, and to strengthen the standardized management of cross-border information provision mechanisms and procedures. However, these opinions were newly issued, and there were no further explanations with respect to such opinions, and there are still uncertainties regarding the interpretation and implementation of these opinions.

On August 20, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), or the PIPL, which came into effect on November 1, 2021. In addition to other rules and principles of personal information processing, the PIPL specifically provides rules for processing sensitive personal information. Sensitive personal information refers to personal information that, once leaked or illegally used, could easily lead to the infringement of human dignity or harm to the personal or property safety of an individual, including biometric recognition, religious belief, specific identity, medical and health, financial account, personal whereabouts and other information of an individual, as well as any personal information of a minor under the age of 14. Only where there is a specific purpose and sufficient necessity, and under circumstances where strict protection measures are taken, may personal information processors process personal information. A personal information processor shall inform the individual of the necessity of processing such sensitive personal information and the impact thereof on the individual’s rights and interests. We may store and process sensitive personal information of patients on behalf of our customers, such as names, phone numbers and medical records, that our customers collect when they use our solutions and services for conducting clinical trials. We may also collect and store personal information of our users, such as ID numbers, contact information and bank accounts. According to the PIPL, in the event that personal information is processed in violation of the PIPL or without performing the obligation of protecting personal information as stipulated in the PIPL, (i) the relevant authorities shall order the party concerned to make corrections, give a warning, confiscate its illegal gains, and suspend or terminate the services of the related application that illegally processes personal information; if the party concerned refuses to make corrections, a fine of not more than RMB1 million shall be imposed on it concurrently, and (ii) if the illegal activity specified above is of a grave nature, the authorities at or above the provincial level shall order the party concerned to make corrections, confiscate its illegal gains, and impose a fine of not more than RMB50 million or not more than 5% of its turnover of the previous year on it, and may also order it to suspend relevant business or suspend business for rectification, and/or revoke the relevant business permits. As uncertainties remain regarding the interpretation and implementation of the PIPL, we cannot assure you that we will comply with the PIPL in all respects and regulatory authorities may order us to rectify or terminate our current practice of collecting and processing sensitive personal information. We may also become subject to fines and/or other penalties which may have a material adverse effect on our business, operations and financial condition.

On November 14, 2021, the CAC commenced to publicly solicit comments on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (“**Draft Data Security Regulations**”). The Draft Data Security Regulations differentiates “listing in Hong Kong” from “listing in a foreign country,” the latter of which was mentioned in the Measures for Cyber Security Review (2021) (《網絡安全

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審查辦法》(2021)), or the Cybersecurity Review Measures (2021). According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cybersecurity review when carrying out the following activities: (i) the merger, reorganization or separation of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affect or may affect national security; (ii) data processors that handle personal information of more than one million people contemplating to list its securities on a foreign stock exchange; (iii) data processors contemplating to list its securities on a stock exchange in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. According to the PRC National Security Law (中華人民共和國國家安全法), national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the state are relatively not in danger and not threatened internally or externally and the ability to maintain a sustained security status. However, the criteria for determining “affect(s) or may affect national security” as stipulated in the Draft Data Security Regulations, remain uncertain, and are still subject to further clarification by the CAC.

Due to the uncertainty on the interpretation and application of the Draft Data Security Regulations, there can be no assurance that our [REDACTED] on the Stock Exchange will not be deemed as “affect(s) or may affect national security” should the Draft Data Security Regulations be implemented in the current form. If we were deemed to “affect(s) or may affect national security” during the process of applying for the [REDACTED] of our Shares on the Stock Exchange, and failed to apply for or pass the cybersecurity review in accordance with the relevant laws and regulations, we will be required to take rectification measures, and at the same time we may be subject to disciplinary warnings, and/or imposed an administrative penalty of an amount ranging from RMB50,000 to RMB500,000 for a single violation incident. Furthermore, if such violation results in a material impact, we may be subject to more severe penalties, such as revocation of relevant practicing licenses and permits. In addition, if for any reason we fail to meet relevant requirements of the Draft Data Security Regulations when it becomes effective, we may be subject to harsh penalties, warnings, business suspension or revocation of our practicing licenses and permits, which could have a material adverse impact on our business, results of operations and financial condition.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other administrations jointly promulgated the Cybersecurity Review Measures (2021), which became effective on February 15, 2022. The Cybersecurity Review Measures (2021), upon effect, has replaced its previous version promulgated on April 13, 2020. According to the Cybersecurity Review Measures (2021), (i) when the purchase of network products and services by a crucial information infrastructure operator affect or may affect national security, a cybersecurity review shall be conducted pursuant to the Cybersecurity Review Measures (2021). The aforesaid operators shall file for a cybersecurity review with Cybersecurity Review Office under the CAC if their behavior affects or may affect national security; (ii) an application for cybersecurity review shall be made by an issuer who is a network platform operator holding personal information of more than one million users before such issuer applies to list its securities on a foreign stock exchange; and (iii) the

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relevant PRC governmental authorities may initiate cybersecurity review if such governmental authorities believe that the network products or services, or data processing activities affect or may affect national security.

On October 29, 2021, the CAC has publicly solicited the Measures for Security Assessment for Cross-border Data Transfer (Draft for Comments) (《數據出境安全評估辦法(徵求意見稿)》). On July 7, 2022, the CAC officially promulgated the Measures for Security Assessment for Cross-border Data Transfer (《數據出境安全評估辦法》), or the Security Assessment Measures, which came into effect on September 1, 2022. The Security Assessment Measures shall apply to the security assessment of the provision to overseas parties of important data and personal information collected and produced during operations within the mainland of the PRC by data processors. Such measures provide four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of data cross-border transfer. These circumstances include: (i) where a data processor provides important data overseas; (ii) where a crucial information infrastructure operator and a data processor processing the personal information of more than one million individuals provide personal information overseas; (iii) where a data processor provides personal information of 100,000 individuals or sensitive data of 10,000 individuals cumulatively overseas since January 1 of the previous year; or (iv) other circumstances in which the application for security assessment of cross-border transfer of data is required as stipulated by the CAC.

See “Regulatory Overview — Regulations Relating to Cyber Security”, “Regulatory Overview — Regulations Relating to Personal Information Protection” and “Regulatory Overview — Regulations Relating to Data Security” for more details on laws and regulations relating to data.

We have not been recognized by the competent authorities as a crucial information infrastructure operator and we have not been involved in review or investigation by the CAC or other authorities with respect to the Cybersecurity Review Measures (2021). Furthermore, via a name-based consultation with China Cybersecurity Review Technology and Certification Center, which is delegated by the CAC for public inquiry relating to the cybersecurity review under the Cybersecurity Review Measures (2021), by our PRC Legal Adviser on June 1, 2022, we are informed that Hong Kong is part of PRC and [REDACTED] in Hong Kong may not be recognized as [REDACTED] in a foreign country, and we do not have to apply for cybersecurity review accordingly for our [REDACTED] in Hong Kong. As of the Latest Practicable Date, we have not received any objection from relevant authorities and currently have not been subject to cybersecurity review. As such, we are of the view that the Cybersecurity Review Measures (2021) currently do not apply to our proposed [REDACTED] in Hong Kong. As for the cybersecurity review initiated by the Office of Cybersecurity Review stipulated in the Article 16 of the Cybersecurity Review Measures (2021) for any data processing activities that “affect or may affect the national security”, it is still uncertain about the meaning of “affect or may affect the national security” and there are still risks that we are subject to the cybersecurity review in the future.

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With the support of our PRC Legal Adviser, we are of the view that we comply with the Cybersecurity Review Measures (2021) in all material aspects and the Cybersecurity Review Measures (2021) would not have a material adverse impact on our business operations or our [REDACTED] primarily due to the factors mentioned above. Considering that (a) we have not been involved in any cybersecurity review or investigation by the CAC or other authorities with respect to the Cybersecurity Review Measures (2021); (b) we have not been informed that we are recognized as a crucial information infrastructure operator by any relevant authority; (c) the data processed by us has not been included in the effective core data and important data catalogs by any authority; and (d) we have taken reasonable and adequate technical and management measures to ensure data security, we are of the view that the likelihood that our operation or [REDACTED] might give rise to national security risks is remote.

If we are recognized as a crucial information infrastructure operator or if our business operation or the [REDACTED] is regarded as data processing activities that “affect or may affect national security” and shall be subject to cybersecurity review by the relevant authority in the future, we will be required to follow cybersecurity review procedure. During cybersecurity review, we may be required to suspend the provision of any existing or new services to our users, and we may experience other disruptions to our operations, which could cause us to lose users and customers, leading to an adverse impact on our business operations. The cybersecurity review could also lead to negative publicity and a diversion of time and attention of our management and our other resources. It could be costly and time-consuming for us to prepare application materials and make the applications. Furthermore, there can be no assurance that we will obtain the clearance or approval for these applications from the Cybersecurity Review Office and the relevant regulatory authorities in a timely manner, or at all. If we are found to be in violation of cybersecurity requirements in China, the relevant governmental authorities may, at their discretion, conduct investigations, levy fines or require us to change our business practices in a manner materially adverse to our business. Moreover, Article 16 of the Cybersecurity Review Measures (2021) provides that the competent PRC government authority may initiate a cybersecurity review where any member of the cybersecurity review working mechanism believes that any network product, service or data processing activity affects or may affect national security. However, the types of network product, service or data processing activities that shall be regarded as “affect or may affect national security” is uncertain, and there is still risk that we may be subject to the cybersecurity review in the future. As a result, we may be required to upgrade or change our service offerings and other aspects of our business to comply with such laws and regulations. Any of these actions may disrupt our operations and adversely affect our business, results of operations and financial condition.

These and other similar legal and regulatory developments could lead to legal and economic uncertainty, affect how we design, market and sell our solutions and services, how we operate our business, and how we process and use data, which could negatively impact demand for our solutions and services. We may incur substantial costs to comply with such laws and regulations, to meet our customers’ demands relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies.

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Moreover, different regulatory bodies in China, including among others, the MIIT, the CAC and the Ministry of Public Security have enforced laws and regulations regarding cybersecurity, information security, privacy and data protection with various standards and applications. We have established rigorous and comprehensive policies and other documentation for collecting, holding and processing data and personal information respectively and taken necessary measures to comply with all applicable laws and regulations regarding cybersecurity, information security, privacy and data protection. However, we cannot guarantee the effectiveness of these policies and measures undertaken by us, our employees, vendors or other business partners. We may from time to time be required to rectify or further improve our measures regarding cybersecurity, information security, privacy and data protection. Any failure or perceived failure by us to comply with all applicable laws and regulations regarding cybersecurity, information security, privacy and data protection, or any failure or perceived failure of our business partners to do so, or any failure or perceived failure of our employees to comply with our internal control measures, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation, discourage our current and potential customers and subject us to fines and damages, which could have a material adverse effect on our business and results of operations. In addition, it is possible that we may become subject to additional or new laws and regulations regarding cybersecurity, information security, privacy and data protection in other jurisdictions if we extend our business outside of the PRC in the future, which may result in additional expenses to us and subject us to potential liability and negative publicity. We expect that these areas will receive greater attention and focus from regulators, and be exposed to continued or greater public scrutiny and attention going forward, which could increase our compliance costs and subject us to heightened risks and challenges regarding cybersecurity, information security, privacy and data protection. If we are unable to manage these risks, we could become subject to penalties, fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

**Our ability to access, process and analyze data from various sources could be restricted, which may in turn adversely impact our ability to deliver our services and solutions.**

The optimal performance of our data analytics algorithms and our solutions built thereupon depends on the breadth and depth of the data set that we process. We obtain the right to generate insights from the de-identified data set through our solution and service offerings to participants in the healthcare industry and we enrich our knowledge graphs and develop and refine the functions and features of our services and solutions by serving physicians and our customers. Our ability to access and use these types of data is limited by a number of factors including: (i) existing laws, regulations, policies and industry standards on privacy and data protection regimes and on access to, processing and analysis of healthcare data by third parties and new developments therein; (ii) our ability to secure appropriate consent to use the data underlying our services and solutions in a timely manner; and (iii) interruptions, failures or defects in our data aggregation, mining, analysis and storage systems.



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Any of the above-described limitations on our ability to successfully access, aggregate and analyze data could materially impair the performance of our algorithms, which could make our solutions and services less attractive to customers and result in damages to our reputation and a decline in our market share.

**We face risks related to natural disasters, health epidemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt our operations.**

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic, such as COVID-19, swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika, adverse weather conditions or natural disasters, such as snowstorms, earthquakes, fires or floods, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. These events could also significantly impact the industries we operate in and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.

In recent years, there have been breakouts of epidemics in China and globally. The outbreak of a novel strain of coronavirus, or COVID-19, has affected China and many parts of the world. In order to contain the spread of the coronavirus, the Chinese government took a number of actions, which included, among other measures, extending the Chinese New Year holiday, quarantining individuals in China who had COVID-19, asking citizens to remain at home and avoiding gathering in public. COVID-19 has also resulted in temporary closures of many corporate offices, manufacturing facilities and factories across China. Our business operations were negatively affected by COVID-19. The number of offline marketing activities and business trips significantly decreased due to COVID-19-related travel restrictions. Moreover, we encountered practical difficulties in conducting RWS solutions, primarily because lockdown measures prevent physicians from conducting clinical studies, inhibiting our ability to gather real-world evidence. Furthermore, the average project term for our precision omni-channel marketing solutions also increased due to COVID-19-related restrictive measures, driving up overall operation costs. And the number of physicians who engaged us for clinical study assistance services was affected by COVID-19 as physicians are busy fulfilling their duties during the pandemic. The outbreak in Shanghai in the first half of 2022 has negatively affected our business operations and financial performance. For instance, the demand for physician platform solutions decreased as a result of temporary closure of hospitals and a substantial increase in COVID-19-related duties among physicians, particularly physicians in Shanghai. Furthermore, the COVID-19 recurrence in Shanghai also negatively affected our ability to conduct RWS solutions and precision omni-channel marketing solutions as physicians were occupied with their COVID-19-related duties and potential patients were under temporary quarantine. To combat COVID-19, we adjusted our operations and instructed some of our employees to work from home during the COVID-19 outbreak. The global spread of the COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, and the duration and



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extent of the impact of the COVID-19 outbreak cannot be reasonably estimated at this time. The extent to which it may affect our results of operations, financial condition and cash flow will depend on the future developments of the outbreak, which are highly uncertain and cannot be predicted. Such uncertainty poses operational challenges to our service offerings. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of contracting an epidemic disease, since this could require us or our business partners to quarantine some or all of these employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a health epidemic, adverse weather conditions or natural disaster or other outbreak harms the global or Chinese economy in general.

**Our historical financial and operating performance may not be indicative of our future prospects and results of operations due to limited operating history of some of our business lines, evolving business model and changing market.**

We have experienced rapid revenue growth and business expansion during the Track Record Period. Our revenue increased by 30.5% from RMB165.4 million in 2019 to RMB215.9 million in 2020 and increased by 37.9% from RMB215.9 million in 2020 to RMB297.7 million in 2021. Our revenue further increased by 33.4% from RMB90.3 million for the five months ended May 31, 2021 to RMB120.4 million for the five months ended May 31, 2022. However, our revenue growth in recent periods may not be indicative of our future performance. We have limited experience in certain key aspects of our business operations as well as developing and maintaining long-term relationships with a wide range of platform participants. It is difficult to predict our future revenues and appropriately budget for our costs and expenses, and the evaluation of our business and prediction about our future performance may not be as accurate as they would be if we had a longer operating history with respect to these key aspects. As our business develops or in response to competition, we may continue to introduce new solutions and services, make adjustments to our existing solutions and services, our business model or our operations in general. Furthermore, the healthcare market in China is undergoing constant change. The laws and regulations governing the healthcare market in China may also be subject to further changes and interpretation. As the market, the regulatory environment or other conditions evolve, our existing solutions and services may not continue to deliver the expected business results.

We believe the growth of our revenue depends on a number of factors, including our ability to:

- continue to attract and retain more users, especially physician users and pharmaceutical and medical device companies;
- effectively monetize our solutions and promote subscribing users conversion;
- innovate and adapt our services and solutions to meet evolving needs of current and potential customers;
- create and productize new solutions;

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- continuously improve on the algorithms underlying our solutions;
- the reliability, security and functionality of our platform and solutions;
- adopt new technologies or adapt our information infrastructure to changing customer requirements or emerging industry standards;
- adapt to a changing regulatory landscape governing privacy matters;
- attract and retain talents; and
- increase brand awareness among existing and potential customers through various marketing and promotional activities.

We cannot assure you that we will be able to accomplish any of these objectives. Our failure to accomplish any of these objectives may adversely affect our results of operations, financial condition and growth prospects.

**The proprietary technologies that comprise our technology infrastructure may include design or performance defects and may not achieve their intended results, any of which could lead to legal liabilities against us and adversely affect our business, results of operations and financial performance.**

We rely on our proprietary AI and big data capabilities that comprise our platform to deliver all of our solutions. Our proprietary technologies are relatively new, and they may contain design or performance defects that are not detectable even after extensive internal testing and may become apparent only after widespread commercial use. In addition, the data rules and models for quality control may not be comprehensive, and various anomalies in data such as incompleteness and inaccuracy may decrease the quality of the results delivered by our solutions. Any defect in those technologies as well as their subsequent alterations and improvements could hinder the effectiveness of our platform and the reliability of our solutions and discourage existing or potential customers from utilizing our solutions, which would have a material and adverse effect on our reputation, competitiveness and future prospects. In addition, correction of defects or errors could prove to be impossible or impracticable and the costs incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations. We currently only provide solutions and services in China. But if we provide solutions and services in other jurisdictions, we may also be subject to product liability laws of other jurisdictions where we provide solutions and services. If the technologies underlying our solutions are found to have design or performance defects, we may be liable for product liability claims in China or such other jurisdictions.

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**We cannot guarantee that our monetization model for our new business initiatives and innovative products and services will be successfully implemented or generate sustainable revenue or profit.**

We continue to execute a number of growth initiatives, strategies and operating plans designed to diversify our business and explore monetization opportunities leveraging our data insights and large user network. For example, we plan to further expand our platform reach by expanding the width and depth of contents on *MedSci* platform and the application of AI algorithms and virtual reality. Moreover, we are in the process of launching a number of innovative products and services, such as, digital therapy programs for the clinical treatment of insomnia, VR diagnosis products for physicians, prognosis modeling services on rare diseases and chronic disease management services. These business initiatives, as well as our innovative products and services, are new and evolving, some of which are still at the inception or early stages and may prove unsuccessful. In addition, we may not have sufficient experience in executing these new business initiatives and innovative products and services effectively. Further, we may incur increasing research and development spending, sales and marketing expenditures, personnel expenses and compliance costs as more efforts on product development, brand and service promotion, general administration and legal compliance are required for our newly launched businesses, and no guarantee on the effectiveness of our efforts can be given. The regulatory landscape of our new business initiatives and innovative products and services are also evolving. Tightened regulatory changes, as well as potentially licensing, approval and permits requirements, may prohibit us from successfully launching our new business initiatives and innovative products and services. See “— If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business as a result of the complexity and uncertainties of laws and regulations, or fail to obtain additional licenses that become necessary as a result of new enactment or promulgation of laws and regulations or the expansion of our business, our business and results of operations may be materially and adversely affected” for more details. Furthermore, new businesses initiatives and innovative products and services may bring in new types of customers or users, resulting in higher risk of litigation. See “— We may become subject to lawsuits and liabilities which could cause us to incur significant expenses and adversely affect our business, financial condition and results of operations.” As a result, we cannot assure you that any of these business initiatives and innovative products and services will achieve wide market acceptance, increase the penetration of our addressable market or generate revenue or profit. If our new business initiatives and innovative products and services are not well received by the market, we may not be able to maintain or increase our revenue or recover any associated costs, and our business and results of operations may be materially and adversely impacted. In addition, we are at an early stage of monetizing our solution offerings, and our monetization model is evolving. We cannot assure you that we will be able to successfully monetize our solutions or generate results that meet our expectations, or at all.

In addition, to maintain growth, we must continually identify the industry pain points faced by our users and customers and develop, produce and market new solutions to respond to unmet market demands in an effective manner. We may not identify addressable market demands despite substantial investments of time and resources, and even if a niche

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market is identified, we may not have enough resources, as compared with some of our competitors, to develop solutions fast enough to acquire an advantageous market position. In addition, each new solution launch involves risks, as well as the possibility of unexpected consequences. For example, the acceptance of our new solutions and sales to our targeted market may not be as high as we anticipate, due to lack of acceptance of the solutions themselves or their price, or limited effectiveness of our marketing strategies. Further, we may also experience a decrease in sales of certain existing solutions as a result of newly launched solutions. Any of these occurrences could delay or impede our ability to achieve our business objectives, which could have a material adverse effect on our business, results of operations and financial condition.

**We may incur startup costs during the initial stages of development of our new business initiatives, and if we are unable to maintain and grow these physician partner relationships or new business initiatives over time, we may not recover these costs.**

We devote resources to the establishment of a comprehensive service platform for physician users and pharmaceutical and medical device companies, including costs relating to attracting physicians to enhance access and support growth of the network and physician incentives to support the physician platform solutions. Our startup investment in new physician partners can be significant and the associated revenue must be earned and sustained over time in order for us to recoup these costs. As a result, as our business grows, our startup costs could outpace our buildup of recurring revenue if we do not achieve economies of scale, and we may be unable to achieve profitability until our revenue associated with new business initiatives are more mature. We may never recoup our startup costs in new business initiatives. If we fail to achieve appropriate economies of scale, if we fail to manage or anticipate the evolution of the new business initiatives or if we fail to raise necessary capital to fund our startup costs, our business, financial condition, cash flows and results of operations could be materially adversely affected.

**Our operating results are subject to seasonal fluctuations.**

We have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations primarily due to customers’ purchasing habits and our accounting policy on revenue recognition. As compared to the rest of a year, we typically record higher revenue from our solutions offerings in the fourth quarter of a year primarily because physician users are more likely to complete IIT projects and pharmaceutical and medical device companies are more likely to engage us for precision omni-channel marketing solutions in the fourth quarter. See “Financial Information — Major Factors Affecting Our Results of Operations — Seasonality” for more details. As a result of such seasonal fluctuations, comparisons of revenue and our results of operations between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance. Should there be a significant reduction in demand for our services in any particular period of any year, our business, financial condition and results of operations may be adversely affected.

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

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our platform. The industries we operate in are characterized by rapid technological evolution, changes in user requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices, such as mobile Internet, in a cost-effective and timely way. In recent years, we invested in the development of many new technologies and business initiatives, such as AI and big data capabilities. The development of websites, mobile apps and other proprietary technologies entails significant technical and business risks. We cannot assure you that we will be able to successfully develop or effectively use new technologies, recoup the costs of developing new technologies or adapt the website and mobile apps that we operate, and our proprietary technologies and systems to meet user requirements or emerging industry standards. If we are unable to develop technologies successfully or adapt in a cost-effective and timely manner in response to changing market conditions or user requirements, whether for technical, legal, financial or other reasons, our business, prospects, financial condition and results of operations may be materially and adversely affected.

**If we are unable to continue to provide current, relevant and reliable medical knowledge information, our results of operations and financial condition may be materially and adversely affected.**

Our business is in part dependent on our ability to make available current, relevant and reliable medical knowledge information that meets the needs of our users, especially physician users. Our ability to do so depends on our ability to:

- hire and retain qualified physician and pharmacist editors;
- license accurate and relevant information from third parties; and
- monitor and respond to changes in user interest in specific topics.

We are dependent on third-party sources for certain academic medical contents on our *MedSci* platform. We cannot assure you that we will be able to continue to develop or acquire needed information at a reasonable cost, that there will not be errors or omissions in our developed or licensed information, or that our competitors will not obtain exclusive access to or develop information that healthcare professionals consider superior to ours. If any of these risks materialize for any reason, the value of the information and services that we offer would diminish. As a result, we may be unable to attract new users and retain existing users and our results of operations and financial condition may be materially and adversely affected.



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**If we are unable to compete effectively, our business, results of operations and financial condition may be materially and adversely affected.**

We face intense competition in the markets that we operate in. The markets for our solutions are highly competitive. These markets are characterized by frequent technological advances and product upgrades that have contributed to the digitalization of healthcare services. We face competition from other healthcare platforms that develop and commercialize physician platform solutions and precision omni-channel marketing solutions. We compete with other healthcare platforms for physician users and pharmaceutical and medical device companies and we strive to keep our solution offerings competitive so we can maintain and grow the number and engagement of physician users and pharmaceutical and medical device companies.

Our competitors may operate different business models, have different cost structures or participate selectively in different industry segments. They may ultimately prove to be more successful or more adaptable to customer demand and new regulatory, technological and other developments. Some of our competitors may have longer operating histories, more project experience, more established brand names, larger user bases and greater financial, technical and marketing resources than we do, and in turn may have an advantage in attracting and retaining customers. Furthermore, large technology companies with substantial resources, technical expertise and greater brand power could enter or further expand in the markets where we operate to compete with us. Further, if one or more of our competitors and potential competitors were to merge or partner with another of our competitors, or if a new entrant emerged with substantial resources, the change in the competitive landscape could adversely affect our ability to compete effectively. In response to competition, we may have to lower and/or adjust the various fees that we charge to our customers and users or increase our operating expenses and capital expenditures to attract more users, which could materially and adversely affect our business, profit margins and results of operations. If we are not able to compete effectively, our ability to attract and retain users may be adversely affected and the attractiveness of our platform to customers may decrease, which could materially and adversely affect our business, financial condition, results of operations and prospects, as well as our reputation and brands.

**Our high supplier concentration exposes us to risks faced by our major suppliers and may affect our financial position and result of operations.**

In 2019, 2020 and 2021 and for the five months ended May 31, 2022, purchases from our top five suppliers in each period during the Track Record Period accounted for 46.2%, 35.2%, 35.8% and 30.4% of our total purchasers for the respective periods, and purchases from our largest supplier accounted for 13.1%, 12.2%, 10.0% and 13.0% of our total purchases for the respective periods. Our purchases from such suppliers are primarily content development costs in association with developing academic medical contents on our *MedSci* platform. We expect to continue our purchases from these large suppliers as they are key sources of our medical knowledge information that makes our *MedSci* platform competitive in the eyes of physicians and pharmaceutical and medical device companies. We believe that we have stable relationships with our existing suppliers. However, the stability of operations and business strategies of our suppliers are beyond our control, and we



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cannot assure you that we will be able to secure a stable relationship and high-quality academic medical contents from such suppliers. If any of our large suppliers terminates its business relationship with us, we may encounter difficulty in finding a replacement that can provide services of equal quality at a similar price. If this occurs, our operations may be significantly disrupted.

**Our high customer concentration exposes us to risks faced by our major customers and may subject us to significant fluctuations or declines in revenue.**

Our customers primarily include physicians and pharmaceutical and medical device companies. A limited number of customers for our precision omni-channel marketing solutions have contributed a significant portion of our revenue derived from such solutions in the past. In 2019, 2020 and 2021 and for the five months ended May 31, 2022, revenue from our top five customers in each period during the Track Record Period accounted for 19.4%, 20.6%, 19.3% and 17.3% of our total revenue, respectively. Although we continually seek to diversify our customer base, we cannot assure you that the proportion of the revenue contribution from these customers to our total revenue will decrease in the near future.

Dependence on a limited number of major customers will expose us to the risks of substantial losses if any of them reduces or even ceases business collaborations with us. Specifically, any one of the following events, among others, may cause material fluctuations or declines in our revenue and have a material and adverse effect on our business, financial condition, results of operations and prospects:

- an overall decline in the business of one or more of our major industry customers;
- the decision by one or more of our major customers to switch to our competitors;
- the reduction in the service fees of our solutions agreed by one or more of our major industry customers;
- the failure or inability of any of our major customers to make timely payment for our services;
- noncompliance with laws on the part of any major customers or breach of contract by any major customers vis-à-vis their business partners; or
- unlawful, improper or otherwise inappropriate activities by any major customers that could harm their business, brand and reputation, or subject them to government investigations.

If we fail to maintain relationships with these major customers, and if we are unable to find replacement customers on commercially desirable terms or in a timely manner or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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**We are subject to extensive and evolving regulatory requirements. We may be adversely affected by the complexity, uncertainties and changes in PRC regulations relating to healthcare, digital healthcare and Internet-related business, as well as pharmaceutical, biotechnology and medical devices industries.**

We are operating a multifaceted business spanning healthcare and Internet industries, which the PRC government extensively regulates. Foreign ownership of and the licensing and permit requirements pertaining to companies in such industries and the access and usage of healthcare data are among such areas that are subject to government scrutiny. See “Regulatory Overview — Regulations Relating to Foreign Investment” for more details. These laws and regulations related to healthcare, digital healthcare and Internet industries are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations. Issues, risks and uncertainties relating to PRC laws and regulations of such industries include, but are not limited to, the following:

- We operate our business and hold licenses through our Consolidated Affiliated Entities due to restrictions on foreign investment in businesses providing value-added telecommunication services.
- Uncertainties relating to the laws and regulations of the medical big data business, and other Internet business in general in China, including evolving licensing practices, give rise to the risk that some of our permits, licenses or operations may be subject to challenge, which may be disruptive to our business, subject us to sanctions or require us to increase capital, compromise the enforceability of relevant contractual arrangements, or have other adverse effects on us.
- We have not received notice of violation or faced administrative actions in connection with our operation of business via our Consolidated Affiliated Entities. We cannot assure you, however, that the PRC government will not find such practice noncompliant with PRC laws and regulations or the interpretation thereof, in which case we could be subject to severe penalties or be forced to relinquish our interests in those operations.

In particular, it is uncertain whether existing laws governing issues such as privacy, property ownership, medical malpractice and other forms of torts, liability theories based on contracts, and sales and other taxes, etc. could apply to healthcare data processing, digital healthcare offering and other online services, and such uncertainty may take years to resolve. In addition, due to the increased popularity of the digital healthcare solutions and the significant impact of any safety and security breach in the digital health solutions on the society generally, it is possible that a number of laws and regulations may be adopted with respect to health, digital healthcare and Internet industries. The adoption of additional laws or regulations, the application to our business of laws and regulations from jurisdictions whose laws do not currently apply to our business, or the application to our business of existing laws and regulations that are traditionally not applicable to digital forms of services, may heighten requirements on medical big data services and other digital

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healthcare offerings, which could, in turn, increase our cost of doing business, disrupt our operations and impede the development or growth of the digital healthcare industry generally.

In addition, changes in laws, government regulations or in practices relating to the pharmaceutical, biotechnology and medical devices industries, such as a relaxation in regulatory requirements, or the introduction of simplified new drug approval procedures which will lower the entry barrier for potential competitors, or an increase in regulatory requirements which may increase the difficulty for us to satisfy such requirements or may make our services less competitive, could eliminate or substantially reduce the demand for our services. By engaging CROs in China, foreign pharmaceutical or biotechnology companies will be able to reduce the time and cost required to introduce new drugs to the China market. If China ever streamlines, expedites or simplifies such regulatory procedures, foreign pharmaceutical or biotechnology companies’ demand for CROs’ services may decrease, which would have a material adverse effect on our business. For example, on September 28, 2018, the NMPA issued the newly revised List of Medical Devices Exempted from Clinical Trials (《免於進行臨床試驗醫療器械目錄》), under which 855 medical devices are exempted from clinical trials. As a result of this exemption, the demand for CROs’ clinical trials services for medical devices may reduce. Furthermore, additional exemptions may be introduced in the future, which could further reduce the demand for such CRO services. As a result, demand for our services and solutions could decrease, which in turn will have a material and adverse impact on our business, financial condition, results of operations and prospects.

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

**If we fail to obtain and maintain the requisite licenses, permits and approvals applicable to our business as a result of the complexity and uncertainties of laws and regulations, or fail to obtain additional licenses that become necessary as a result of new enactment or promulgation of laws and regulations or the expansion of our business, our business and results of operations may be materially and adversely affected.**

If we fail to obtain and maintain approvals, licenses or permits required for our business or fail to comply with applicable laws, regulations, policies and guidelines, we could be subject to liabilities, penalties, impediments in development of business models and disruptions to our operation, which could materially and adversely affect our business.

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For instance, healthcare, Internet and digital healthcare industries in China are highly regulated, which require multiple licenses, permits, filings and approvals to conduct and develop business. As a subcategory (B25 Information Service) of the value-added telecommunications services, internet information services are regulated by the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), which was promulgated by the State Council on September 25, 2000 and last amended with immediate effect on January 8, 2011. Internet information services are defined as “services that provide information to online users through the internet.” According to the Internet Measures, commercial internet information service providers shall obtain a value-added telecommunications business operating license for internet information service (增值電信業務經營許可證) (the “**ICP License**”) from appropriate telecommunications authorities. As of the Latest Practicable Date, we have obtained the required ICP License for the operation of our business. However, we cannot assure you that we are able to renew our ICP license in the future on time, or at all. Failure to obtain the ICP licenses may force us to adjust or temporarily suspend the online services, which could have an adverse effect on our business and results of operations. See “Regulatory Overview — Regulations Relating to Value-added Telecommunication Services” for more details.

Furthermore, we might be subject to certain PRC laws and regulations requiring any entity that intends to engage in internet-based audio-visual program services to obtain an audio and video service permission (the “**AVSP**”). Applicable PRC laws and regulations require any entity that conducts certain audio-visual program services via the internet to hold an AVSP. However, as advised by our PRC Legal Adviser, the Classified Catalogs of Internet Audio-video Program Service (for Trial Implementation) (《互聯網視聽節目服務業務分類目錄(試行)》) and the relevant regulations and rules do not explicitly provide whether online medical professional audio-visual programs belong to the category of “audio-visual programs”. It is still subject to interpretation by the relevant regulatory authorities. As of the Latest Practicable Date, we did not hold an AVSP.

Similarly, we provided online programs to healthcare professionals through our *MedSci* platform or mobile application during the Track Record Period without obtaining the online publishing service license (the “**OPSL**”). Such activities may fall within the meaning of “online publishing” and therefore the OPSL might be required. Applicable PRC laws and regulations require any entity that provides online publications to the public to hold an Internet Publishing Service License. However, as advised by our PRC Legal Adviser, the Online Publishing Services (《網絡出版服務管理規定》) and the relevant regulations and rules do not clearly categorize whether online medical professional audio-visual courses, programs or online course materials belong to the category of “online publications”. It is still subject to interpretation by the relevant regulatory authorities. According to the application information displayed on official websites and our business practice, if we need to apply for the OPSL, we shall submit the relevant documents to Shanghai Bureau of Press and Publication (上海市新聞出版局).

As of the Latest Practicable Date, we had not been subject to any regulatory notices, fines, penalties or enforcement actions in relation to the potential licensing requirements for AVSP or OPSL.

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On April 10, 2022, we, with the assistance of our PRC Legal Adviser, conducted an online interview with an officer from the Radio, Television and Network Audio-visual Program Administration Department (廣播電視和網路視聽節目管理處) of Shanghai Municipal Administration of Culture and Tourism (上海市文化和旅遊局). The Officer orally confirmed that the online audio-visual programs that we provided mainly for targeted medical professionals, are not deemed as “audio-visual programs” under the relevant regulations and rules. As such, we are not required to obtain an AVSP for our business operations. We consulted the officer online instead of by way of face-to-face consultations due to the temporary measures resulting from the outbreak of COVID-19 in Shanghai. According to the Administrative Provisions on Internet-based Audio-visual Program Services (《互聯網視聽節目服務管理規定》), where an entity engages in Internet-based audio-visual program services without obtaining an AVSP, the departments of radio, film and television at the county level or above are responsible for implementing and supervising activities within their administrative areas. According to our PRC Legal Adviser, Shanghai Municipal Administration of Culture and Tourism (上海市文化和旅遊局) is a provincial bureau authorized to supervise us and thus has the requisite authority. Furthermore, as of the Latest Practicable Date, the above confirmations of the competent authorities had never been challenged by any higher authorities and we have not been subject to any claims, inquiry, or investigation by any PRC regulatory authority. As such, our PRC Legal Adviser is of the view that the above confirmation from the officer of Shanghai Municipal Administration of Culture and Tourism (上海市文化和旅遊局) is issued by the competent authority. Based on the above, our Directors are of the view that the risk that the confirmation will be challenged by any higher authorities is relatively low.

On April 10, 2022, we conducted an online interview with the officer of the Shanghai Bureau of Press and Publication (上海市新聞出版局) in respect of matters relating to the requirement of an OPSL. During the consultation, the officer orally confirmed that professional medical platforms like us, which do not provide games or online publications, are not included in their scope of supervision and inspection. As a result, Shanghai Bureau of Press and Publication (上海市新聞出版局) would not accept our application for an OPSL. We consulted the officer online instead of by way of face-to-face consultations due to the temporary measures resulting from the outbreak of COVID-19 in Shanghai. According to the Administrative Provisions on Online Publishing Services (《網絡出版服務管理規定》), online publishing services are supervised and administered on the principle of territorial management (屬地管理), and the provincial publication administrative departments shall strengthen their daily supervision and administration of the entities providing online publishing services and their publishing activities within their administrative areas. According to our PRC Legal Adviser, Shanghai Bureau of Press and Publication (上海市新聞出版局) is a provincial bureau authorized to supervise us and thus have the requisite authority. Furthermore, as of the Latest Practicable Date, the above confirmations of the competent authorities had never been challenged by any higher authorities and we have not been subject to any claims, inquiry, or investigation by any PRC regulatory authority. As such, our PRC Legal Adviser is of the view that the above confirmation from the office of Shanghai Bureau of Press and Publication (上海市新聞出版局) is issued by the competent authority. Based on the above, our Directors are of the view that the risk that the confirmations will be challenged by any higher authorities is relatively low. However, we cannot assure that the regulatory requirement would not change and we



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are able to acquire such licenses when the regulatory requirement changes. See “Regulatory Overview — Regulations Relating to Online Audio-Visual Programs” for more details.

Moreover, due to the uncertainties of interpretation and implementation of existing laws and regulations and the adoption of additional laws and regulations, the licenses we hold may be deemed insufficient by relevant authorities, which may restrain our ability to expand our business scope and may subject us to fines or other regulatory actions. We cannot assure you that the interpretations of existing laws and regulations or subsequent ones would not render our operations noncompliant or that we would always be in full compliance with applicable laws and regulations. In the event that we must remedy any violations, we may be required to modify our business models and solution offerings in a manner that undermines our solutions’ attractiveness. We may also become subject to fines or other penalties. If we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the noncompliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, we are in the process of developing and launching a number of new business initiatives and innovative products and services. Such new business initiatives and innovative products and services may require further licenses, permits and approvals. We cannot assure that we will be able to obtain such requisite licenses, permits and approvals to launch our new business initiatives and innovative products and services.

In addition, some of the licenses we held are subject to periodic renewal. If we fail to maintain or renew one or more of our licenses and certificates when their current terms expire, or obtain such renewals in a timely manner, our operations could be disrupted. In addition, under relevant PRC laws and regulations, our subsidiaries and Consolidated Affiliated Entities as license holders are required to update certain licenses if any change to their respective name, registered capital or legal representative during the validity period of such licenses. If we fail to properly renew and maintain all such requisite licenses on time, we may face penalties and in extreme circumstances, order to suspend or terminate our business. Due to uncertainties of interpretation and implementation of existing laws and the adoption of additional laws and regulations, the licenses we held may be deemed insufficient by PRC governments, which may restrain our ability to expand our business scope and may subject us to fines or other regulatory actions. Furthermore, as we develop and expand our business scope, we may need to obtain additional permits and licenses and we cannot assure that we will be able to obtain such permits on time or at all.

**Our profitability could be negatively affected if cost, particularly content development costs and staff salaries and benefits, outgrows our revenue.**

Content development costs accounted for a large portion of our cost of sales during the Track Record Period. Our historical content development costs were primarily related to the development cost for outsourced contents. We also incurred a substantial amount of staff salaries and benefits for our content production team. As the average wage in China continues to rise, labor cost for content development, including both outsourced contents and in-house developed contents, has been slightly increasing over the past few years and

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are expected to be increasing at a relatively steady pace in the coming years. In addition, we collaborate with KOLs who are our content contributors in developing our contents and pay expert consultation fees to them, especially for our online courses. In order to reduce our reliance on third-party content producers and the corresponding content development costs, we are in the process of recruiting more employees to build up our in-house content development capabilities. The overall employee benefit expenses increased from RMB78.8 million in 2019 to RMB99.7 million in 2020 and to RMB165.8 million in 2021. It further increased from RMB62.1 million for the five months ended May 31, 2021 to RMB74.9 million for the five months ended May 31, 2022. We plan to further enhance our in-house medical content creation and technology capabilities by recruiting and retaining a number of medical experts, editors, content creation talents, well-known scientists, researchers and engineers. We may also incur various other costs going forward in order to scale up our business. See “Future Plans and Use of [REDACTED]” for details. As a result of competitive pressures and customer expectations, we may be unable to pass any such incremental cost to our customers, which could result in us absorbing all or a portion of such cost increase in the future. Such events would increase our cost of sales and reduce our profit margins, which would in turn adversely affect our business, results of operations and financial condition.

**We are subject to risks associated with other third parties with which we collaborate. If we cannot effectively cooperate with such other parties, or if such other parties fail to perform their obligations, or provide reliable or satisfactory services, in each case in compliance with applicable laws and regulations, our business, financial condition and results of operations may be materially and adversely affected.**

We collaborate with certain other parties in providing products and services to our users. For example, we enhance the effectiveness of pharmaceutical and medical device companies’ marketing campaigns by collaborating with KOLs of the medical community to make the customized information more persuasive. These parties may not be able to properly perform their duties under their agreements with us. Any failure by these parties to continue with good business operations, comply with applicable laws and regulations or any negative publicity on these parties could damage our reputation, expose us to significant penalties and decrease our total revenue and profitability. Also, if we fail to retain existing or attract new parties to collaborate with us, our business operations may be affected, and our users may lose confidence in our products and services. If these other parties engage in activities that are negligent, illegal or otherwise harmful to the trustworthiness and security of our system, including the leak or negligent use of data, or if our users or customers are otherwise dissatisfied with their service quality, we could suffer reputational harm, even if these activities are not related to, attributable to or caused by us.

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**If we are unable to maintain credibility of our medical knowledge information, our business and results of operations could suffer.**

The credibility of our medical knowledge information is dependent in large part on the medical community’s continued perception of us as independent from our healthcare industry customers, particularly pharmaceutical and medical device companies. If healthcare professionals believe that we are too closely associated with such customers as a result of the revenue we receive from their use of our precision omni-channel marketing solutions, the credibility of our medical knowledge information will diminish. Although we take precautions to remain independent from our healthcare industry customers, including clearly labeling the source and responsibility of sponsored information, programs and activities and implementing information standards to screen biased information, we cannot assure you that the medical community will view our information as sufficiently unbiased. If the credibility of our medical knowledge information is damaged, it will be difficult, expensive and time-consuming to restore the credibility and quality of our brand with healthcare professionals and we may lose users, which in turn could adversely affect our business and results of operations.

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

We rely heavily on technology, particularly the Internet, to provide all of our high-quality digital services. However, our technology operations are vulnerable to disruptions arising from computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our technology or external technology that supports the offering of our online services and products could materially harm our business and reputation.

Although we have employed significant resources to develop security measures against breaches, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of user information, or a denial-of-service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us, we may be unable to anticipate, or implement adequate measures to protect against, these attacks. During the Track Record Period, we had not been subject to these types of attacks that had materially and adversely affected our business operations. However, there can be no assurance that we would not in the future be subject to such attacks that may result in material damages or remediation costs. If we are unable to avert

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these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and user dissatisfaction.

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

**We may be subject to intellectual property infringement claims or other allegations, which could result in payment of substantial damages, penalties and fines and removal of data or technology from our system.**

Our internal procedures and licensing practices may not be effective in completely preventing the unauthorized use of copyrighted materials or the infringement by us of other rights of third parties. The validity, enforceability and scope of protection of intellectual property rights in Internet-related industries, particularly in China, is uncertain and still evolving. As we face increasing competition and as litigation becomes a more common way to resolve disputes in China, we face a higher risk of being the subject of intellectual property infringement claims.

Some of our business relies on technology and information developed or licensed by third parties. We cannot be certain that our operations, the information posted on our platform or any other aspect of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. During the Track Record Period, a few third-parties filed litigations against us, claiming that medical academic contents on our *MedSci* platform infringed their intellectual property rights. Our Directors confirmed that, as of the Latest Practicable Date, all of such litigations were settled and none of such litigations, in isolation or in aggregate, had a material impact on our business operations and financial performance. See “Business — Legal Proceedings and Compliance” for further details on our internal control procedures. We may from time to time in the future be subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there could also be existing intellectual property of which we are not aware that our operations and business may inadvertently infringe. We cannot assure you that we will not become subject to intellectual property laws in other jurisdictions. If a claim of infringement brought against us in another jurisdiction is successful, we may be required to pay substantial penalties or other damages and fines or to enter into license agreements which may not be available on commercially reasonable terms or at all, or we may be subject to injunctions or court orders. Even if allegations or claims lack merit, defending against them could be both costly and time-consuming and could significantly divert the efforts and resources of our management and other personnel.

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Competitors and other third parties may claim as well that our officers or employees have infringed, misappropriated or otherwise violated their software, confidential information, trade secrets or other proprietary technology in the course of their employment with us. Although we take steps to prevent the unauthorized use or disclosure of such third-party information, intellectual property or technology by our officers and employees, we cannot guarantee that any policies or contractual provisions that we have implemented or may implement will be effective. If a claim of infringement, misappropriation or violation is brought against us or one of our officers or employees, we may suffer reputational harm and may be required to pay substantial damages, subject to injunction or court orders or be required to remove the data and redesign our technology, any of which could adversely affect our business, financial condition and results of operations.

In particular, third parties may assert claims against us or one of our officers or employees alleging infringement of copyrights for information available on our platform. Although we have adopted internal procedures to screen, monitor and remove the information displayed on our platform to comply with third-party intellectual property rights and PRC laws and regulations, we may not be able to identify and remove all potentially infringing information in a timely manner due to the large amount of information on our platform. Accordingly, we may, from time to time, be exposed to copyright infringement or misappropriation claims by third parties, including competing online medical information platforms, relating to the medical knowledge information posted on our platform. Defending against any of these current or future claims could be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings to which we or one of our officers or employees may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution of the relevant medical knowledge information. 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 sourcing alternative information. In addition, we may be subject to administrative actions brought by the National Copyright Administration of the PRC or its local counterparts for alleged copyright infringement. As a result of such claims, litigations and administrative actions, our business, brand image and reputation could be materially and adversely affected.

**The digital healthcare services market is dynamic and evolving and may not develop as we expect. Developments in the market, such as levels of demand or physician acceptance, may adversely affect our business, financial condition or results of operations.**

The digital healthcare services market is dynamic and evolving, and it is uncertain whether it will achieve and sustain high levels of demand, patient acceptance and market adoption. The success of our solutions and offerings will depend to a substantial extent on the willingness of physicians to use, and to increase the frequency and extent of their utilization of, our services, as well as on our ability to demonstrate the value of our services to physicians, hospitals and pharmaceutical and medical device companies. If physicians and pharmaceutical and medical device companies do not perceive the benefits of our



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services, or if our services do not drive physician engagement, then the market for our services may not develop at all, or it may develop more slowly than we expect. If any of these events occurs, it could have a material adverse effect on the growth of our business, financial condition or results of operations.

**Putting our physician network first may adversely impact our financial results.**

The large network of experienced physicians is essential to our success in increasing our user growth and engagement, creating value for our various customers that include not only physician users but also pharmaceutical and medical device companies. Therefore, in the past, we have foregone, and may in the future forego, certain expansion or revenue opportunities that we do not believe are in the best interest of our physician users, even if our decision negatively impacts our operating performance and financial condition. In addition, our philosophy to address lifelong research and learning needs of physicians may cause disagreements, or negatively impact our relationship, with our existing or prospective customers. Our decisions may not result in the benefits that we expect, in which case our physician engagement, business operation and financial condition could be harmed.

**The efficiency of our delivery of physician platform solutions and RWS solutions to our customers may be compromised if we fail to secure requisite authorization from hospitals to use the data underlying our solutions in a timely manner.**

For our clinical study assistance services and RWS solutions, we leverage our physician network, software technology and real-world healthcare data to help our customers, including physicians and pharmaceutical and medical device companies, to reduce the duration and costs and increase the success rate of clinical development. We might need to enter into cooperation agreements with and obtain authorization from hospitals for using certain healthcare data that are necessary to the development of our solutions before delivering our solutions pursuant to our service agreements with our customers. Negotiating and entering into cooperation agreements with and obtaining authorization from hospitals are usually time-consuming, which have negatively affected and may continue to negatively affect the efficiency of our delivery of our physician platform solutions and RWS solutions. We plan to devote more resources and staff to facilitate the negotiation and authorization process of hospitals. However, we cannot guarantee the effectiveness of these efforts, especially given the complex internal approval procedures implemented by public hospitals in China. If we fail to reduce the time required for securing data usage authorization, the efficiency of our delivery of physician platform solutions and RWS solutions to our customers could be compromised. If such inefficiency prevents us from delivering our solutions within the timeframe required by the service agreements, we may face legal liabilities for breach of contract and lose the anticipated revenue under the relevant service agreements, which could harm our business, reputation, result of operations and financial conditions.

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**If we are unable to help attract suitable patients for clinical studies, our RWS solutions business may suffer.**

During the Track Record Period, we provided assistance in patient recruitment as part of our RWS solutions. Unlike the standalone patient recruitment assistance that we ceased to provide in 2018, physicians are the primary point of contact under assistance in patient recruitment as part of our RWS solutions and our responsibility is ancillary, primarily involving posting notifications on our *MedSci* platform and various websites and in hospitals, drafting Informed Consent Forms and preparing documentations to obtain required regulatory approvals. Our physician network and software technology have enabled us to help our customers shorten the time required for locating adequate patient candidates. However, our patient recruitment assistance for RWS solutions may nevertheless be affected by a number of factors, some of which are beyond our control. Failure to locate sufficient patients within the timeframe as specified by our service agreements could hurt our business, results of operations and financial position. Factors that could impact our patient enrollment performance include but are not limited to the following:

- severity of the disease under investigation;
- total size and nature of the relevant patient population;
- design and eligibility criteria for the clinical studies in question;
- perceived risks and benefits of the drug candidates under study;
- patient referral practices of physicians and hospitals;
- availability of competing therapies also undergoing clinical studies;
- our customers’ efforts to screen and recruit eligible patients;
- proximity and availability of clinical study sites for prospective patients; and
- occurrence of any health epidemic or other public events, such as the COVID-19 outbreak, that could deter patients from participating in clinical activities.

Any failure to satisfactorily perform our patient recruitment assistance as a result of these or other factors may materially and adversely affect our business, results of operations, financial condition and prospects.

**The estimates of market opportunity and forecast of market growth included in this Document may prove to be inaccurate, and even if the markets in which we compete achieve the forecast growth, our business may not grow at similar rates, or at all.**

Market opportunity estimates and growth forecasts included in this Document are subject to significant uncertainty and are based on assumptions and estimates which may not prove to be accurate. The estimates and forecasts included in this Document relating to size and expected growth of our target market may prove to be inaccurate. Even if the

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markets in which we compete meet the size estimates and growth forecasts included in this Document, our business may not grow at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainty.

**We rely on network and mobile infrastructure and our ability to maintain and scale our business and maintain competitiveness. Any significant interruptions or delays in service on our apps or websites or any undetected errors or design faults could adversely affect our business, financial condition, and results of operations.**

We depend on the use of information technologies and systems and our reputation and ability to acquire, retain, and serve our customers are dependent upon the reliable performance of our apps and websites and the underlying network infrastructure. As our operations grow, we must continuously improve and upgrade our systems and infrastructure while maintaining or improving the reliability and integrity of our infrastructure. Our future success also depends on our ability to adapt our systems and infrastructure to meet rapidly evolving consumer trends and demands while continuing to improve the performance, features, and reliability of our solutions in response to competitive services and offerings. We expect the use of alternative platforms such as tablets and wearables will continue to grow and the emergence of niche competitors who may be able to optimize offerings, services, or strategies for such platforms will require new investment in technology. New developments in other areas, such as cloud computing, have made it easier for competitors to enter our markets due to lower up-front technology costs. In addition, we may not be able to maintain our existing systems or replace or introduce new technologies and systems as quickly as we would like or in a cost-effective manner. There is also no guarantee that we will possess the financial resources or personnel for the research, design, and development of new applications or services, or that we will be able to utilize these resources successfully and avoid technological or market obsolescence. Further, there can be no assurance that technological advances by one or more of our competitors or future competitors will not result in our present or future applications and services becoming uncompetitive or obsolete. If we are unable to enhance our offerings and network capabilities to keep pace with rapid technological and regulatory change, or if new technologies emerge that are able to deliver competitive offerings at lower prices, more efficiently, more conveniently, or more securely than our offerings, our business, financial condition, and results of operations could be adversely affected.

Our success will also depend on the interoperability of our offerings with a range of third-party technologies, systems, networks, operating systems, and standards, including iOS and Android; the availability of our mobile apps in app stores and in “super-app” environments; and the creation, maintenance, and development of relationships with key participants in related industries, some of which may also be our competitors. In addition, if accessibility of various apps is limited by executive orders or other government actions, the full functionality of devices may not be available to our customers. Moreover, third-party platforms, services, and offerings are constantly evolving, and we may not be able to modify our platform to assure its compatibility with those of third parties. If we lose such interoperability, we experience difficulties or increased costs in integrating our offerings into alternative devices or systems, or manufacturers or operating systems elect not to

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include our offerings, make changes that degrade the functionality of our offerings, or give preferential treatment to competitive products, the growth of our business, results of operations, and financial condition could be materially adversely affected. This risk may be exacerbated by the frequency with which consumers change or upgrade their devices. In the event consumers choose devices that do not already include or support our platform or do not install our mobile apps when they change or upgrade their devices, our customer engagement may be harmed.

**Any service interruption or failure in the systems that we use to provide online services or any failure to timely and effectively scale and adapt our existing technologies and infrastructure could harm our business and results of operations.**

In the future, we may experience service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and hardware failure. While we have disaster recovery plans in place, they might not adequately protect us in the event of a system failure.

In particular, as the number of our users increases and our solutions and services become more complex, it may become increasingly difficult to maintain and improve the performance of our solutions. Our platform’s data infrastructure capacity may need to be expanded as our user base continues to grow and our users’ demand for services, solution upgrades and operational monitoring continues to increase. We cannot assure you that we will be able to expand the data center facilities to meet the increased infrastructure capacity demand in a timely manner, or on favorable economic terms. Further, we do not have sufficient control over the operation of the data center facilities. Data center facilities used by us are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures, break-ins, sabotage, acts of terrorism, intentional acts of vandalism, operator errors and other similar events or misconduct. Despite precautions taken at these facilities and the disaster recovery plans we maintain, the occurrence of a natural disaster, an act of terrorism or other act of malfeasance, a decision to close the facilities without adequate notice, or other unanticipated problems at these facilities could result in lengthy interruptions in our service and solutions and the loss of data and our business, in which case we may not be able to switch to new data centers or move data from one data center to another on a timely basis, or at all.

Any disruption or failure in our system or technology infrastructure could hinder our ability to deliver solutions and services, and the day-to-day management of our business, and could result in corruption, loss or unauthorized disclosure of proprietary, confidential or other data, which in turn may harm our reputation and business, entail claims and liabilities and deter prospective customers.

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**We rely on third-party licensed software services and other technologies from third parties, and the inability to maintain these licenses or the presence of errors or security vulnerabilities in the software we license could limit the functionality of our solutions and result in increased costs or reduced service levels, which could adversely affect our business.**

We rely on licensed software services and technologies from third parties in order to operate critical functions of our business. Furthermore, we are also highly dependent on our technology integration with products offered by third parties, such as smart recognition and natural language processing technology. If these services become unavailable due to contract cancelations, extended outages or interruptions, because they are no longer available on commercially reasonable terms or prices, or for any other reason, our expenses could increase, our ability to manage our finances could be interrupted, our processes for managing our services and solutions could be impaired, and our ability to access or save data stored to the cloud may be impaired until equivalent services, if available, are identified, obtained, and implemented, all of which could harm our business operation and financial condition.

**Failure to comply with anti-corruption laws and regulations, or effectively manage our employees, affiliates and business partners such as pharmaceutical and medical device companies and external physicians with whom we collaborate, could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.**

We are subject to risks in relation to actions taken by us, our employees, affiliates, pharmaceutical and medical device companies, external physicians with whom we collaborate or other business partners that constitute violations of the anti-corruption laws and regulations. There have been past instances of corrupt practices in the healthcare industry, including, among other things, receipt of kickbacks, bribes or other illegal gains or benefits by hospitals and physicians from manufacturers, distributors and retail pharmacies in connection with the prescription of healthcare products. If we, our employees, affiliates, pharmaceutical and medical device companies, external physicians with whom we collaborate or other business partners violate these laws, rules or regulations, we could be subject to fines and/or other penalties. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differ from our interpretation or to adopt additional anti-bribery or anti-corruption-related regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, affiliates, pharmaceutical and medical device companies, external physicians with whom we collaborate or other business partners, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.



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**We may become subject to lawsuits and liabilities which could cause us to incur significant expenses and adversely affect our business, financial condition and results of operations.**

From time to time, we have become and may in the future become a party to various legal or administrative proceedings arising in the ordinary course of our business, including breach of contract claims and other matters. Such proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome and merit of such proceedings, any such legal action could have an adverse impact on our business because of defense costs, negative publicity, diversion of management’s attention and other factors.

In addition, it is possible that an unfavorable resolution, including any judgment or settlement subjecting us to liability, of one or more legal or administrative proceedings, whether in China or in another jurisdiction, could be time-consuming and costly to defend and distracting to our management, which could materially and adversely affect our business, financial position, results of operations or cash flows in a particular period or damage our reputation.

**We calculate certain operational metrics using internal systems and tools and do not independently verify such metrics. Certain metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.**

We present certain operational metrics herein, including the size of our network of physicians and other metrics. We calculate these metrics using internal systems and tools that are not independently verified by any third party. These metrics may differ from estimates or similar metrics published by third parties or other companies due to differences in sources, methodologies, or the assumptions on which we rely. Our internal systems and tools have a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we publicly disclose on an ongoing basis. If the internal systems and tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we present may not be accurate. While these numbers are based on what we believe to be reasonable estimates of our metrics for the applicable period of measurement, there are inherent challenges in measuring the size of our network and other metrics. For example, we face challenges in accurately calculating the number of practicing physicians or other professionals in our network at a given time. In addition, limitations or errors with respect to how we measure data or with respect to the data that we measure may affect our understanding of certain details of our business, which would affect our long-term strategies. If our operating metrics or our estimates are not accurate representations of our business, or if [REDACTED] do not perceive our operating metrics to be accurate, or if we discover material inaccuracies with respect to these figures, our reputation may be significantly harmed, and our operating and financial results could be adversely affected.

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

We rely on a combination of copyright, trademark, patent and other intellectual property laws, trade secret protection and confidentiality agreements with our employees and third parties and other measures to protect our intellectual property rights. We have been enriching our intellectual property portfolio. However, there can be no assurance that any of our pending patents, trademarks, software copyrights or other intellectual property applications will issue or be registered. Any intellectual property rights we have obtained or may obtain in the future may not be sufficient to provide us with a competitive advantage, and could be challenged, invalidated, circumvented, infringed or misappropriated.

Despite our efforts to protect our intellectual property rights, unauthorized parties may attempt to copy or otherwise obtain and use our copyrighted information and other intellectual property. Monitoring for infringement or other unauthorized use of our intellectual property rights is difficult and costly, and such monitoring may not be effective. From time to time, we may have to resort to courts or administrative proceedings to enforce our intellectual property rights, which may result in substantial cost and diversion of resources. The PRC has historically afforded less protection to a company’s intellectual property than other developed regions such as the United States and, therefore, companies such as ours operating in the PRC face an increased risk of intellectual property piracy.

**Failure to maintain, protect, or enforce our intellectual property rights could harm our business and results of operations.**

We pursue the registration of our domain names, trademarks, patents and copyrights in China and Hong Kong. We also strive to protect our intellectual property rights by relying on common law rights, as well as contractual restrictions. We typically enter into confidentiality agreements and reach intellectual property ownership terms with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, we may not be successful in executing these agreements with every party who has access to our confidential information or contributes to the development of our technology or intellectual property rights. Those agreements that we do execute may be breached, and we may not have adequate remedies for any such breach. These contractual arrangements and the other steps we have taken to protect our intellectual property rights may not prevent the misappropriation or disclosure of our proprietary information nor deter independent development of similar technology or intellectual property by others.

Effective trade secret, patent, copyright, trademark, and domain name protection is expensive to obtain, develop, and maintain, both in terms of initial and ongoing registration or prosecution requirements and expenses and the costs of defending our rights. We have invested in and may, over time, increase our investment in protecting our intellectual property through patent filings that could be expensive and time-consuming. Our trademarks and other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Moreover, any issued patents we

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obtain may not provide us with a competitive advantage and, as with any technology, competitors may be able to develop similar or superior technologies to our own, now or in the future.

Monitoring unauthorized use of the contents on our apps and websites, and our other intellectual property and technology, is difficult and costly. Our efforts to protect our proprietary rights and intellectual property may not have been and may not be adequate to prevent their misappropriation or misuse. Third parties, including our competitors, could be infringing, misappropriating, or otherwise violating our intellectual property rights. We may not be successful in stopping unauthorized use of our contents or other intellectual property or technology. Further, we may not have been and may not be able to detect unauthorized use of our technology or intellectual property, or to take appropriate steps to enforce our intellectual property rights. Any inability to meaningfully enforce our intellectual property rights could harm our ability to compete and reduce demand for our solutions and services. Our competitors may also independently develop similar technology. Effective patent, trademark, copyright, and trade secret protection may not be available to us in every jurisdiction in which our solutions or technology are hosted or available. Further, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. The laws in China and elsewhere change rapidly, and any future changes could adversely affect us and our intellectual property. Our failure to meaningfully protect our intellectual property rights could result in competitors offering solutions that incorporate our most technologically advanced features, which could reduce demand for our solutions.

We may find it necessary or appropriate to initiate claims or litigation to enforce our intellectual property rights, protect our trade secrets, or determine the validity and scope of intellectual property rights claimed by others. In any lawsuit we bring to enforce our intellectual property rights, a court may refuse to stop the other party from using the technology at issue on grounds that our intellectual property rights do not cover the use or technology in question. Further, in such proceedings, the defendant could counterclaim that our intellectual property is invalid or unenforceable and the court may agree, in which case we could lose valuable intellectual property rights. Litigation is inherently uncertain and any litigation of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, any of which could adversely affect our business and results of operations. If we fail to maintain, protect, and enforce our intellectual property, our business and results of operations may be harmed.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, particularly developing countries, do not favor the enforcement of intellectual property protection. This could make it difficult for us to stop the infringement or misappropriation of our intellectual property rights. Proceedings to enforce our intellectual property in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business.

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**If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest and our business may be adversely affected.**

We believe that our brand is critical to the success of our business, and we utilize trademark registration and other means to protect it. Our business would be harmed if we were unable to protect our brand against infringement and its value was to decrease as a result.

The registered or unregistered trademarks or trade names that we own may be challenged, infringed, circumvented, declared generic, lapsed, or determined to be infringing on or dilutive of other marks. We may not be able to protect our rights in these trademarks and trade names, which we need in order to build name recognition with potential partners. In addition, third parties may in the future file for registration of trademarks similar or identical to our trademarks. If they succeed in registering or developing common law rights in such trademarks, and if we are not successful in challenging such third-party rights, we may not be able to use these trademarks to commercialize our technologies or solutions in certain relevant countries. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected.

**If we are unable to protect the confidentiality of our trade secrets, our business and competitive position could be harmed.**

We rely heavily on trade secrets and confidentiality agreements to protect our unpatented know-how, technology, and other proprietary information, including our technology platform, and to maintain our competitive position. With respect to our technology platform, we consider trade secrets and know-how to be one of our primary sources of intellectual property. However, trade secrets and know-how can be difficult to protect. We seek to protect these trade secrets and other proprietary technology in part by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside contractors, consultants, advisors, and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. The confidentiality agreements are designed to protect our proprietary information and, in the case of agreements or clauses containing invention assignment, to grant us ownership of technologies that are developed through a relationship with employees or third parties. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary information, including our technology and processes. Despite these efforts, no assurance can be given that the confidentiality agreements we enter into will be effective in controlling access to such proprietary information and trade secrets. The confidentiality agreements on which we rely to protect certain technologies may be breached, may not be adequate to protect our confidential information, trade secrets, and proprietary technologies and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, trade secrets, or proprietary technology. Further, these agreements do not prevent our competitors or others from

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independently developing the same or similar technologies and processes, which may allow them to provide a service similar or superior to ours, which could harm our competitive position.

**If we fail to comply with our obligations under license or technology agreements with third parties, we may be required to pay damages and we could lose license rights that are critical to our business.**

Our business depends on technology services from third parties. We may license certain intellectual property, including technologies and software from third parties, that is important to our business, and in the future we may enter into additional agreements that provide us with licenses to valuable intellectual property or technology. If we fail to comply with any of the obligations under our license agreements, we may be required to pay damages and the licensor may have the right to terminate the license. Termination by the licensor would cause us to lose valuable rights, and could prevent us from selling our solutions and services, or adversely impact our ability to commercialize future solutions and services. Our business would suffer if any current or future licenses terminate, if the licensors fail to abide by the terms of the license, if the licensors fail to enforce licensed patents against infringing third parties, if the licensed intellectual property is found to be invalid or unenforceable, or if we are unable to enter into necessary licenses on acceptable terms. In addition, our rights to certain technologies are licensed to us on a non-exclusive basis. The owners of these non-exclusively licensed technologies are therefore free to license them to third parties, including our competitors, on terms that may be superior to those offered to us, which could place us at a competitive disadvantage. Moreover, our licensors may own or control intellectual property that has not been licensed to us and, as a result, we may be subject to claims, regardless of their merit, that we are infringing or otherwise violating the licensor’s rights. In addition, the agreements under which we license intellectual property or technology from third parties are generally complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement. Any of the foregoing could harm our competitive position, business, financial condition, results of operations, and prospects.

**From time to time we may evaluate and potentially consummate strategic alliances, investments or acquisitions, which could require significant management attention, disrupt our business and adversely affect our financial results.**

We may evaluate and consider strategic investments, combinations, acquisitions or alliances to enhance our competitive position. These transactions could be material to our financial condition and results of operations if consummated. If we are able to identify an appropriate business opportunity, we may not be able to successfully consummate the transaction and, even if we do consummate such a transaction, we may be unable to obtain the benefits or avoid the difficulties and risks of such transaction, which may result in investment losses.



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Strategic alliances, investments or acquisitions will involve risks commonly encountered in business relationships, including:

- difficulties in assimilating and integrating the operations, personnel, systems, data, technologies, products and services of the acquired business;
- inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits including the failure to successfully further develop the acquired technology;
- difficulties in retaining, training, motivating and integrating key personnel;
- diversion of management’s time and resources from our normal daily operations and potential disruptions to our ongoing businesses;
- strain on our liquidity and capital resources;
- difficulties in executing intended business plans and achieving synergies from such strategic investments or acquisitions;
- difficulties in maintaining uniform standards, controls, procedures and policies within the overall organization;
- difficulties in retaining relationships with existing suppliers and other partners of the acquired business;
- risks of entering markets in which we have limited or no prior experience;
- regulatory risks, including remaining in good standing with existing regulatory bodies or receiving any necessary pre-closing or post-closing approvals, as well as being subject to new regulators with oversight over an acquired business;
- assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights or increase our risk for liability;
- liability for activities of the acquired business before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and
- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions.

Any future alliances, investments or acquisitions may not be successful, may not benefit our business strategy, may not generate sufficient revenue to offset the associated acquisition costs or may not otherwise result in the intended benefits.

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**We depend on our management team, key employees and talent to grow and operate our business, and if we are unable to retain, motivate, hire, integrate and develop our personnel, we may not be able to grow effectively.**

Our success and the execution of our growth strategy depend largely on the continued service of our senior management and key employees. The loss of any members of our management team or other key personnel could have a negative impact on our ability to manage and grow our business effectively. We cannot assure you that in such an event we would be able to replace any member of our management team in a timely manner, or at all, on acceptable terms. Competition for management and key personnel is intense and the pool of qualified candidates is limited. We may not be able to retain the services of our executives or key personnel, or attract and retain experienced executives or key personnel in the future. If any of our executive officers or key employees joins a competitor or forms a competing business, we may lose crucial business secrets, know-how, customers and other valuable resources.

Our future success and the execution of our growth strategy also depend largely on our continuing ability to identify, hire, develop, motivate and retain highly specialized personnel, including software engineers, AI and data analytics experts, quality professionals with medical education background or experience, in-house journalists, editorial staff and skilled employees in the areas of technology, managerial, editorial, finance, marketing, sales and customer service. Our competitors, employers in other industries, healthcare providers, academic institutions and governmental entities and organizations also often seek persons with similar qualifications. Qualified individuals are in high demand, and we cannot assure you that we will be able to hire or retain a sufficient number of qualified personnel to meet our requirements, or that we will be able to do so at salary and benefit costs that are acceptable to us.

**If we fail to maintain adequate internal controls or fail to detect or prevent fraud and employee misconduct, we may not be able to effectively manage our business and may experience errors or information lapses affecting our business.**

Prior to the [REDACTED], we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud or other misconduct involving our employees and other third parties that had a material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in the future. If we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements, which would likely cause [REDACTED] to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations and lead to a decline in the trading price of our Shares. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets, regulatory investigations and civil or criminal

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sanctions. We have invested, and will continue to invest, substantial efforts and resources in maintaining an effective internal control system and monitoring and remedying any weakness we identify in connection therewith. There is no assurance, however, that we will be able to spot and eliminate all weaknesses in our internal control system on a timely basis.

**We have limited business insurance coverage, which could expose us to significant costs and business disruption.**

We maintain various insurance policies to safeguard against risks and unexpected events. However, we do not maintain business interruption insurance or key-man insurance or any insurance covering liabilities resulting from misconduct or illegal activities committed by our employees or users. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

In addition, we are subject to laws, rules, and regulations relating to insurance coverage which could result in proceedings or actions against us by governmental entities or others. Any failure, or perceived failure, by us to comply with laws, rules, and regulations or contractual obligations relating to insurance coverage could result in proceedings or actions against us by governmental entities or others. These lawsuits, proceedings, or actions may subject us to significant penalties and negative publicity, require us to increase our insurance coverage, require us to amend our insurance policy disclosure, increase our costs, and disrupt our business.

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

Companies operating in China are required to participate in various government-sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, complete related registration with the competent authorities and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to a maximum amount specified by the local government from time to time at locations where our employees are based. See “Regulatory Overview — Regulations Relating to Labor Protection” for more details. However, we cannot assure you that local authorities will not impose late fees, pecuniary penalties or other administrative actions on us. We believe that we have made adequate social insurance and housing fund contributions for all of our employees; however, we cannot assure you that local governments will not have different views as to what constitutes strict compliance with the requirements for contributions to employee benefit plans. If local authorities determine that we failed to make adequate contributions to any employee benefits as required by relevant PRC regulations, we may face late fees or fines in relation to the underpaid employee benefits. In case that, our provision for these liabilities is not adequate, our financial condition and results of operations may be adversely affected.

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**We have granted and may continue to grant share incentives, which will result in share-based compensation expenses, dilute the shareholding percentage of our existing Shareholders and negatively affect our results of operations.**

We have adopted the Equity Incentive Plan. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based compensation to employees in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a negative effect on our financial performance.

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

We may require additional cash resources if we incur operating losses or for future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and the PRC governmental regulations over foreign investment and the PRC healthcare industry, including the Internet healthcare industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

**Certain of our self-owned or leased property interests may be defective, which could cause disruption to our business.**

As of the Latest Practicable Date, we operated our businesses primarily through eleven leased properties and one self-owned in China. Eleven of our lease agreements in the PRC, all of which are for our office premises, have not been filed with competent governmental authority. According to the applicable PRC laws, the failure to file the lease agreement will not affect the validity of the lease agreements but could result in the imposition of a fine of RMB1,000 to RMB10,000 for each lease agreement that is unregistered if we fail to rectify the non-compliance within the time frame prescribed by the relevant authorities. Accordingly, we may be subject to administrative fines of up to RMB110,000 in aggregate for the failure to file the lease agreements. Also, in the event that the actual use of our self-owned or leased properties is inconsistent with the use registered on the title certificate, it could lead to challenges from the competent authorities, the relevant property

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owners or other third parties, in which case we could be forced to vacate the relevant properties and seek alternative properties, which may adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, we were not aware of any action, claim or investigation being conducted or threatened by the competent government authorities with respect to the defects in our leased properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties’ challenges on our use of such properties. As a result, our business, financial condition and results of operations may be adversely affected.

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

We recorded net losses of RMB151.0 million in 2021 and RMB98.1 million for the five months ended May 31, 2022, primarily because we incurred fair value losses on convertible redeemable preferred shares. We had fair value losses on convertible redeemable preferred shares of RMB190.6 million in 2021 and RMB91.4 million for the five months ended May 31, 2022. Moreover, we recorded net liabilities of RMB67.2 million and RMB176.1 million as of December 31, 2021 and May 31, 2022, respectively, primarily due to non-current liabilities of the convertible redeemable preferred shares of RMB603.1 million and RMB719.1 million as of December 31, 2021 and May 31, 2022, respectively.

The fair value loss on convertible redeemable preferred shares is a non-cash item that will not recur upon [REDACTED], as the convertible redeemable preferred shares issued by us will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares at the applicable ratio upon the [REDACTED] with prior written approval of the holders of such preferred shares. However, we may still retain accumulated losses/liabilities due to the fair value loss on our convertible redeemable preferred shares prior to the [REDACTED], which may adversely affect our financial performance. There can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected as a result.

Furthermore, after the [REDACTED], we may incur additional compliance, accounting, and other expenses that we did not incur as a private company. If our revenue does not grow at a greater rate than our expenses, we may not be able to achieve and maintain profitability. We may incur considerable losses in the future for various reasons, many of which may be beyond our control. Additionally, we may encounter



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unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected.

**We recorded net operating cash outflows historically and there can be no assurance that we will not have net cash outflow in the future.**

We recorded net cash outflow from operating activities of RMB33.3 million for the five months ended May 31, 2022. For a detailed operating cash flow analysis, also see “Financial Information — Liquidity and Capital Resources — Cash Flow Analysis — Net Cash Generated from (Used in) Operating Activities.” We cannot assure you that we will always be able to match the timing and amount of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. Negative operating cash flow may require us to obtain additional financing to meet our financing needs and obligations and support our expansion plans. In the event that we are unable to generate sufficient cash flow from our operations or otherwise obtain sufficient external funds to finance our business, our liquidity and financial condition may be materially and adversely affected and we may not be able to expand our business as expected. We cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all. As a result, our business, financial condition and results of operations may be materially and adversely affected. We cannot guarantee that prospective business activities of our Group and/or other matters beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flow and lead to net operating cash outflows in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

**We may not be able to realize and recover the full amount of the contract assets.**

Our contract assets are initially recognized for the revenue earned from our provision of solutions as the receipt of consideration for our services is conditional on the successful completion of our provision of services. Upon completion of our provision of services and issuance of invoices, the amounts recognized as contract assets are reclassified as trade receivables. We recorded contract assets of approximately RMB11.6 million, RMB22.1 million, RMB50.9 million and RMB63.8 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. See “Financial Information — Discussion of Certain Key Balance Sheet Items — Contract Assets.” In 2019, 2020 and 2021 and for the five months ended May 31, 2022, we incurred net impairment losses of contract assets in the amount of RMB0.1 million, RMB0.3 million, RMB5.8 million and RMB3.1 million. The balance of our allowance for impairment of contract assets was RMB0.1 million, RMB0.5 million, RMB6.2 million and RMB9.3 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. There is no assurance that we will be able to realize and recover the full amount of contract assets as the operation and liquidity condition of our customers may

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change, or they may dispute the services we provided, which will result in impairment of such contract assets. If we fail to realize and recover the full amount of contract assets, our results of operations, liquidity and financial position may be adversely affected.

**We are exposed to changes in the fair value of financial assets at fair value through profit or loss and valuation uncertainties due to the use of unobservable inputs, which could affect our financial performance and results of operations.**

Our financial assets at fair value through profit or loss amounted to RMB30.5 million, nil, nil and nil as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. We recorded fair value gain of financial assets at fair value through profit and or loss of RMB0.5 million, RMB1.0 million, nil, nil and nil in 2019, 2020 and 2021 and for the five months ended May 31, 2021 and 2022.

The above mentioned financial assets were wealth management products. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The fair value of wealth management products is determined using valuation model for which not all inputs are observable and is within Level 3 of the fair value hierarchy. This requires our management to make estimates about expected interest rate per annum and hence they are subject to uncertainty. As a result, such treatment of carrying amounts of our financial assets at fair value through profit or loss may cause significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations.

**We may need to make allowance for impairment of prepayments, deposits and other receivables.**

As of December 31, 2019, 2020 and 2021 and May 31, 2022, we recorded prepayments, deposits and other receivables of RMB4.9 million, RMB5.9 million, RMB8.5 million and RMB20.6 million, respectively. There is no guarantee that customers, suppliers and service providers will perform their obligations in a timely manner, and we are subject to credit risk in relation to prepayments, deposits and other receivables. We make allowance for impairment of prepayments, deposits and other receivables when we determine the chances of recovering the relevant amounts due are remote. We conduct assessments on the recoverability of prepayments, deposits and other receivables based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, economic trends and to a certain extent, the larger economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. The balance of our allowance for impairment of prepayments, deposits and other receivables was RMB0.1 million, RMB0.1 million, RMB0.1 million and RMB0.2 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. See Note 18 to the Accountants’ Report included in Appendix I to this Document for details. As our management’s estimates and related assumptions were made in accordance with information available to us at the time the allowance was determined, there is no assurance that our expectations or estimates will remain accurate for the future. If we are

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not able to recover the amount as scheduled, we may need to make allowance for impairment of prepayments, deposits and other receivables and our business, financial condition and results of operations may be adversely affected.

**If we fail to collect trade receivables from our customers in a timely manner, our business, results of operations and financial condition may be materially and adversely affected.**

As of May 31, 2022, the balance of our trade receivables was RMB21.0 million. In 2019, 2020 and 2021, we incurred net impairment losses of trade receivables in the amount of RMB0.1 million, RMB0.2 million and RMB0.7 million, respectively. We recorded reversal of impairment losses of trade receivables in an amount of RMB0.2 million for the five months ended May 31, 2022. We usually make credit assessments of our customers before entering into service agreements. However, we cannot assure you that we are or will be able to accurately assess the creditworthiness of each of our customers before entering into agreements or extending credit terms, nor can we guarantee that each of these customers will be able to strictly follow and enforce the payment schedules provided in the agreements. Any inability of our customers to pay us in a timely manner may adversely affect our liquidity and cash flows, which in turn has a material adverse effect on our business operations and financial condition.

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

We recognize a contract liability when we receive a payment or when a payment is due (whichever is earlier) from a customer before we provide the related goods or services. Contract liabilities are then reclassified as revenue when we perform under the contract, which means transferring control of the related goods or services to the customer. Our contract liabilities increased from RMB86.9 million as of December 31, 2019 to RMB119.0 million as of December 31, 2020, and increased to RMB124.3 million as of December 31, 2021. Our contract liabilities further decreased to RMB103.6 million as of May 31, 2022. See “Financial Information — Discussion of Certain Key Balance Sheet Items — Other Payables and Accruals.” If we fail to fulfill our obligations or if our customers dispute the services we provided, we may not be able to reclassify the full amount of contract liabilities as revenue, and we will have to refund all or a portion of the payments made by our customers, which will adversely affect our results of operations, liquidity and financial position.

**Fair value losses in convertible redeemable preferred shares issued to [REDACTED] Investors and related valuation uncertainty may materially affect our financial condition and results of operations.**

Our Company has historically issued several series of convertible redeemable preferred shares to investors. Upon the completion of the [REDACTED] and the [REDACTED], all of such redeemable convertible preferred shares will be automatically converted into ordinary shares. Additionally, the foregoing [REDACTED] Investors have the right to require us to redeem such convertible redeemable preferred shares if this [REDACTED] is not consummated on or prior to a certain date or upon the occurrence of some specified events.

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The convertible redeemable preferred shares were recorded on a fair value basis. We had fair value losses on convertible redeemable preferred shares of RMB190.6 million in 2021 and RMB91.4 million for the five months ended May 31, 2022. Equity allocation method was adopted to determine the fair value of the redeemable convertible preferred shares, and it utilizes a probability-weighted average mechanism based on the probability and pay-off from each share class under three scenarios, namely, [REDACTED], redemption and liquidation scenario. In each scenario, option-pricing model is used to estimate the fair value of each share class. Any change in the assumptions may lead to different valuation results and, in turn, changes in the fair value of these convertible redeemable preferred shares. To the extent we need to revalue the convertible redeemable preferred shares prior to the closing of the [REDACTED], any change in fair value of convertible redeemable preferred shares and related valuation uncertainty could materially affect our financial position and performance. After the automatic conversion of the convertible redeemable preferred shares into Shares upon the closing of the [REDACTED], we do not expect to recognize any further gains or losses on fair value changes from these convertible redeemable preferred shares in the future.

### RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

**If the PRC government finds that the agreements that establish the structure for operating our operations in China do not comply with applicable PRC laws and regulations, or if these laws and regulations or the interpretation of existing laws and regulations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and being forced to relinquish our interests in those operations.**

Foreign ownership in entities that provide Internet and other related businesses, including value-added telecommunication services, is subject to restrictions under current PRC laws and regulations, unless certain exceptions are available. According to the Special Administrative Measures for Foreign Investment Access (Negative List 2021), or the 2021 Negative List, and other applicable laws and regulations, the industry of Internet and other related businesses/value-added telecommunications services (other than the e-commerce, domestic multi-party communications, storage-forwarding, and call center) generally falls into the restricted category. See “Regulatory Overview — Regulations Relating to Foreign Investment” for more details. Additionally, on July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with Law (the “**July 2021 Opinions**”), which requires the relevant governmental authorities to accelerate rulemaking related to overseas issuance and listing of securities and cross-border data flow and legal enforcement. As there are still uncertainties regarding the interpretation and implementation of such regulatory guidance, we cannot assure you that we would be able to comply with new regulatory requirements relating to our future overseas capital-raising activities and we may become subject to more stringent requirements with respect to matters including data privacy, cross-border investigation and enforcement of legal claims.

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We are a company incorporated in the Cayman Islands and our PRC subsidiaries are considered foreign-invested enterprises. Accordingly, we and our PRC subsidiaries are not eligible to provide Internet information services of value-added telecommunication business subject to foreign ownership restriction under PRC laws and regulations. To ensure compliance with PRC laws and regulations, we conduct certain of our business lines in China through our Consolidated Affiliated Entities incorporated in China. We have entered into contractual arrangements with Consolidated Affiliated Entities and their shareholders, through which we obtain effective control over Consolidated Affiliated Entities and all of the economic benefits arising from our Consolidated Affiliated Entities and are able to consolidate the financial results of Consolidated Affiliated Entities in our results of operations. See “Contractual Arrangements.”

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the Shanghai International Economic and Trade Arbitration Commission in Shanghai, the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interest in our Consolidated Affiliated Entities, the equity interests and/or property interest and assets of our Consolidated Affiliated Entities, injunctive relief and/or winding up of our Consolidated Affiliated Entities. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Adviser that the above-mentioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in our Consolidated Affiliated Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or equity interest in our Consolidated Affiliated Entities in favor of an aggrieved party. In the event of noncompliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC government will not ultimately take a view contrary to the opinion of our PRC Legal Adviser. If we are found in violation of any PRC laws or regulations or if the Contractual Arrangements among our wholly foreign-owned PRC subsidiaries, Consolidated Affiliated Entities and their shareholders are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoking the agreements constituting the Contractual Arrangements;
- revoking our business and operating licenses;



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- requiring us to discontinue or restrict operations;
- restricting our right to collect revenue;
- restricting or prohibiting our use of the [REDACTED] from our [REDACTED] to fund our business and operations in China;
- shutting down all or part of our websites or services;
- levying fines on us and/or confiscating the proceeds that they deem to have been obtained through noncompliance operations;
- requiring us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any record holder of equity interest in our Consolidated Affiliated Entities, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may impose additional challenges to our corporate structure and Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse effect on our ability to conduct Internet-related businesses. In addition, if the imposition of any of these penalties causes us to be unable to direct the activities of our Consolidated Affiliated Entities or the right to receive their economic benefits, we would no longer be able to consolidate our Consolidated Affiliated Entities into our financial statements, which could materially and adversely affect our financial condition and results of operations. In this case, we may also face the risk that the Stock Exchange may consider our Company to be no longer suitable for [REDACTED] and consequently [REDACTED] our Shares.

**Substantial uncertainties exist with the regulations regarding foreign ownership restrictions and how the 2022 Decision may impact the viability of our current corporate structure.**

Foreign-invested telecommunications enterprises engaging in telecommunications business shall be regulated by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》). The 2022 Decision that took effect from May 1, 2022 made certain significant changes to the 2016 FITE Regulations. Under the 2016 FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added

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telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses overseas (the “**Qualification Requirements**”), while the 2022 Decision repealed the Qualification Requirements. Namely, the restrictions of Qualification Requirements no longer apply to foreign investors. See “Regulatory Overview — Regulations Relating to Foreign Investment — Restrictions on Foreign Investment in Value-added Telecommunications Services” for more details. However, foreign investors are still not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services despite the 2022 Decision. As of the Latest Practicable Date, no applicable PRC laws, regulations or rules have provided clear guidance or interpretation about the 2022 Decision. It remains extremely uncertain as to the interpretation and enforcement of the 2022 Decision in practice and relevant regulations by government authorities.

In order to narrowly tailor our VIE structure in accordance with the Stock Exchange’s listing decision HKEx-LD43-3 in light of the 2022 Decision, we will, as applicable and when necessary, make inquiries with relevant PRC authorities to understand any new regulatory development. While we intend to comply with all new and existing laws and regulations, we cannot assure you that we will always be able to timely and efficiently change our business practice in line with the new regulatory environment. Any such failure could materially and adversely affect our business, financial condition, results of operations and prospects.

As confirmed by our Directors, in the event that PRC laws and regulations allow the WFOE or us to directly hold all or part of the interest in our Consolidated Affiliated Entities and operate the relevant restricted/prohibited business in the PRC, the WFOE shall exercise the Equity Call Option as soon as practicable and the WFOE or its designated party shall purchase such amount of interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the interest that the Registered Shareholders (directly and indirectly) hold in our Consolidated Affiliated Entities by the WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreements, each of the Contractual Arrangements shall be automatically terminated. The Registered Shareholders have undertaken to compensate to the WFOE or its respective designated entity any consideration they received in the event that the WFOE or its respective designated purchaser acquires all or part of the interest in the Consolidated Affiliated Entities.

**Our Contractual Arrangements may not be as effective in providing operational control as direct ownership.**

We operate a majority of our business in China through our Consolidated Affiliated Entities, in which we have no ownership interest and rely on the Contractual Arrangements with our Consolidated Affiliated Entities and their shareholders to control and operate these businesses. A portion of our revenue and cash flow from our business is attributed to our Consolidated Affiliated Entities. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over Consolidated Affiliated Entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as

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a shareholder to effect changes in the boards of directors of Consolidated Affiliated Entities, which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, if our Consolidated Affiliated Entities and their shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to (i) incur substantial costs, (ii) expend significant resources to enforce those arrangements, and (iii) resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. In the event we are unable to enforce the Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over Consolidated Affiliated Entities and may lose control over the assets owned by our Consolidated Affiliated Entities. As a result, we may be unable to consolidate our Consolidated Affiliated Entities in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

**Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could negatively affect our financial condition and the value of your [REDACTED].**

The tax regime in China is rapidly evolving, and there is significant uncertainty for taxpayers in China as PRC tax laws may be interpreted in significantly different ways. The PRC tax authorities may assert that we or our subsidiaries or Consolidated Affiliated Entities or their shareholders owe and/or are required to pay additional taxes on previous or future revenue or income. In particular, under applicable PRC laws, rules and regulations, arrangements and transactions among related parties, such as the Contractual Arrangements with our Consolidated Affiliated Entities, may be subject to audit or challenge by the PRC tax authorities. If the PRC tax authorities determine that any Contractual Arrangements were not entered into on an arm’s length basis and therefore constitute a favorable transfer pricing, the PRC tax liabilities of the relevant subsidiaries and/or Consolidated Affiliated Entities and/or equity holders of Consolidated Affiliated Entities could be increased, which could increase our overall tax liabilities. In addition, the PRC tax authorities may impose late payment interest. Our profit may be materially reduced if our tax liabilities increase.

**Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.**

The control structure through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. On March 15, 2019, the NPC promulgated the Foreign Investment Law (2019), and on December 31, 2019, the State Council promulgated the Implementing Rules of Foreign Investment Law, or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law (2019). The Foreign Investment Law (2019) and the Implementing Rules both became effective from January 1, 2020 and replaced the major previous laws and

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regulations governing foreign investments in the PRC. Since they are relatively new, uncertainties exist in relation to their interpretation and implementation. The Foreign Investment Law and the Implementing Rules do not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, the Foreign Investment Law has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations or the State Council. Therefore it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment, until when it remains uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our Contractual Arrangements should be dealt with.

The Foreign Investment Law (2019) grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures (Negative List) for Foreign Investment Access jointly promulgated by MOFCOM and the NDRC and took effect on January 1, 2021. The Foreign Investment Law provides that foreign-invested entities are not allowed to operate in “prohibited” industries and their operating in “restricted” industries shall satisfy certain conditions and will require market entry clearance and other approvals from relevant PRC government authorities. On December 26, 2019, the Supreme People’s Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law, or the FIL Interpretations, which came into effect on January 1, 2020. In accordance with the FIL Interpretations, any claim to invalidate an investment agreement will be supported by courts if such agreement is found to be entered into for purposes of making investments in the “prohibited industries” under the negative list or for purposes of investing in “restricted industries” while failing to satisfy the conditions set out in the negative list. See “Regulatory Overview — Regulations Relating to Foreign Investment — Foreign Investment Laws and Regulations” for more details. If our control over our Consolidated Affiliated Entities through Contractual Arrangements is deemed as foreign investment in the future, and any business of our Consolidated Affiliated Entities is “restricted” or “prohibited” from foreign investment under the “negative list” effective at the time, we may be deemed to be in violation of the Foreign Investment Law, the Contractual Arrangements that allow us to have control over our Consolidated Affiliated Entities may be deemed as invalid and illegal, and we may be required to unwind such Contractual Arrangements and/or restructure our business operations, any of which may have a material adverse effect on our business operations.

Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to the Contractual Arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure and business operations.

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**Any failure by our Consolidated Affiliated Entities or their shareholders to perform their obligations under our Contractual Arrangements with them would have a material adverse effect on our business.**

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

All the agreements under our Contractual Arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in the PRC is not as developed as in some other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. See “— Risks Relating to Doing Business in China — Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a combined variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such proceeding if legal action becomes necessary. In addition, under PRC law, although rulings by arbitrators are final, if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only resort to PRC courts for enforcement of the arbitration awards through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce the Contractual Arrangements, or if we suffer significant delay or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected.

In addition, the shareholders of our Consolidated Affiliated Entities may be involved in personal disputes with third parties or other incidents that may have an adverse effect on their respective equity interests in our Consolidated Affiliated Entities and the validity or enforceability of our Contractual Arrangements with our Consolidated Affiliated Entities and their shareholders. For example, in the event that any of the shareholders of our Consolidated Affiliated Entities divorces his or her spouse, the spouse may claim that the equity interest of Consolidated Affiliated Entities held by such shareholder is part of their community property and should be divided between such shareholder and his or her spouse. If such claim is supported by the court, the relevant equity interest may be obtained by the shareholder’s spouse or another third party who is not subject to obligations under our



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Contractual Arrangements, which could result in a loss of the effective control over Consolidated Affiliated Entities by us. Similarly, if any of the equity interests of Consolidated Affiliated Entities is inherited by a third party with whom the current Contractual Arrangements are not binding, we could lose our control over our Consolidated Affiliated Entities or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to our business and operations and harm our financial condition and results of operations.

**We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by our Consolidated Affiliated Entities if any of our Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.**

Our Consolidated Affiliated Entities contribute a portion of our revenue, and hold the majority of our operational assets and licenses, approvals and assets that are necessary for the operation of our business. The Contractual Arrangements contain terms that specifically obligate the equity holders of our Consolidated Affiliated Entities to ensure the valid existence of our Consolidated Affiliated Entities and restrict the disposition of material assets or any equity interest of such Consolidated Affiliated Entities. However, in the event that the equity holders of Consolidated Affiliated Entities breach the terms of the Contractual Arrangements and voluntarily liquidate Consolidated Affiliated Entities, or our Consolidated Affiliated Entities declared bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without our consent, we may be unable to operate some or all of our business or otherwise benefit from the assets held by our Consolidated Affiliated Entities, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if our Consolidated Affiliated Entities undergo a voluntary or involuntary liquidation proceeding, their equity holders or unrelated third-party creditors may claim rights to some or all of the assets of our Consolidated Affiliated Entities, thereby hindering our ability to operate our business as well as constraining our growth.

**The shareholders of our Consolidated Affiliated Entities may have potential conflicts of interest with us.**

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

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Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our Company, except that we could exercise our purchase option under the exclusive option agreements with these shareholders to request them to transfer all of their equity interests in Consolidated Affiliated Entities to us or our designee(s), to the extent permitted by PRC law. For individuals who are also our Directors and officers, we rely on them to abide by the laws of the Cayman Islands, which provide that directors and officers owe a fiduciary duty to the company that requires them to act in good faith and in what they believe to be the best interests of the company and not to use their positions for personal gains. The shareholders of Consolidated Affiliated Entities have executed the shareholders’ rights entrustment agreement to appoint WFOE or a natural person designated by WFOE to exercise all of its rights and powers as a shareholder of our Consolidated Affiliated Entities. If we cannot resolve any conflict of interest or dispute between us and the shareholders of Consolidated Affiliated Entities, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainties as to the outcome of any such legal proceedings.

**We do not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.**

Our insurance does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder, and we have no intention to purchase any new insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the contracts among WFOE, Consolidated Affiliated Entities and the Registered Shareholders, our financial condition and results of operations may be adversely affected.

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

Pursuant to the Exclusive Call Option Agreements (as amended), the Registered Shareholders have irrevocably granted the WFOE or its designated purchaser the right to purchase all or part of the direct or indirect interests (including equity interests and/or assets) of our Consolidated Affiliated Entities.

If the WFOE or its designated purchaser exercises the option, the 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 transfer price may be subject to review and tax adjustment by the relevant tax authority. In the event that the consideration paid by the WFOE or its designated purchaser for the transfer exceeds RMB0, the Registered Shareholders shall pay such excess amount to the WFOE or its designated entity. The amount to be received by the WFOE or its designated entity may also be subject to enterprise income tax. Such tax amounts could be substantial.

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### RISKS RELATING TO DOING BUSINESS IN CHINA

**PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects.**

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by economic, political and social conditions in China generally. The PRC economy differs from the economies of most developed countries in many respects, including the level of development, growth rate, level of government involvement and control of foreign exchange and allocation of resources. The PRC government exercises significant control over China’s economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policies, and providing preferential treatments to particular industries or companies. In addition, the PRC government continues to play a significant role in regulating industry development by imposing relevant industrial policies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. In addition, the rate of growth has been slowing since 2012, and the impact of COVID-19 on the Chinese and global economies in 2020 and 2021 was severe. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to reduction in demand for our solutions and services and adversely affect our competitive position. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the PRC government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activities in China, which may adversely affect our business and results of operations.

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

A number of PRC laws and regulations, including the M&A Rules, the Anti-monopoly Law promulgated by the SCNPC in August 2007, the Notice of the General Office of State Council on Establishment of Security Review System Pertaining to Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by the General Office of the State Council in February 2011, and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors promulgated by MOFCOM in August 2011, have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex. These include

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requirements in some instances that the approval from MOFCOM shall be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review. See “Regulatory Overview — Regulations Relating to Foreign Investment — M&A Rules” for more details.

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

**Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.**

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries and Consolidated Affiliated Entities are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and the enforcement of these laws, regulations and rules involve uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effects. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainties over the scope and effect of our

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contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

**Any failure or perceived failure by us to comply with the enacted version of the Guideline and other anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.**

The PRC anti-monopoly enforcement agencies have in recent years strengthened enforcement under the Anti-monopoly Law of PRC (中華人民共和國反壟斷法). In March 2018, the SAMR was formed as a new governmental agency to take over, among other things, the anti-monopoly enforcement functions from the relevant departments under the MOFCOM, the NDRC and the SAIC, respectively. Since its inception, the SAMR has continued to strengthen anti-monopoly enforcement. On December 28, 2018, the SAMR issued the Notice on Anti-monopoly Enforcement Authorization (關於反壟斷執法授權的通知), which grants authorities to its province-level branches to conduct anti-monopoly enforcement within their respective jurisdictions. On September 11, 2020, the SAMR issued Anti-monopoly Compliance Guideline for Operators (經營者反壟斷合規指南), which requires, under the Anti-monopoly Law of the PRC, operators to establish anti-monopoly compliance management systems to prevent anti-monopoly compliance risks. On February 7, 2021, the Anti-monopoly Commission of the State Council issued the Antimonopoly Guidelines on Platform Economy (《關於平台經濟領域的反壟斷指南》) (the “Guidelines”), which became effective on the same day. The Guidelines provide that the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) and relevant regulations are applicable to internet platforms and businesses participating in platform economy. In August 2021, the State Administration for Industry and Commerce of the PRC, or the SAMR, issued the Draft Provisions on Preventing Unfair Online Competition (《禁止網路不正當競爭行為規定》(公開徵求意見稿)), which mainly regulates the production and operation activities of business operators through the Internet and other information networks, and specifically stipulates the general norms of online competition, prohibits the use of technical means to impede, interfere or conduct other unfair competition behaviors and prohibits the use of technical means to conduct other online unfair competition behaviors. As of the Latest Practicable Date, the Draft Provisions on Preventing Unfair Online Competition has not been formally adopted, and due to the lack of further clarification, there are still uncertainties regarding the interpretation and implementation of the Draft Provisions on Preventing Unfair Online Competition.

Any failure or perceived failure by us to comply with the Anti-monopoly Law of PRC (中華人民共和國反壟斷法) and other anti-monopoly laws and regulations may result in governmental investigations or enforcement actions, litigation or claims against us and could have an adverse effect on our business, financial condition and results of operations.



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

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, or SAFE Circular 37, in July 2014. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle.” The term “control” under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendments to the registration in the event of any changes with respect to the basic information of the special purpose vehicle, such as changes in a PRC resident individual shareholder, name or operation period; or any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material events. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. In February 2015, SAFE issued the Circular on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on Direct Investment, or SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 has delegated to the qualified banks the authority to register all PRC residents’ investment in “special purpose vehicle” pursuant to SAFE Circular 37, except that those PRC residents who have failed to comply with SAFE Circular 37 will remain to fall into the jurisdiction of the local SAFE branch and must make their supplementary registration application with the local SAFE branch. See “Regulatory Overview — Regulations Relating to Foreign Exchange” for more details.

We have requested PRC residents who we know hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required under SAFE Circular 37 and other related rules. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our Company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to

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finances and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

**The approval of the China Securities Regulatory Commission may be required in connection with the [REDACTED], and, if required, we cannot predict whether we will be able to obtain such approval.**

The M&A Rules require an overseas special purpose vehicle formed for [REDACTED] purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the China Securities Regulatory Commission, or the CSRC, prior to the [REDACTED] and trading of such special purpose vehicle’s securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and the [REDACTED] may ultimately require approval from the CSRC. If the CSRC approval is required, it is uncertain how long it will take us to obtain such approval and any failure to obtain or delay in obtaining the approval for the [REDACTED] would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China. In addition, on December 24, 2021, the CSRC published the draft Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)) and the draft Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (collectively, the “**Draft Regulations on Listing**”) for public comments. Pursuant to these drafts, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting its listing application documents to the relevant regulator in the place of intended listing. Failure to complete the filing under the Administrative Provisions may subject a PRC domestic company to a warning or a fine of RMB1 million to RMB10 million. If the circumstances are serious, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or business licenses may be revoked. See “Regulatory Overview — Regulations Relating to Overseas Listing” for more details. As of the Latest Practicable Date, these drafts Overseas Listing Administration had been released for public comments only and the final version and effective date of such regulations are subject to change with substantial uncertainties.

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As of the Latest Practicable Date, we have not received any enquiries, comments, instructions, guidance or other concerns from any PRC authorities, including the CSRC, with respect to our [REDACTED]. Further, our PRC Legal Adviser is of the view that although the Draft Regulations on Listing apply to overseas offerings and listings of PRC domestic companies, they do not raise additional compliance requirements for business operations of such PRC companies. As such, we do not foresee the Draft Regulations on Listing would have a material impact on our business operations and the [REDACTED].

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

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over and overall and substantial management of the production and business operations, personnel, accounts and properties, etc. of an enterprise. In 2009, the State Administration of Taxation of the People’s Republic of China, or the SAT, issued a Notice Regarding the Determination of Chinese-controlled Offshore Incorporated Enterprises as the PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location where senior management personnel and departments that are responsible for the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and meeting minutes and files of board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that neither we nor our offshore subsidiary is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to the determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that we and/or our offshore subsidiary are a PRC resident enterprise for enterprise income tax purposes, we and/or our offshore subsidiary will be subject to the

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uniform 25% enterprise income tax on our worldwide income, which could materially reduce our net income. In addition, we and/or our offshore subsidiary will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our Shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty). It is unclear whether non-PRC Shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your [REDACTED] in our Shares.

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

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

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

In addition, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement and the Notice of the State Taxation Administration on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued on February 20, 2009 by the SAT, if a Hong Kong resident enterprise



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owns more than 25% of the equity interest in a PRC company at all times during the 12-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on dividends is reduced to 5% provided certain other conditions and requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws are satisfied at the discretion of the relevant PRC tax authorities. However, based on the Notice of the State Taxation Administration on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a transaction or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. Based on the Notice of the State Taxation Administration on the Recognition of Beneficial Owners in Tax Treaties, or Circular 9, issued on February 3, 2018 by the SAT and effective from April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in a third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levies tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If our Hong Kong subsidiary is determined by PRC government authorities as receiving benefits from reduced income tax rates due to a transaction or arrangement that is primarily tax-driven, it would materially and adversely affect the amount of dividends.

**We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies, and 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.**

The SAT has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years, including the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued in December 2009, or SAT Circular 698, the Notice on Several Issues Regarding the Income Tax of Non-PRC Resident Enterprises promulgated issued in March 2011, or SAT Circular 24, and the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises issued in February 2015, or SAT Circular 7. Pursuant to these rules and notices, if a non-PRC resident enterprise indirectly transfers PRC taxable properties, referring to properties of an establishment or a place in the PRC, real estate properties in the PRC or equity investments in a PRC tax resident enterprise, by disposing of equity interest in an overseas holding company, such indirect transfer should be deemed as a direct transfer of PRC taxable properties and gains derived from such indirect transfer may be subject to the PRC withholding tax at a rate of up to 10%. SAT Circular 7 sets out several factors to be taken into consideration by tax authorities in determining whether an indirect transfer has a reasonable commercial purpose. An indirect transfer satisfying all the following criteria will be deemed to lack reasonable commercial purpose and be taxable under PRC law: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC



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taxable properties; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in the PRC, or 90% or more of its income is derived directly or indirectly from the PRC; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable properties are limited and are insufficient to prove their economic substance; and (iv) the foreign tax payable on the gain derived from the indirect transfer of the PRC taxable properties is lower than the potential PRC income tax on the direct transfer of such assets. Nevertheless, the indirect transfer falling into the safe harbor available under SAT Circular 7 may not be subject to PRC tax and the scope of the safe harbor includes qualified group restructuring, public market trading and tax treaty exemptions as specifically set out in SAT Circular 7.

In October 2017, the SAT released the Public Notice Regarding Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Public Notice 37, effective from December 2017. SAT Public Notice 37 replaced a series of important circulars, including but not limited to SAT Circular 698, and revised the rules governing the administration of withholding tax on China-sourced income derived by a non-resident enterprise. SAT Public Notice 37 provides for certain key changes to the current withholding regime, for example, the withholding obligation for a non-resident enterprise deriving dividend arises on the date on which the payment is actually made rather than on the date of the resolution that declared the dividends.

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

However, as there is a lack of clear statutory interpretation, we face uncertainties on the reporting and consequences of future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our Company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our Company and other non-resident enterprises in our Group may be subject to filing obligations or being taxed if our Company and other non-resident enterprises in our Group are transferors in such transactions, and may be subject to withholding obligations if our Company and other non-resident enterprises in our Group are transferees in such transactions. For the transfer of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. As a result, we may be

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required to expend valuable resources to comply with these rules and notices or to request the relevant transferors from whom we purchase taxable assets to comply, or to establish that our Company and other non-resident enterprises in our Group should not be taxed under these rules and notices, which may have a material adverse effect on our financial condition and results of operations. There is no assurance that the tax authorities will not apply the rules and notices to our offshore restructuring transactions where non-PRC residents were involved if any of such transactions were determined by the tax authorities to lack reasonable commercial purpose. As a result, we and our non-PRC resident investors may be at risk of being taxed under these rules and notices and may be required to comply with or to establish that we should not be taxed under such rules and notices, which may have a material adverse effect on our financial condition and results of operations or such non-PRC resident investors’ investments in us. We may conduct acquisition transactions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

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

Operating in the high-technology industry, Shanghai MedSci, one of our PRC operating entities, enjoys preferential tax treatment as a high and new technology enterprise according to the prevailing PRC tax laws. For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. The high and new technology enterprise qualification is re-assessed by the relevant authorities every three years. In December 2020, Shanghai MedSci was qualified as a “high and new technology enterprise” under the relevant PRC laws and regulations. Accordingly, Shanghai MedSci was entitled to a preferential income tax rate of 15% during the period from 2020 to 2023. Shanghai MedSci plans to file an application to renew the status in 2023. If Shanghai MedSci fails to maintain its respective qualification under the relevant PRC laws and regulations, its applicable enterprise income tax rates may increase to up to 25%, which could have a material adverse effect on our results of operations.

**Any failure to comply with PRC regulations regarding any employee share incentive plan may subject the PRC plan participants or us to fines and other legal or administrative sanctions.**

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures, unless certain exceptions are available. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of

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stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or non-PRC citizens living in China for a continuous period of not less than one year. As such, we and our executive officers may be subject to such regulations, if, in the future, additional options or stock incentive plans are adopted. Failure to complete SAFE registrations may subject them to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals and may also limit our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries’ ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our Directors, executive officers and employees under PRC law.

In addition, the SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes for those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

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

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

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

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**PRC regulations of loans to, and direct investment 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 materially and adversely affect our liquidity and our ability to fund and expand our business.**

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of shareholders’ loans or capital contributions, or to our Consolidated Affiliated Entities by means of loans, after completion of the [REDACTED] and the [REDACTED]. Any loans to our PRC subsidiaries or our Consolidated Affiliated Entities cannot exceed a statutory limit, and shall be filed with SAFE or its local counterparts, and if such loan is with a term of more than one year, it must be recorded and registered with the NDRC or its local branches. In addition, any capital contributions we make to our PRC subsidiaries shall submit the report of changes to MOFCOM or its local counterparts via the online information reporting system and registered with the SAMR or its local branches. We may not be able to complete these government reports on a timely basis, if at all. If we fail to complete such procedures, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In March 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of 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》) (the “SAFE Circular 19”), which took effect and replaced Circular of the Comprehensive Department of the SAFE on Improving the Business Operation of foreign exchange Capital Payment and Settlement of Foreign-invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the “SAFE Circular 142”) from June 1, 2015. On June 9, 2016, SAFE promulgated Circular 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》) (the “SAFE Circular 16”). SAFE Circular 19 and SAFE Circular 16 removed certain restrictions previously provided under SAFE Circular 142 on the conversion by a foreign-invested enterprise of its capital denominated in foreign currency into RMB and the use of such RMB and allowed foreign-invested enterprises to settle their foreign currency-denominated capital at their discretion based on actual needs of their business operations. However, SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using an RMB fund converted from its foreign exchange capital for expenditure beyond its business scope, or providing loans to non-associated enterprises. In addition, neither SAFE Circular 19 nor SAFE Circular 16 clarifies whether a foreign-invested enterprise whose business scope does not include equity investment or similar activities may use RMB converted from the foreign currency-denominated capital for equity investments in the PRC. On October 23, 2019, the SAFE issued Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the “SAFE Circular 28”), which expressly allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as there is a true investment and such investment is in

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compliance with the foreign investment-related laws and regulations. See “Regulatory Overview — Regulations Relating to Foreign Exchange” for more details. If our Consolidated Affiliated Entities require financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our Consolidated Affiliated Entities’ operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net [REDACTED] from the [REDACTED] to our PRC subsidiaries and convert the net [REDACTED] into RMB, which may adversely affect our business, financial condition and results of operations.

**Restrictions on the remittance of RMB into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your [REDACTED].**

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

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Pursuant to SAFE Circular 19, a foreign-invested enterprise may convert up to 100% of the foreign currency in its capital account into RMB on a discretionary basis according to the actual needs. SAFE Circular 16 provides for an integrated standard for conversion of foreign exchange under capital account items on a discretionary basis, which applies to all enterprises registered in China. In addition, SAFE Circular 16 has narrowed the scope of purposes for which an enterprise must not use the RMB funds so converted, which include, among others, (i) payment for expenditure beyond its business scope or otherwise as prohibited by the applicable laws and regulations, (ii) unless otherwise specified, investment in securities or other financial products other than banks’ principal-secured products, (iii) provision of loans to non-affiliated enterprises, except where it is expressly permitted in the business scope of the enterprise, and (iv) construction or purchase of non-self-used real properties, except for real estate developers. See “Regulatory Overview — Regulations Relating to Foreign Exchange” for more details. The PRC government may at its discretion further restrict access to foreign currencies for current account transactions or capital account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient



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foreign currencies to satisfy our foreign currency needs, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

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

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes including the PRC government’s policies, and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People’s Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

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

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

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

On July 14, 2006, Hong Kong and China entered into the Arrangement between the Courts of the Mainland and Courts of the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters Where the Parties Involved Have a Choice of Court Agreement, or the Arrangement. Pursuant to the Arrangement, a final judgment on civil or commercial matters entered by Hong Kong courts can be recognized and enforced in China by application to a competent court of China if the judgment awards monetary payment and the parties thereto have agreed in writing to submit the matter exclusively to Hong Kong courts for resolution. Similarly, a final judgment entered by courts of China on civil or commercial matters are

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enforceable in Hong Kong if the judgment awards monetary payment and the parties thereto have agreed in writing to submit the matter exclusively to courts of China for resolution. In January 2019, Hong Kong and China entered into another arrangement on court judgment recognition and enforcement — 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, or the New Arrangement — which no longer limits recognizable judgments to those granting monetary awards and whose parties have written and exclusive choice of forum agreement. The New Arrangement has yet come into effect and how it will be implemented remains uncertain.

**It may be difficult for overseas regulators to conduct investigations or collect evidence within China.**

Shareholder claims or regulatory investigations that are common in jurisdictions outside China are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to provide information needed for regulatory investigations or litigation initiated outside China. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in Hong Kong or other jurisdictions may not be efficient in the absence of mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law, or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the territory of the PRC, and without the consent by the Chinese securities regulatory authorities and the other competent governmental agencies, no entity or individual may provide documents or materials related to securities business to any foreign party. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability of an overseas securities regulator to directly conduct investigations or evidence collection activities within China and the potential obstacles for information provision may further increase difficulties faced by you in protecting your interests.

### **RISKS RELATING TO THE [REDACTED]**

**There has been no prior public market for our Shares prior to the [REDACTED], and you may not be able to [REDACTED] our Shares at or above the price you [REDACTED], or at all.**

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

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

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

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

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

The Shares held by our Controlling Shareholders are subject to a six-month lock-up period beginning on the date on which [REDACTED] in our Shares commences on the Stock Exchange, during which period the Controlling Shareholders shall not dispose of any Shares held by them. Furthermore, the Controlling Shareholders shall not dispose of their Shares in the six-month period commencing on the expiry date of the first six-month lock-up period if such disposal shall result in them ceasing to be a controlling shareholder as such term is defined under the Listing Rules. See “[REDACTED] — Undertakings pursuant to the [REDACTED]” for further details. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. In addition, certain existing shareholders of our Shares are not subject to lock-up agreements. Market sale of Shares by such shareholders and the availability of these Shares for future sale may have a negative impact on the market price of our Shares.

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

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

**We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our Shares for return on your [REDACTED].**

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we have not yet adopted a formal dividend policy with respect to future dividends. Therefore, you should not rely on an [REDACTED] in our Shares as a source for any future dividend income.

Our Board of Directors has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends either out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts at they fall due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our Board of Directors. Even if our Board of Directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Accordingly, the return on your [REDACTED] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you [REDACTED] the Shares. You may not realize a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.

**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from the industry expert report contained in this Document.**

This Document, particularly the sections headed “Business” and “Industry Overview,” contains information and statistics relating to the various digital service market for physicians and pharmaceutical and medical device companies. Such information and statistics have been derived from the Frost & Sullivan Report commissioned by us. We believe that the Frost & Sullivan Report is an appropriate source for information related to our industry, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the [REDACTED], the [REDACTED], the Joint Sponsors, the [REDACTED], the [REDACTED], the

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[REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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

You should rely solely upon the information contained in this Document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding our Shares. We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this Document, there has been press and media coverage regarding us and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or media regarding our Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, we disclaim responsibility for it and you should not rely on such information.

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

Our Controlling Shareholders have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Immediately following completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised), Dr. Li, Dr. Zhang, Microhealth Limited, Dtx Health Limited and Meilong Limited will in aggregate control approximately [REDACTED] of our issued Shares and will remain as our Controlling Shareholders. The concentration of voting power and the substantial influence of our Controlling Shareholders over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the price of our Shares. In addition, the interests of our Controlling Shareholders may differ from the



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interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise their substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other shareholders.

**We were incorporated under the laws of the Cayman Islands and these laws could provide different protections to minority shareholders than the laws of Hong Kong.**

Our corporate affairs are governed by the Memorandum and the Articles and by the Companies Act and laws of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interest of minority shareholders could differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences could mean that the minority shareholders could have different protections than they could have under the laws of Hong Kong.

**There will be a time gap of several business days between pricing and trading of our [REDACTED] in the [REDACTED]. Holders of our Shares are subject to the risk that trading prices of our Shares could fall during the period before trading of our Shares begins.**

The [REDACTED] of our Shares is expected to be determined on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the [REDACTED]. As a result, [REDACTED] may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time trading begins.