You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The [**REDACTED**] *price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that substantially all of our operations are conducted in the PRC, which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, see "Regulatory Overview" and "Appendix III – Summary of the Constitution of the Company and the Cayman Islands Companies Laws."*

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We operate in an emerging and dynamic industry and our historical results of operations and financial performance may not be indicative of future performance.

We operate in the emerging and dynamic digital healthcare services market in the PRC. The digital healthcare services market is relatively new, and it is uncertain whether it would achieve and sustain high levels of demand, consumer acceptance and market adoption. Risks and challenges we may face in this emerging and dynamic industry include our ability to, among other things:

- develop and maintain relationships with our existing business partners and attract new business partners to our cloud hospital platforms;
- enhance and maintain the value of our brand;
- navigate an evolving regulatory environment;
- develop and launch diversified and distinguishable products to effectively address the needs of patients and healthcare providers;
- attract more commercial insurers or connect to the social medical insurance systems;
- grow our user base and enhance their engagement and utilization of services in a cost-efficient manner;

- develop or implement additional strategic initiatives to further enhance monetization;

- maintain a reliable, secure, high-performance and scalable technology infrastructure;

- maintain our innovative corporate culture and continue to attract, retain and motivate talented employees; and

- defend ourselves against litigation, regulatory investigation, claims concerning medical practice, intellectual property, privacy or other aspects of our business.

If we fail to address any of the foregoing risks and challenges, our business, financial condition and results of operations may be materially and adversely affected.

Meanwhile, in 2020, 2021 and 2022, our revenue was RMB503.0 million, RMB614.3 million, and RMB687.4 million, respectively, and we experienced losses of RMB198.5 million, RMB294.4 million and RMB243.4 million, respectively. Though our historical results and growth may not be indicative of our future performance, there can be no assurance that we would be able to generate profits in the future. Our ability to achieve profitability is affected by a variety of factors, many of which are beyond our control, and our results of operations may vary from period to period in response.

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

Due to the complex nature of our business, we are subject to legal and regulatory requirements of multiple industries in the PRC. These industries primarily include the Internet, healthcare and digital healthcare services industries.

Various regulatory authorities of the PRC government are empowered to promulgate and implement regulations governing broad aspects of the Internet and healthcare industries. In respect of the healthcare industry, in particular, any violation of the relevant laws, rules and regulations may result in harsh penalties and, under certain circumstances, lead to criminal prosecution.

Meanwhile, the regulations of both the Internet industry and digital healthcare services sector are relatively new and evolving, and their interpretation and enforcement involve significant uncertainty. For example, changes in laws and regulations on data, especially data storage on third-party public cloud platform, as well as changes in laws and regulations on internet diagnosis and treatment, such as the verification requirement of internet hospitals, may change from time to time and we are therefore exposed to compliance risks to the evolving regulatory requirements. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed in violation of applicable laws and regulations. These uncertainties entail risks that may materially and adversely affect our business prospects. In a regulatory climate that is uncertain, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. Compliance with these future laws and regulations may require us to change our business models and practices at an undeterminable and possibly significant financial cost. These additional monetary expenditures may increase future overhead, which may, in turn, have a material adverse effect on our business, financial condition and results of operations. We have identified what we believe are the primary areas of government regulation that, if changed, would be costly to us. These areas include, but are not limited to, value-added telecommunications services, administration of medical practitioners and medical institutions, sales, supply, distribution and advertising of pharmaceutical products and medical devices, online medical treatment, Internet advertising as well as cybersecurity and confidentiality of user information. See "Regulatory Overview." For example, in August 2022, NMPA published the Measures for the Supervision and Administration of Online Pharmaceutical Transactions (《藥品網絡銷售監督管理辦法》). Such Measures provide specific and explicit rules for the online pharmaceutical transaction services, which is perceived to be more conducive to online pharmaceutical transaction platform providers, but also presents challenges for them to be in compliance. It remains uncertain that our online pharmaceutical transaction platforms are and will be in full compliance with the relevant laws and regulations or any new laws and regulations that may be promulgated in the future, which are evolving and subject to changes. Any failure to comply with such laws and regulations could subject us to disciplinary warnings and administrative penalties, which may, in turn, materially and adversely affect our business, financial condition, results of operations and prospects. Additionally, we cannot assure you that our scrutiny measures and mechanism will be effective or sufficient. There may be loopholes in our scrutiny measures and such measures may not be able to detect and report the major problems involving pharmaceutical quality and safety to the pharmaceutical administrations effectively and timely, which is required under the Measures for the Supervision and Administration of Online Pharmaceutical Transactions. Failure to effectively inspect the major problems involving pharmaceutical quality and safety could expose us to liability under PRC laws and regulations, which may incur significant liability and our business, financial condition and results of operations could be materially and adversely affected. There could be other laws and regulations applicable to our business that we have not identified or that, if changed, may be costly to us, and we cannot predict all the ways in which implementation of such laws and regulations may affect us.

Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that subsequent laws and regulations would not render our operations non-compliant or that we would always be in full compliance with applicable laws and regulations. If we must remedy any violations, we may be required to modify our business models as well as product and service offerings in a manner that undermines our solution's attractiveness to our users. We may also become subject to fines or other penalties or, if we determine that the requirements to operate in compliance are overly burdensome, we may elect to terminate the non-compliant operations. In each case, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, the introduction of new services and products may require us to comply with additional, yet undetermined, laws and regulations. Compliance may require obtaining appropriate permits, licenses or certificates as well as expending additional resources to monitor developments in the relevant regulatory environment. The failure to adequately comply with these future laws and regulations may delay, or possibly prevent, some of our products or services from being offered to users, which may have a material adverse effect on our business, financial condition and results of operations.

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

Our business has become increasingly complex in terms of both the type and scale of business we operate. Any expansion may increase the complexity of our operations and place a significant strain on our managerial, operational, financial and human resources. Our current and planned personnel, systems, procedures and controls may not be adequate to support our future operations. We cannot assure you that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully. If we are not able to manage our growth effectively, our business and prospects may be materially and adversely affected.

We are also continually executing a number of growth initiatives, strategies and operating plans designed to enhance our business. See "Business – Our Strategies." We expect to further expand our business, which may expose us to additional risks, including, among other things:

- difficulties with managing operations into new geographical regions, including complying with the various local regulatory and legal requirements;
- different approval or licensing requirements;
- recruiting sufficient personnel in these new markets;
- challenges in providing services and products as well as supports in these new markets; and
- challenges in attracting cooperating hospitals and other participants on our cloud hospital platforms as well as users and remaining competitive.

If we are unable to effectively avoid or mitigate these risks, our ability to expand our business will be affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The anticipated benefits from these efforts are based on assumptions that may prove to be inaccurate. Moreover, we may not be able to successfully complete these growth initiatives, strategies and operating plans and realize all of the benefits that we expect to achieve or it may be more costly to do so than we anticipate. If, for any reason, the benefits we realize are less than our estimates or the implementation of these growth initiatives, strategies and operating plans adversely affect our operations or cost more or take longer to effectuate than we expect, or if our assumptions prove inaccurate, our business, financial condition and results of operations may be materially and adversely affected.

The application and scalability of our city-specific cloud hospital platform model in new regions may be affected by factors beyond our control.

We offer cloud hospital platform services to assist local governments in establishing city-specific cloud hospital platforms, and we have a relatively mature city-specific cloud hospital platform in Ningbo. We have applied, and expect to apply, such cloud hospital platform model to other cities in China, and the success of such application, and the scalability of the platforms established or to be established depends on various factors, such as cooperation of local medical institutions and social medical insurance systems, evolving governmental policies, regional competition as well as willingness of residents to utilize digital healthcare services, many of which are beyond our control. For example, we fail to win new projects for building and operating city-specific cloud hospital platforms due to any significant changes in the contracting or fiscal policies of the local public sector, including availability of government funding, public-sector budgetary cycles and the adoption of new laws or regulations or changes to existing laws or regulations, among other things. In particular, any budget adjustments of public sector customers may result in delayed payment from them. See "– Risks Relating to Our Business and Industry – We are subject to the risk of payment delays from public sector customers" and "Financial Information – Description of Certain Components of Our Consolidated Statements of Financial Position – Trade Receivables." Failure to manage these factors may adversely affect our business, financial condition, results of operations and prospects.

We are subject to the risk of any payment delay from public sector customers.

We generally focus on customers in the public sector in the cloud hospital platform services and smart healthcare products segments. Any budget adjustments of public sector customers may result in delayed payment from them. Therefore, we are exposed to the risk of any delayed payment from public sector customers. This might result in slow turnover of our trade receivables and restrict our working capital resources. See "Financial Information – Description of Certain Components of Our Consolidated Statements of Financial Position – Trade Receivables" for more details. There can be no assurance that our public sector customers will make payments in a timely manner, whereas the long collection time for receivables due from public sector customers may adversely affect our working capital and cash flows.

We recorded net operating cash outflows throughout the Track Record Period and expect to incur operating losses in the future, and may not be able to achieve or maintain profitability, and we recorded negative equity or net liabilities during the Track Record Period.

Throughout the Track Record Period, we had experienced net losses and negative cash flows from operations. In 2020, 2021 and 2022, we had net losses of RMB198.5 million, RMB294.4 million and RMB243.4 million, respectively. During the same years, we had accumulated losses attributable to owners of the Company of RMB1,759.2 million, RMB2,055.5 million and RMB2,297.5 million, respectively. Furthermore, in 2020, 2021 and 2022, we had negative operating cash flows of RMB17.3 million, RMB83.4 million and RMB73.8 million, respectively. We expect our operating expenses to increase in the future as we expand our operations. 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 profitability. We may incur considerable losses in the future for various reasons, many of which may be beyond our control. Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected and we may not be able to achieve or maintain profitability.

Moreover, we recorded negative equity or net liabilities of RMB130.5 million, RMB267.4 million and RMB446.0 million as of December 31, 2020, 2021 and 2022, respectively. Our net liabilities positions expose us to liquidity risk. Our future liquidity, payment of trade and other payables, capital expenditure plans and repayment of outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We may have net liabilities positions in the future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, financial condition and results of operations.

If we do not succeed in attracting new medical institutions for our solutions or growing revenue from existing medical institutions, we may not be able to achieve our revenue growth goals.

Our ability to attract new medical institutions depends on a number of factors, including our ability to offer solutions and services at competitive prices in response to medical institutions' needs, the evaluation by existing medical institutions on the performance of our solutions, our ability to maintain comparative strengths to our competitors and the effectiveness of our marketing and sales efforts. If we fail to perform well in any of these aspects, our ability to attract new medical institutions could be impeded and, as a result, we may not be able to grow our business as quickly as we anticipate, or at all. In addition, medical institutions may engage third parties in developing healthcare information technology systems or develop such systems on their own, or they may continue to operate offline. Although our network of medical institutions increased steadily during the Track Record Period, however, we cannot assure you that our network of medical institutions will continue to grow at the current pace or at all. Furthermore, the majority of the primary medical institutions are connected to our platform for free, mostly providing smart family doctor services through our platform. We believe that the primary medical institutions connected to our platform can drive user traffic for the Internet medical services, thus bringing synergistic effects. If we cannot grow the number of medical institutions that pay to be connected to our platform, or if the primary medical institutions connected to our platform fail to drive user traffic for the Internet medical services as anticipated, our revenue from the cloud hospital platform services and Internet medical services and hence our results of operations and financial condition may be materially and adversely affected.

Meanwhile, we face challenges in growing revenue from existing medical institutions. If we fail to capture recurring or new demands from existing medical institutions, the future growth of our revenue may be adversely affected. We have been deepening our relationship with these medical institutions through identifying more pressing industry needs and our network effects. However, we cannot assure you that our sales efforts will be as successful as expected, as their effects are impacted by many factors, some of which are beyond our control, such as the liquidity position of the medical institutions.

Our business may be harmed if we fail to maintain users' trust in our platforms and solutions.

Maintaining the trust of our platforms and solutions is crucial for us to attract new, and retain existing, users, which largely depends on our proper management of the quality of services and products provided by the various participants, such as medical institutions, doctors, nurses and pharmacies, over our platforms. As many of such participants are not employed by us, we have limited control over their practice and the quality of their services on our platforms. There can be no assurance that our monitoring of their services would be sufficient to control the quality of their work, or they will strictly adhere to the specified work scope and quality requirements and comply with applicable laws and ethical rules. In the event that a participant fails to meet our quality and operating standards pursuant to our agreements or as required by relevant PRC laws and regulations or ethical rules, the operations of our Internet medical services and health management services may be disrupted.

For example, we are exposed to the risk of our cooperating medical institutions' potential failure to provide the agreed support under our cooperation agreements, which may result in our failure to launch such services on our platforms as anticipated and cause disruption to the operations of our platforms. In addition, we may not able to renew the cooperation agreements with these hospitals upon expiry or such agreements may be terminated prematurely by the cooperating hospitals. Any such failure may interrupt the operation of our platforms, reduce users' satisfaction and have an adverse effect on our business, reputation, financial condition and results of operations.

Furthermore, because of the contractual relationships, we could be perceived as responsible for the actions of such participants and, as a result, suffer reputational damage and could be brought into legal proceedings that are costly and time consuming to defend, and accordingly materially and adversely affect our business, financial condition and results of operations. See "– We may be subject to medical liability claims or claims under consumer protection laws, including health and safety, claims and product liability claims" and "– We may not be able to detect or prevent fraud or other misconduct committed by our employees or third parties."

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

The PRC digital healthcare services market is, and is expected to be, increasingly competitive. Our competitors may have longer operating histories, greater brand recognition, better supplier relationships, larger customer bases or greater financial, technological or marketing resources than we do. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, standards or customer requirements than us and may have the ability to initiate or withstand significant regulatory changes and industry evolvement. Competition may also result in continued pricing pressures, which is likely to lead to price declines in certain of our product or service lines, and may, in turn, adversely affect our profitability and market share.

Meanwhile, new competitors that have greater market share, larger customer bases, more widely adopted proprietary technologies, greater marketing expertise, greater financial resources and larger sales forces than us may emerge, which could put us at a competitive disadvantage. In light of these factors, even if our solution is more effective than those of our competitors, current or potential customers may accept competitive solutions in lieu of ours. If we are unable to successfully compete in the digital healthcare services market, our business, financial condition and results of operations may be materially and adversely affected.

The suspension of direct settlement by the social medical insurance system on our cloud hospital platforms may adversely affect our business, financial conditions and results of operations.

Our capacity to enable direct settlement by social medical insurance for our Internet medical services and health management services can increase user stickiness and expand user base at low costs. As of December 31, 2022, the medical bills of our Internet medical services and health management services can be directly settled by social medical insurance in Ningbo and Shenyang. However, there can be no assurance that we are able to continue such direct settlement arrangement with relevant government agencies at the current levels or at all in the future, which are subject to many factors beyond our control including local policies regarding social medical insurance. Failure to continue such arrangement may result in the suspension of direct settlement by the social medical insurance system on our platforms, which may lead to loss of users, and, in turn, adversely affect our business, financial condition and results of operations.

We may be subject to medical liability claims or claims under consumer protection laws, including health and safety, claims and product liability claims.

We face risks of medical liability claims against the doctors and nurses involved in our solutions. Although we carry insurance covering medical malpractice claims in amounts that we believe are appropriate in light of the risks attendant to our business, successful medical liability claims could result in substantial damage awards that may exceed the limits of our insurance coverage. We carry professional liability insurance for the doctors and nurses in relation to the provision of online consultations and Internet home care services over our cloud hospital platforms. See "Business – Insurance." Professional liability insurance premiums may increase significantly in the future, particularly as we expand our services. As a result, adequate professional liability insurance may not be available to the doctors, nurses or us in the future on commercially acceptable terms, or at all.

Any claims made against us that are not fully covered by insurance or at all could be costly to defend against, result in substantial damage awards against us and divert the attention of our management and the doctors and nurses from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

In particular, we have received medical claims in amounts of approximately RMB2,820,000, RMB35,000 and RMB125,000, respectively, in 2020, 2021 and 2022, in relation to our health management services. We currently do not carry any professional liability insurance for this business. Though such claims did not have a material and adverse impact on our business and financial condition, there can be no assurance that we will not experience similar claims in the future and our insurance coverage may not be sufficient or we may not be covered by insurance at all.

Meanwhile, the PRC government, media outlets and public advocacy groups are increasingly focused on consumer protection. As part of our cloud hospital healthcare business, prescription and OTC drugs as well as other healthcare products and services are offered through our cloud hospital platforms. In addition, we also provide smart healthcare devices for sale and related services. Such activities pose increasing challenges to our internal control and compliance systems and procedures, including our control over and management of third-party service providers or suppliers, and expose us to substantial liability, negative publicity and reputational damage arising from consumer complaints, harms to personal health and safety or accidents involving products or services offered through our platforms or provided by us. Operators of e-commerce platforms are subject to certain provisions of consumer protection laws even where the operator is not the merchant of the product or service purchased by the consumer. In addition, if we do not take appropriate remedial action against the service providers or suppliers for actions they engage in that we know, or should have known, would infringe upon the rights and interests of consumers, we may be held jointly liable for infringement alongside the service provider or supplier. We may also be held jointly liable with the service providers or suppliers under the applicable PRC law if we fail to take necessary actions when we know or should have known that the products or services provided by the service providers on our platforms or suppliers do not meet personal and property security requirements, or otherwise infringe upon consumers' legitimate rights. Moreover, applicable consumer protection laws in China hold that trading platforms will be held liable for failing to meet any undertaking that the platforms make to consumers with regard to products listed on their websites. Furthermore, we may also be held liable if we fail to verify the licenses or qualifications of the service providers on our platforms, or fail to safeguard consumers with respect to the products or services affecting consumers' health or safety.

Evolving and extensive regulatory requirements in the PRC regarding doctor management may affect our business operations and prospects.

The practice of doctors is strictly regulated under PRC laws, rules and regulations. Doctors shall obtain the Practice Certificate for Medical Practitioners to practice upon registration. Generally, under applicable PRC regulations, a doctor shall register the medical institutions where the doctor practices on their licenses with the relevant authorities in the PRC (the "Medical Institution Registration"). In addition, a doctor is allowed to practice in multiple institutions if the doctor has filed with the competent health administration authorities as required by applicable laws and regulations (the "Multi-site Practice Filing"). Nevertheless, under current PRC regulations, it remains unclear in practice whether such filing and registration requirements apply to doctors multi-site practicing in Internet hospitals like ours besides their initial registered practicing medication institutions, and whether and how a doctor shall conduct the registration or filing with health administration authorities, if applicable, under such circumstances. According to our PRC Legal Advisor's telephone consultation with the NHC, when doctors from other medical institutions provide medical services in an Internet hospital, they can practice directly at such Internet hospital without having to conduct the Multi-site Practice Filing or change their initial Medical Institution Registrations. However, we cannot assure you that all doctors practicing in the medical institutions of our network could continue to fully comply with the above-mentioned requirements from time to time, or new laws, regulations, rules and policies, imposing more stringent requirements, or further interpretations, implementations and enforcements by competent government authorities, at a timely manner, or at all.

If we fail to comply with the above-mentioned requirements, or future regulations, rules or requirements imposed by competent government authorities, the relevant doctors and/or we may be subject to fines, penalties or other regulatory measures. Meanwhile, if doctors practicing in the medical institutions of our network are found to have deficiencies by relevant authorities, they may be disciplined and their practicing licenses may be revoked. In such cases, we may no longer be able to offer certain of our medical services, which could materially and adversely affect our business. In addition, there can be no assurance that we could timely find qualified replacements on commercially reasonable terms, or at all.

We rely on business relationships with major customers and suppliers.

For each year during the Track Record Period, our five largest customers accounted for 16.2%, 14.3% and 20.1% of our total revenue, respectively. For each year during the Track Record Period, our largest customer contributed 5.0%, 3.3% and 11.2% of our total revenue, respectively. Any inability or failure by such customers to meet their payment obligations or contractual commitments or the insolvency or liquidation of our major customers could have a material adverse effect on our business, financial position and results of operations. See "Business – Our Customers."

For each year during the Track Record Period, purchases from our five largest suppliers accounted for 41.2%, 33.5% and 34.0%, respectively, of our total purchases. For each year during the Track Record Period, purchases from our single largest supplier accounted for 15.7%, 14.3% and 15.9%, respectively, of our total purchases. Any significant delay in delivery, the inability of our major suppliers to meet their quantity and/or quality obligations or the unavailability of alternative suppliers could hinder our business plan, which could, in turn, have a material adverse effect on our business, financial condition and results of operations. See "Business – Our Suppliers."

We may not be able to recoup the investments we make in research and development, which, in turn, could adversely impact our financial condition and results of operations.

Our success depends in part on our ability to continually enhance our core capabilities and solutions. If we are unable to respond to rapid technological changes in a cost-effective manner and develop new features and functions that satisfy our customers' demands, our solutions and other services may become less marketable and less competitive, and our business, results of operations may be adversely affected.

We have made, and will continue to make, investments in research and development which we believe to be helpful to our business, such as big data and IoT technologies. Although investments in research and development are critical to our success, they may not yield the desired results. We may experience difficulties that could delay or impede the development, after having expended significant time and financial resources. Even if research and development projects successfully lead to new core capabilities or solutions, they may require lengthy periods of time for testing before commercial launch, and the final solutions we offer to the market may not be well-received by our customers or generate sufficient revenue to cover the expenses incurred. In 2020, 2021 and and 2022, our research and development expenses were RMB66.8 million, RMB86.4 million and RMB79.0 million, respectively.

The potential loss or delay of our large service contracts or of multiple service contracts could adversely affect our results of operations.

Our customers may delay, terminate, fail to perform or reduce the scope of our contracts for a variety of reasons beyond our control, which include, but are not limited to:

- lack of available financing, budgetary limits or changing priorities;
- actions by regulatory authorities;
- unexpected or undesired results for services and products; and
- shift of business to a competitor or internal resources.

In particular, due to stretched financial condition, change in budget priorities or other factors relating to the COVID-19 pandemic, certain pipeline projects were delayed or canceled by our local government and medical institution customers for the cloud hospital platform services. For risks relating to the COVID-19 pandemic, see "– An occurrence of a natural disaster, widespread health pandemic or epidemic or other outbreaks could have a material adverse effect on our business, financial condition and results of operations." There can be no assurance that there will be no further delay or cancellation of a similar nature.

Although some of our contracts provide for termination fees for our customers' failure to perform the contract, such customers may refuse to pay these fees, and even if successfully enforced, these fees may not be sufficient for us to realize the full amount of revenues or profits anticipated under the related service contracts, or recover our costs. In cases where our contracts do not contain such clauses providing for these fees or our customers refuse to pay such fees, we may need to resort to legal proceedings for resolutions. Such proceedings are usually time consuming and could entail additional legal costs and distract our management. In addition, we will not realize the full benefits of our backlog of contractually committed services if our customers cancel, fail to renew, delay or reduce their commitments under our contracts with them, which may occur if, among other things, a customer decides to shift its business to a competitor or revoke our status as a preferred provider. Furthermore, some of our contracts are short-term and our customers may not renew or extend such short-term contracts with us after such contracts expire. Thus, the loss or delay of a large contract or the loss or delay of multiple contracts could adversely affect our revenue and profitability. We cannot assure you that we will be able to offset such revenue loss or delay in a timely fashion as large contracts or contracts in the amount we lose may not be available on a regular basis.

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

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

In particular, in response to the COVID-19 pandemic, the Chinese government took a number of actions, which included, among other things, compulsory quarantine arrangements, travel restrictions, remote work arrangements and public activities restrictions. The COVID-19 pandemic also resulted in temporary closure of many corporate offices, retail stores, manufacturing facilities and factories across China. Accordingly, certain of our businesses, in particular, our health management business and our own medical institutions, were adversely impacted by the COVID-19 pandemic. Meanwhile, for the cloud hospital platform services, due to stretched financial condition, change in budget priorities or other factors relating to the COVID-19 pandemic, certain pipeline projects were delayed or canceled by our local government and medical institution customers. For the Internet medical services, doctors and nurses of our network of medical institutions in certain cities, such as Ningbo and Shenyang, have had less time that can be devoted to offering Internet medical services through our platforms, due to priorities relating to the COVID-19 pandemic. 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 extent of the impact of COVID-19 outbreaks 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 outbreaks, which are highly uncertain and cannot be predicted. Such uncertainty poses operational challenges to our services offerings. Our operations could also be disrupted if one of our employees is suspected of having COVID-19 or another epidemic in our offices, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our results of operations could be adversely affected to the extent that the outbreaks harm the PRC economy in general.

The Chinese government has adjusted its pandemic prevention policies since late 2022. In particular, the PRC governments at all levels have strategically adjusted pandemic prevention policies and significantly lift the restrictive measures aimed at controlling the spread of the COVID-19 since December 2022, and there had been a noticeable uptick in infections within the population, which could result in companies imposing their own alternative working arrangements. If the COVID-19 pandemic persists, or if a significant portion of the population is infected with the virus, which may prompt changes in governmental policies and measures, and our business, results of operations and financial condition could be affected. To the extent that future waves of COVID-19 infections disrupt normal business operations and traveling in China, we may face disrupted market demand and operational challenges with our services. We are closely monitoring the development of the pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. However, we cannot estimate with any degree of certainty the full impact of the COVID-19 pandemic on our financial condition and future results of operations. The ultimate impact of the COVID-19 pandemic and related mitigation efforts will depend on future developments, including the duration of the COVID-19 pandemic, the acceptance and effectiveness of vaccines, the impact of COVID-19 and related containment and mitigation measures on the participants of our cloud hospital platforms, and other customers, suppliers, business partners and employees, workforce availability, and the timing and extent to which normal economic and operating conditions resume.

If we fail to perform our services in accordance with contractual requirements, we could be subject to significant costs or liability and our reputation could be harmed.

We contract with our customers to provide a wide range of cloud hospital platform services. Such services are complex and subject to contractual requirements, and any mistake or failure to perform in accordance with contractual specifications on our part could result in our customers suing us for breach of contract as well as other adverse consequences. For example, if external network interruptions result in the suspension of our operations of platforms, we may face potential claims and liabilities. Any such mistake or failure to perform in accordance with contractual requirements and standards may harm our reputation and business, result in administrative actions or heavy civil and contractual liabilities, and may deter prospective customers.

Our financial results may be adversely affected if we underprice our service agreements, overrun our cost estimates or fail to convert out-of-scope work or excessive costs into pricing term amendments.

Our service agreements are typically fixed-fee contracts. If we initially underprice our solutions for marketing purposes or otherwise to attract customers or overrun our cost estimates, we may not be able to recover our excessive costs, in which case our profit margin and our results of operations may be adversely impacted. Meanwhile, in certain cases, we may be able to apply an amendment to the pricing terms in case of underpricing occurs, but it is uncertain that we will be able to reach an amendment in a timely manner without incurring substantial legal and administration costs, or at all. Where we are not successful in converting out-of-scope work or excessive costs into amendments to pricing terms under our current contracts, our profit margin, results of operations, financial condition and cash flows may be adversely affected.

The gross profit margins for certain of our businesses are subject to fluctuations.

We have experienced fluctuations in the gross profit margins of the cloud hospital platform services and smart healthcare products segments. In 2020, 2021 and 2022, the gross profit margin of the cloud hospital platform services was 38.1%, 46.4% and 46.2%, respectively, and the gross profit margin of the smart healthcare products was 19.0%, 9.9% and 8.0%, respectively.

The gross profit margins of these two segments are subject to fluctuations mainly because such businesses are generally project-based, and the gross profit margin of each project under these two segments can vary greatly due to different pricing strategies adopted by us, which is further based on project evaluation on various aspects including, among other things, time and human resources necessary to complete such project, level of competitiveness in the bidding phase, customer relationship, industry norm, and strategic significance.

Accordingly, our gross profit margins of these segments may continue to be subject to fluctuations, and may not be at the levels recorded during the Track Record Period. Failure to manage the relevant risks may adversely affect our overall profitability and results of operations.

Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse effect on our business, financial condition and results of operations.

Our business is subject to governmental supervision and regulation by various PRC governmental authorities, including, but not limited to, the MOFCOM, the MIIT, the NHC, the NMPA, the SAMR, Cyberspace Administration of China and the corresponding local regulatory authorities. Such government authorities promulgate and enforce laws and regulations that cover a variety of business activities that our operations concern, such as online and offline medical services, retail, sales and online operation of pharmaceutical products and medical devices, Internet advertisement, data privacy and security, environmental protection, value-added telecommunications services, fire control, among other things. These regulations in general regulate the entry into, the permitted scope of, as well as approvals, licenses and permits for, the relevant business activities. See "Regulatory Overview." Due to uncertainties in the regulatory environment of the industries in which we operate, there can be no assurance that we have obtained or applied for all the approvals, permits and licenses required for conducting our business in the PRC or would be able to maintain our existing approvals, permits and licenses or obtain any new approvals, permits and licenses if required by any future laws or regulations. If we fail to obtain and maintain approvals, licenses or permits required for our business, we could be subject to liabilities, penalties and operational disruption and our business could be materially and adversely affected. We may also be liable for fines or disgorgement of illegal gains, which may materially and adversely affect our business, financial condition and results of operations.

We may be subject to litigation and regulatory investigations and proceedings, and may not always be successful in defending ourselves against such claims or proceedings.

Our business operations entail substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to medical disputes, fraud and misconduct, sales and customer services, leases, labor disputes, and control procedures deficiencies, as well as the protection of personal and confidential information of our users and business partners, among others. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies relating to advertisement, medical services and taxations, among other things. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. A significant judgement or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

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

We have obtained insurance to cover certain potential risks and liabilities, such as professional liability insurance for the doctors and nurses in connection with their provision of online consultations and Internet home care services over our cloud hospital platforms and product liability insurance for us and our suppliers with respect to products sold on our platforms or smart healthcare devices offered by us. However, we may not be able to acquire any insurance for certain types of risks such as business liability or service disruption insurance for all of our operations in the PRC, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. For example, we do not maintain business interruption insurance, nor do we maintain key-man life insurance. Any business disruption, litigation, regulatory action, outbreak of epidemic disease or natural disaster could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance 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.

If we fail to keep up with rapid changes in big data, IoT and other technologies, our future success may be adversely affected.

We utilize big data, IoT and other advanced data technology tools to access and aggregate data and develop our solutions. The success of our business will depend, in part, on our ability to adapt and respond effectively to the technology development in big data, IoT and other technologies on a timely basis. Application of big data and IoT technology has been popularized, with cutting-edge improvement in the overall knowledge base, algorithms and blockchain technology. The healthcare sector has also started to improve technology-oriented capabilities and leverage innovative applications to reshape the concept of prevention, diagnosis and treatments, such as AI-assisted diagnostics products and healthcare wearables. If we are unable to design products and solutions that catch up with such trends in a timely manner, our market share may shrink and our financial condition and results of operations may be negatively impacted.

If we are unable to develop new solutions that satisfy our customers and provide enhancements and new features for our existing solutions that keep pace with rapid technological and industrial change, our business, financial condition and results of operations could be adversely affected. If our competitors are able to deliver more efficient, convenient and secure solutions and services at lower prices by using new technologies, it could adversely impact our ability to maintain and increase our market share.

Our cloud hospital platforms and solutions may be launched and used on a variety of hardware, and software platforms, and we need to continually modify and enhance our services and solutions to adapt to changes and innovation in these technologies. Any failure of our platforms and solutions to operate effectively with evolving or new platforms and technologies could reduce the demand for our solutions. We are expected to continue to invest substantial resources in research and development to enhance our technology. If we are unable to respond to these changes in a cost-effective manner, our solutions may become less marketable and less competitive or obsolete, and our business, financial condition and results of operations could be adversely affected.

Our ability to access and aggregate data from various sources could be restricted, which may adversely impact our ability to deliver our services and solutions, our business and results of operations.

The optimal performance of our solutions depends on the breadth and depth of the data that we access and aggregate. We obtain the right to use the de-identified data through our solutions to and cooperation with medical institutions, local governments, insurers, patients, users and other participants in the healthcare system and we organize such data to establish precise and continuous health records to enable more effective and more efficient delivery of healthcare. Our ability to access and aggregate data is limited by a number of factors, including:

- existing laws, regulations, policies and industry standards on access to healthcare data and new developments therein;

- our ability to secure requisite authorization from the relevant healthcare participants to use the data underlying our solutions in a timely manner;
- our relationship with the relevant healthcare participants;
- user choices, including the mobile users' modifications to privacy settings;
- changes in browser or device functionality and settings, and other new technologies, which could make it easier for mobile users to prevent the placement of cookies or other tracking technologies; and
- interruptions, failures or defects in our data aggregation and storage systems.

Any of the above described limitations on our ability to successfully access and aggregate data could materially impair the performance of our solutions, thereby reducing the attractiveness of our solutions and resulting in an adverse effect on our business and results of operations.

The technologies that comprise our data intelligence infrastructure may include design or performance defects and may not achieve their intended results, any of which could materially and adversely affect our business, results of operations and financial performance.

We rely on our big data, IoT and other technologies to deliver our solutions. Our 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 results delivered by our solutions. Any defect in those technologies as well as their subsequent alterations and improvements could hinder the effectiveness of our cloud hospital platforms 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. Our software products are subject to product liability laws of China and 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.

Security breaches and attacks against our systems and network, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information, could damage our reputation and adversely impact our business, as well as materially and adversely affect our financial condition and results of operations.

We rely heavily on technology, particularly the Internet, to provide high-quality online services. However, our technology operations are vulnerable to disruptions arising from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our technology or external technology that allows our customers to use our online services and products could materially harm our business and reputation. In particular, our cloud hospital platform services rely on third party network service providers to ensure Internet stability. We have entered agreements with such providers in typical contract term of one year and pay fixed service fees every six months. However, we cannot assure you that the network of our cloud hospital platform services will be remain stable or at all due to factors beyond our control, which will also 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 and up to the Latest Practicable Date, 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 these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial revenue loss from lost sales and customer dissatisfaction.

In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Cyber-attacks may target us, our users, hospitals or other participants of our cloud hospital platforms, 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.

The improper use, disclosure or storage of data over our cloud hospital platforms could harm our reputation as well as have a material adverse effect on our business, financial condition, results of operations and prospects.

Our cloud hospital platforms aggregate a large amount of personal, transaction, demographic and behavioral data. Such information includes, but is not limited to, personal information (such as users' names, cell phone numbers, delivery addresses, age and gender), consultation record, order record and activity log. Accordingly, we face risks inherent in handling large volumes of data and in securing and protecting such data. In particular, we face a number of data-related challenges from consultations, transactions and other activities on our platforms, including:

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

Any systems failure or security breach or lapse that results in the unauthorized release of our user data could harm our reputation and brand and, consequently, our business and prospects, in addition to exposing us to potential legal liability.

Meanwhile, certain sensitive user information in our business operations is stored with third-party Internet data center providers, whose capacity may need to be expanded as our customer base continues to grow and our customers' demand for services, solution upgrade 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 terms, or at all. Furthermore, we do not have sufficient control over the operation of the data center facilities and therefore cannot afford the same level of protection to them as compared to those facilities that are owned by us or located within our premises. The data center facilities leased by us may be 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 misconducts. 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 services 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. Our business, financial condition, results of operations and reputation may be materially and adversely affected as a result.

On November 14, 2021, the CAC published for public comment the Draft CAC Regulations on Internet Data Security. The Draft CAC Regulations on Internet Data Security requires that, among others, a data processor must apply to the CAC for cybersecurity review if its listing in Hong Kong affects or may affect national security. However, such draft regulations do not provide specific interpretations on what constitutes as circumstances which affect or may affect national security. Therefore, we are unable to evaluate whether or not we are required to apply for the cybersecurity review and the potential impact of such regulatory changes on us, if any, at this stage. As advised by our PRC Legal Advisor, the criteria for determining "affect or may affect national security," as stipulated in the Draft CAC Regulations on Internet Data Security, is still subject to uncertainty and further observation and elaboration by the CAC. As the Draft CAC Regulations on Internet Data Security had not come into effect and may subject to changes with uncertainties, any failure to comply with the Draft CAC Regulations on Internet Data Security may subject us to administrative penalties including fines. As of the date of this document, the Draft CAC Regulations on Internet Data Security had not come into effect and we had not received any notices or inquiries from relevant competent authorities requiring us to apply for cybersecurity review.

On December 28, 2021, the CAC announced the Cybersecurity Review Measures, effective from February 15, 2022. Pursuant to the Cybersecurity Review Measures, besides the procurement of network products and services by critical information infrastructure operators, any data processing activities by network platform operators that affects or may affect national security shall be subject to the cybersecurity review as well. In accordance with the Cybersecurity Review Measures, operators mastering personal information of more than one million users must apply to the Cybersecurity Review Office for cybersecurity review when listing abroad (國外上市). On February 7, 2022, the Company's PRC Legal Advisor made a telephone consultation with the China Cybersecurity Review Technology and Certification Center, which is delegated by the CAC to accept applications for cybersecurity review. During the consultation, the Company's PRC Legal Advisor informed the staff regarding the Company's proposed [**REDACTED**] plan and the staff confirmed that currently the Company need not to apply for the cybersecurity review. The Company's PRC Legal Advisor is of the view that the staff consulted and the China Cybersecurity Review Technology and Certification Center are competent to give such confirmations. Based on the understanding of the Cybersecurity Review Measures and the consultation with the CAC mentioned above, our PRC Legal Advisor is of the view that [**REDACTED**] on the Main Board does not fall within the scope of "[**REDACTED**] abroad" which triggers cybersecurity review by cyberspace administrations as provided in the Cybersecurity Review Measures currently, because there are currently no official interpretations on the scope of "[**REDACTED**] aboard" in the above provisions, and Hong Kong is a part of the PRC. On February 8, 2022, the Sole Sponsor's PRC Legal Advisor made a telephone consultation with the China Cybersecurity Review Technology and Certification Center, the staff of which verbally confirmed that, in accordance with the Cybersecurity Review Measures, a [**REDACTED**] in Hong Kong does not need to apply for the cybersecurity review. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may require us to apply for the cybersecurity review for other reasons.

In addition, as the Cybersecurity Review Measures are newly promulgated and the Draft CAC Regulations on Internet Data Security are still draft for public comments, the implementation and interpretation of such regulations are subject to changes and further observation by the CAC. As a result, we cannot assure you that the relevant government authorities will not interpret the regulations in ways that may negatively affect us in the future.

The PRC Internet sector has experienced intense scrutiny over data protection and privacy in recent years. In particular, in June 2021, the Beijing Branch of CAC, jointly with other local authorities, issued a notice that they would perform special regulatory actions on apps' collection and use of personal information in Beijing from June to November in 2021. In July 2021, the relevant authorities had an inquiry meeting with us regarding certain issues of "Xixin Health" app, including (i) the lack of notice of the collection methods, purposes and scope of personal information in the users' consent agreement; (ii) the violation of the necessity principle in collection of personal data; and (iii) the lack of ways for users to delete or modify account information. We have rectified each of the issues by implementing measures including revising the users' consent agreement, ceasing to collect certain data in some business scenarios, and launching deletion settings, and have reported such rectification plans to the relevant regulators. As of the date of this document, we have not received any formal notice from the relevant regulators regarding any subsequent administrative actions or comments on our rectification, nor did we receive any penalties as a result. As of the same date, we were not a subject of any review, inquiry, notice, warning, investigation or sanction by the CAC. We have been continuously enhancing our internal controls over data collection and privacy while working closely with the regulators since then. Further, the newly promulgated Personal Data Protection Law of the PRC (中華人民共和國個人信息保護法) has come into effect on November 1, 2021, which sets out specific personal information protection requirements for all personal information processors. See "Regulatory Overview – Regulations Relating to Personal Information or Data Protection." We are continuously analysing and adjusting our personal information processing procedures and methods in accordance with the requirements in the Personal Data Protection Law.

We expect the regulations over data protection and privacy in the PRC to become increasingly more stringent. Due to the complexity and uncertainty of the regulatory environment, we cannot assure you that subsequent laws and regulations on data protection and privacy would not render our operations non-compliant in the future or that we would always be in full compliance with applicable laws, regulations and policies. We may become subject to fines or other penalties or be required to modify the functionalities of our app or, terminate certain operations, if we determine that the requirements to operate in compliance are overly burdensome. In each case, our business, financial condition and results of operations may be materially and adversely affected.

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

We regard our trademarks, copyrights, patents, domain names, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality agreements with our employees and third parties, to protect our proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, although we are not aware of any copycat websites or mobile apps that attempt to cause confusion or traffic diversion from us at the moment, we may become an attractive target to such attacks in the future because of our brand recognition in the PRC digital healthcare services market.

In addition, there can be no assurance that our intellectual property applications such as patents and trademarks would be approved. Meanwhile, issued patents may not adequately protect our intellectual property, or such patents may be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Furthermore, the unauthorized reproduction of our trademarks could diminish the value of our brand and market reputation as well as competitive advantages.

Moreover, it is often difficult to register, maintain and enforce intellectual property rights in the PRC. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. For example, when a party files a trademark registration application, it is not able to exclude the possibility that a third party may have filed an application to register the same or a similar trademark before it because such application may not have appeared in the relevant trademark authority's database. If we receive objections from third parties against our trademark registration applications, and the trademark authority grants rulings in favor of any third party, we may be prohibited from using the relevant trademarks in our business operations, and, as a result, we may need to change the name and logo of our mobile app, which may have an adverse effect on our business.

Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in the PRC. Policing any unauthorized use of our intellectual property is difficult and costly and the steps that we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. There can be no assurance that we would prevail in such litigation, and even if we manage to prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

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

We cannot be certain that our operations or any aspects of our business do not or would not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by our products, services or other aspects of our business. There could also be existing patents of which we are not aware that our products may inadvertently infringe. There can be no assurance that holders of patents purportedly relating to some aspect of our cloud hospital platforms or business, if any such holders exist, would not seek to enforce such patents against us in the PRC. Furthermore, the application and interpretation of PRC patent laws and the procedures and standards for granting patents in the PRC are still evolving and are uncertain, and there can be no assurance that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, which may materially and adversely affect our business, financial condition and results of operations.

We may be subject to liability for content available on our cloud hospital platforms that is alleged to be factually incorrect, socially destabilizing, obscene, defamatory, libelous or otherwise unlawful.

Under PRC laws, we are required to monitor our mobile interfaces for items or content deemed to be factually incorrect, socially destabilizing, obscene, superstitious or defamatory, as well as content, products or services that are illegal to sell online, and promptly take appropriate actions with respect to such content, products or services. We may also be subject to potential liabilities for any unlawful actions of our customers or users of our mobile interfaces or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be subject to fines, have our relevant business operation licenses revoked, or be prevented from operating our mobile interfaces in the PRC.

In addition, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, tort (including personal injury), other unlawful activity or other theories and claims based on the nature and content of information posted on our mobile portals, including news feeds and product reviews, by our participants such as our users and suppliers, among others. Regardless of the outcome of such a dispute or lawsuit, we may suffer from negative publicity and reputational damage as a result, which may adversely affect our business.

We are subject to limitations in promoting healthcare-related services and products.

We are subject to certain limitations in promoting healthcare-related services and products. The doctors, nurses and other relevant parties in the provision of our Internet medical services and health management services through our cloud hospital platforms 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 doctors, and the publication or marketing efforts for the predominant purpose of promoting the products or services of doctors and nurses to customers or potential customers. Such restrictions may affect our ability to further enhance our brand recognition or secure new business opportunities in the future.

Furthermore, there can be no assurance that our existing practices of monitoring our information dissemination process and publication would continue to be effective. Should there be any change in the relevant rules and regulations, or change of interpretation thereof, we, the doctors, nurses and other relevant third parties over our cloud hospital platforms may be regarded as breaching the relevant rules and regulations and may be subject to regulatory penalties or disciplinary actions, which may materially and adversely affect our business and reputation.

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

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. 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. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

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

Our future success is significantly dependent upon the continued service of our management and key personnel. If we lose the services of any member of management or key personnel, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth, therefore materially and adversely affecting our business, financial condition, results of operations and prospects.

Meanwhile, the size of our cloud hospital platforms and the scope of our solutions may require us to hire and retain a wide range of effective and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels. Competition for talent in the PRC digital healthcare services market is intense, and the availability of suitable and qualified candidates in the PRC is limited. Competition for these individuals could cause us to offer higher compensation and other benefits to attract and retain them. In addition, even if we were to offer higher compensation and other benefits, there can be no assurance that these individuals would choose to join or continue working for us.

Our key employees are subject to confidentiality terms that prohibit them from disclosing company confidential and proprietary information, but they are not subject to non-competition arrangements. However, we cannot assure you that such arrangements can be fully and legally enforced. If any of our senior management or other key personnel joins or establishes a competing business, we may lose some of our customers, which may have a material adverse effect on our business.

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

Fraud or other misconduct by our employees, such as unauthorized business transactions, bribery and breach of our internal policies and procedures, or by third parties, such as breach of law, may be difficult to detect or prevent. It could subject us to financial loss and sanctions imposed by governmental authorities while seriously damaging our reputation. This may also impair our ability to effectively attract prospective users, develop customer loyalty, obtain financing on favorable terms and conduct other business activities.

In particular, we may face risks with respect to fictitious or other fraudulent activities over our cloud hospital platforms. For example, our users may engage in fictitious transactions by submitting false prescription to purchase prescription drugs on our platforms. Users may also provide false information to medical professional on our platforms in order to obtain prescriptions that they are not supposed to get. Such fictitious transactions and fraudulent conduct may subject us to lawsuits, regulatory investigations, fines and penalties against us.

Moreover, illegal, fraudulent or collusive activities by our employees, such as fraud, bribery or corruption, could also subject us to liability or negative publicity or cause losses. Negative publicity and user sentiment generated as a result of actual or alleged fraudulent or deceptive conduct on our cloud hospital platforms or by our employees would severely diminish our users' confidence in us, reduce our ability to attract new or retain current users and other participants on our platforms, damage our reputation and diminish the value of our brand names, and materially and adversely affect our business, financial condition and results of operations.

Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions promptly, or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective. Therefore, we are subject to the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This may materially and adversely affect our business, financial condition and results of operations.

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

We accept payments using a variety of methods, which includes online payments through various third-party online payment platforms such as Alipay, WeChat Pay and UnionPay. We may be charged interchange and other fees for certain payment methods, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment and cash on delivery options. We are also subject to various rules, regulations and requirements governing electronic funds transfers in China, which could change or be reinterpreted to make it difficult or impossible for us to comply with. For example, in November 2017, the PBOC published a notice, or the PBOC Notice, on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting the unlicensed payment settlement services, so as to safeguard fund security and information security. As the laws and regulations in this area are still evolving and subject to interpretation, there can be no assurance that the PBOC or other governmental authorities will not scrutinize our cooperation with third-party online payment service providers. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our users, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

Our business and prospects depend on our ability to build our brand and reputation, which may not be effective, and our brand and reputation could be harmed by negative publicity with respect to us, our services and operations, our management or our business partners.

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to enhancing our attractiveness to our customers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts and amount of word-of-mouth referrals we received from satisfied customers. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect. In addition, negative publicity about us, our services and operations, our management or our business partners may adversely affect our brand, reputation and business. Certain of such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control.

Failure in full compliance with Social Insurance Law and the Regulations on Management of Housing Fund.

Pursuant to the PRC laws and regulations, we are required to pay the social insurance and housing provident fund for our employees based on employment relationship between the employer and the employee as evidenced by labor contracts. During the Track Record Period, we were not in strict compliance with the requisite requirements by engaging third-party human resource agencies and made contributions to social insurance and housing provident funds for some of our employees through such agencies. As advised by our PRC Legal Advisor, the current PRC laws and regulations do not expressly specify penalties thereof. However, we cannot assure you that we will not be ordered to rectify such non-compliance incidents or subject to penalties imposed by the relevant PRC authorities as a result of such non-compliance incidents. There can be no assurance that such agencies will pay the social insurance housing funds for the relevant employees in full and that there will not be any employee complaint against us in relation to such agencies' failure to make full social insurance and housing provident fund contributions. Any such complaints, orders or penalties may have an adverse effect on our financial conditional and results of operations.

We have built a close business relationship with Neusoft Corporation, and our interests may not be aligned with those of Neusoft Corporation.

We have built a close business relationship with Neusoft Corporation, one of our substantial shareholders and connected persons. During the Track Record Period, we provided health management services, chronic disease management services to Neusoft Corporation and its associates. In the meantime, we, from time to time, entered into property leasing and IT corporation transactions with Neusoft Corporation. We expect these connected transactions to continue immediately following the [**REDACTED**]. For further details, please see "Connected Transactions."

Our interests may not be aligned with those of Neusoft Corporation in a number of areas relating to our ongoing relationships. Neusoft Corporation may from time to time make strategic decisions that they believe are in the best interests of their business and shareholders as a whole. These decisions may be different from the decisions that we would have made on our own, and may not necessarily coincide with our interests and the interests of our other Shareholders.

We may face penalties for the non-registration of our lease agreements in China, and challenges from third parties or government authorities of our certain leased properties in China may force us to relocate and thus incur additional cost.

According to applicable PRC administrative regulations, the lessor and the lessee to a lease agreement are required to file the lease agreement with relevant government authorities within 30 days after the execution of the lease agreement. As of the Latest Practicable Date, we had not filed all of our lease agreements for the properties we leased with the local housing administration authorities as required under PRC laws and regulations. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease, and from RMB27,000 to RMB270,000 for all non-registered leases in aggregate.

As of the Latest Practicable Date, among all 27 leased properties, eight for business and operation uses, for example, two for medical institutions, are not in line with their prescribed usage. In the event that our current use of these properties are challenged as not in compliance with the prescribed usage, we may not be able to continue to use such leased properties and may incur additional expenses for relocation. Given that such leased properties are located in different regions and six of them are used only for offices, and that we are able to find alternatives within a relatively short period of time, our PRC Legal Advisor is of the view that the risk of a large scale eviction to an extent that would have a material adverse effect on us is relatively low.

If we are challenged by third parties or government authorities for any of the circumstances stated above, we may subject to fines and we may be forced to relocate, as the case may be, and as a result, our financial condition and results of operations may be adversely affected.

We rely on assumptions and estimates to calculate certain key operating metrics, and inaccuracies in such metrics may harm our reputation and adversely affect our business.

Certain key operating metrics in this document are calculated using our internal data that have not been independently verified by third parties. While these numbers are based on what we believe to be reasonable calculations for the applicable periods of measurement, there are inherent challenges in measuring usage and user engagement across our large user base. In addition, our key operating metrics are derived and calculated based on different assumptions and estimates, and you should be cautious of such assumptions and estimates when assessing our operating performance.

Our measures of user growth and user engagement may differ from estimates published by third parties or from similarly titled metrics used by our competitors due to differences in data availability, sources and methodology. If third parties do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and third parties may be less willing to allocate their resources or spending to us, which could adversely affect our business and operating results.

The government grants that we enjoy in the PRC may be altered or terminated.

During the Track Record Period, we enjoy financial support received from local governments relating to online healthcare service project funds and awards for technological innovation enterprises. Our government grants were RMB32.3 million, RMB13.7 million and RMB17.8 million, respectively, in 2020, 2021 and 2022. For details, see "Financial Information – Consolidated Statements of Comprehensive Income – Other Income" and note 6 to the Accountant's Report in Appendix I to this document. There can be no assurance that the policies on government grants will not change or that any government grants we enjoy or will be entitled to enjoy will not be terminated. If any change or termination of government grants occurs, our other income in the future may be adversely affected, thereby adversely affecting our results of operations and financial condition.

We are subject to credit risk in respect of our trade receivables.

Our trade receivables represent amounts due from third-party customers for services performed in the ordinary course of business. The carrying amount of trade receivables balance of RMB124.4 million, RMB168.0 million and RMB151.1 million, respectively, as of December 31, 2020, 2021 and 2022, represented our maximum exposure as of the respective dates to credit risk in relation to trade receivables. In 2020, 2021 and 2022, we recognized impairment losses on trade receivables of RMB15.6 million, RMB22.1 million, and RMB28.1 million, respectively, through profit or loss. We typically grant credit terms of up to 90 days to our customers. However, there can be no assurance that the collection of amounts due from our customers will be timely. In addition, as we focus on customers in the public sector in the cloud hospital platform services and smart healthcare products segments, we are also exposed to the risk of any payment delay from them. This might result in slow turnover of our trade receivables and restrict our working capital resources. See "– Risks Relating to Our Business and Industry – We are subject to the risk of payment delays from public sector customers" and "Financial Information – Description of Certain Components of Our Consolidated Statements of Financial Position – Trade Receivables." If we fail to receive payments from our customers on a timely basis, our cash flows and financial position could be materially and adversely affected.

Our results of operations may be affected by the share of results of an associate.

During the Track Record Period, we had certain investments accounted for using the equity method, amounting to RMB101.3 million, RMB196.7 million and RMB191.9 million, respectively, as of December 31, 2020, 2021 and 2022. Such investments accounted for using the equity method represent our investments in associates. Our results of operations may be adversely affected if our associates fail to turn profitable in the future, which is subject to a number of factors beyond our control. As of December 31, 2020, 2021 and 2022, we recognized share of loss from investments in associates of RMB3.9 million, RMB4.1 million and RMB4.8 million, respectively. See note 12 to the Accountant's Report in Appendix I to this document for details. We may also need to recognize impairment losses if the carrying amount of our investment in an associate exceeds its recoverable amount. In addition, our investments in associates may not be as liquid as other investment products, and there can be no assurance that we would receive any dividend from such associates in the future or at all. This may adversely affect our liquidity position.

If we fail to fulfil our obligations under our contracts with customers, our results of operations and financial condition may be adversely affected.

As of December 31, 2020, 2021 and 2022, we had contract liabilities of RMB41.6 million, RMB50.7 million and RMB51.8 million, respectively, which primarily represent advance payments received from our customers upon which the performance obligations have been established while the underlying services are yet to be provided by us. See note 5 to the Accountant's Report in Appendix I to this document for details.

If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the advance payments we have received, which may adversely affect our cash flow and liquidity condition, our ability to meet our working capital requirements and our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, our relationship with such customers may worsen, which may also affect our reputation and results of operations in the future.

We recorded net gains or losses on disposal of subsidiaries or associates during the Track Record Period, which were non-recurring in nature.

We recorded net gains on disposal of subsidiaries or associates of RMB17.2 million and RMB8.5 million in 2021 and 2022. In 2020, we recorded net losses on disposal of subsidiaries or associates of RMB5.0 million. Such gains and losses were recognized in relation to our disposal of subsidiaries or associates in the years and are therefore non-recurring in nature. We may or may not dispose our subsidiaries and/or associates in the future and our results of operations and financial condition may be adversely affected as a result.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the Internet and other related businesses, such as the provision of medical services and Internet information.

We are an exempted company incorporated under the laws of the Cayman Islands, and Xikang WFOE, our PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct a portion of our business in the PRC through our Consolidated Affiliated Entities based on the Contractual Arrangements. For details of the Contractual Arrangements, See "Contractual Arrangements – Our Contractual Arrangements."

Our PRC Legal Advisor is of the opinion that (i) the ownership structure of our Consolidated Affiliated Entities does not violate mandatory provisions of PRC laws and administrative regulations promulgated by the State Counsel currently in effect, (ii) except for certain clauses regarding the liquidation committee and the dispute resolution, see "– We conduct our business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain terms of the Contractual Arrangements may not be enforceable under PRC laws," the Contractual Arrangements, taken individually or collectively, are valid, legally binding and enforceable against each party of such agreements in accordance with their terms, and (iii) each of the Contractual Arrangements entered into by the Group does not violate mandatory provisions of the Civil Code of the PRC (《中華人民共和國民法典》) or fall within any of the circumstances under which a contract may become null and void pursuant to the Civil Code of the PRC. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. If the PRC government determines that we are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MIIT and the NHC, would have broad discretion in dealing with such violations or failures, including, but not limited to:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;

- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;

- imposing conditions or requirements with which we or the Consolidated Affiliated Entities may not be able to comply;

- requiring us or the Consolidated Affiliated Entities to restructure the relevant ownership structure or operations;

- restricting or prohibiting our use of the [**REDACTED**] from the [**REDACTED**] or other of our financing activities to finance the business and operations of our Onshore Holdcos and their respective subsidiaries; or

- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of the Consolidated Affiliated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated Affiliated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entities, we may not be able to consolidate the Consolidated Affiliated Entities into our consolidated financial statements in accordance with HKFRS.

On February 17, 2023, the China Securities Regulatory Commission (中國證券監督管理委員會) (the "CSRC") released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "Trial Measures") and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfill relevant filing procedures and report information to the CSRC. The Trial Measures provides that if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that (1) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if such domestic companies complete the overseas listing within such six-month transition period and there is no re-hearing required by the Stock Exchange during such period, they are not subject to the filing procedure with respect to such overseas listing; and (2) the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of such companies if they duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources.

If we are subject to the filing procedure under the Trial Measures for our future fund raising activities and other major events, and we fail to complete the filing with the CSRC in a timely manner, or at all, due to our adoption of Contractual Arrangements, we may need to restructure our corporate structure and unwind our Contractual Arrangements for the purpose of fulfilling the filing requirement, which may cause additional costs and is time-consuming, and could materially and adversely affect our business, financial condition, results of operations, our ability to raise funds and prospects. If we are determined not in compliance with the requirements under the Trial Measures, and thus are unable to complete the filing with the CSRC, we may need to postpone or terminate our future fund raising activities if any. However, given that the Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing.

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

Due to the PRC restrictions or prohibitions on foreign ownership of Internet and medical businesses in the PRC, we operate a portion of our business in the PRC through our Consolidated Affiliated Entities, in which we have no ownership interest. We rely on a series of contractual arrangements with the Onshore Holdcos or their respective shareholders to control and operate their business. These contractual arrangements are intended to provide us with effective control over our Consolidated Affiliated Entities and allow us to obtain economic benefits from them. See "Contractual Arrangements."

These Consolidated Affiliated Entities may not be as effective in providing control over the Consolidated Affiliated Entities as direct ownership. If the Onshore Holdcos or their respective shareholders fail to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of the Contractual Arrangements are governed by and interpreted in accordance with

PRC laws, and disputes arising from the Contractual Arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC laws. There remain significant uncertainties regarding the outcome of arbitration or litigation. Such uncertainties could limit our ability to enforce these contractual arrangements. 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 the Consolidated Affiliated Entities and may lose control over the assets owned by the Consolidated Affiliated Entities. As a result, we may be unable to consolidate the Consolidated Affiliated Entities in our consolidated financial statements, and our ability to conduct our business may be adversely affected.

We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to our business operations if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

We do not have priority pledges and liens against the assets of our Consolidated Affiliated Entities. If the Consolidated Affiliated Entities undergo an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of their respective assets and we may not have priority against such third-party creditors on the assets of our Consolidated Affiliated Entities. If our Consolidated Affiliated Entities liquidate, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by the Consolidated Affiliated Entities to the Registered Shareholder under the applicable service agreement.

Under the Contractual Arrangements, the Registered Shareholders covenanted that they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in the Onshore Holdcos, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreements without the written consent of Xikang WFOE. In addition, the Registered Shareholders covenanted that they shall not request the Onshore Holdcos to in any manner distribute profit or dividends, raise such relevant shareholders' resolution or vote in favor of any such relevant shareholders' resolution without the prior written consent of Xikang WFOE. In the event that they receive any income, profit distribution or dividend, except as otherwise determined by us, they shall promptly transfer or pay, as part of the services fee under the Exclusive Management Consultancy and Business Cooperation Agreements, such income, profit distribution or dividend to us or any other person designated by us to the extent permitted under applicable PRC laws. In the event that the Registered Shareholders breach the relevant covenants, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding is uncertain.

The interests of the Registered Shareholders of the Consolidated Affiliated Entities may not align with the interests of our Shareholders, which may materially and adversely affect our business.

We have designated individuals who are PRC nationals to be the Registered Shareholders of the Consolidated Affiliated Entities. These individuals may have conflicts of interest with our Shareholders. As of the Latest Practicable Date, our Registered Shareholders are Ms. Zong Wenhong and Ms. Wang Shuli, and both Onshore Holdcos are held by Ms. Zong Wenhong as to 80% and Ms. Wang Shuli as to 20%. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our Company. Such duties include the duty to act bona fide in what they consider to be in the best interest of our Company as a whole and not to place them in a position in which there is a conflict between their duties to our Company and their personal interests. On the other hand, PRC laws also provide that a director or a senior manager owes a loyalty and fiduciary duty to the company in which he or she holds such position. Although that pursuant to the Exclusive Option Agreements, the Registered Shareholders unconditionally and irrevocably agree to grant Xikang WFOE an exclusive option to purchase all or part of the equity interests in our Onshore Holdcos, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which Xikang WFOE or its designated third party is permitted under PRC laws to acquire all or part of the equity interests of our Onshore Holdcos, we cannot assure you that when conflicts arise, Registered Shareholders of the Consolidated Affiliated Entities will act in the best interest of our Shareholders or that conflicts will be resolved in our favor. In addition, the Registered Shareholders of the Consolidated Affiliated Entities have limited shareholding interests in our Company. Ms. Zong Wenhong is indirectly interested in approximately [**REDACTED**]% of the equity interests in our Company immediately after the [**REDACTED**] presuming the Assumptions. Neither Ms. Zong Wenhong nor Ms. Wang Shuli owns any direct interest in our Company. As such, the interests of the Registered Shareholders may not align with the interests of the Shareholders in the Company and it is possible that these individuals may breach or cause the Consolidated Affiliated Entities to breach the existing Contractual Arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

In addition, although the equity pledge agreement entered into by and between Xikang WFOE, the Onshore Holdcos and their shareholders provide that the pledged equity interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements, it is possible that a PRC court could take the position that the amounts listed on the equity pledge registration forms or estimated in the equity pledge agreements represent the full amounts of the collateral that have been registered and perfected. If this were to happen, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amounts listed on the equity pledge registration forms or estimated in the equity pledge agreements could be deemed unsecured debts by the PRC court, which take the last priority among creditors.

We conduct our business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

All the agreements which constitute the Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws and disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions and uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over the Consolidated Affiliated Entities, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests, assets or properties of the Onshore Holdcos, injunctive relief (for example, for the conduct of business or to compel the transfer of assets) or order the winding up of the Onshore Holdcos. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim relief to a party when requested for the purpose of preserving the assets and properties or enforcement measures, subject to the requirements under the PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the Onshore Holdcos in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in the Onshore Holdcos in favor of an aggrieved party. In the event of non-compliance 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. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by the Onshore Holdcos and/or its shareholders, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over the Onshore Holdcos, which could materially and adversely affect our ability to conduct our business.

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

Pursuant to the Contractual Arrangements, Xikang WFOE or its designated person(s) has the irrevocable and exclusive right to purchase all or any part of the equity interests in the Onshore Holdcos from its shareholders at any time and from time to time in Xikang WFOE's absolute discretion to the extent permitted by PRC laws. The consideration shall be the higher of a nominal price or the lowest price as permitted under applicable PRC laws.

The equity transfer may be subject to the approvals from, or filings with, the MOFCOM, the MIIT, the SAMR and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. The Registered Shareholders should return the equity transfer price amount to Xikang WFOE under the Contractual Arrangements, if such amount is above a nominal price. The amount to be received by the Xikang WFOE under the Contractual Arrangements may also be subject to enterprise income tax, and such tax amounts could be substantial.

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

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which took effect on January 1, 2020. Since it is relatively new, uncertainties exist in relation to its interpretation and implementation. The Foreign Investment Law does 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, it 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 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 in January 2022. 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 (the "FIL Interpretation"), 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. If our control over our VIEs through contractual arrangements are deemed as foreign investment in the future, and any business of our VIEs 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 VIE 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 existing 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.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and our Consolidated Affiliated Entities do not represent an arms-length price and adjust our Consolidated Affiliated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by our Consolidated Affiliated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC variable interest entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

RISKS RELATING TO THE PRC

Economic, political and social conditions and government policies in the PRC could affect our business and prospects.

A substantial majority of our revenue is derived from our businesses in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for about four decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us. For example, our financial condition and results of operations may be adversely affected by government policies on the digital healthcare services market in China or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business in the PRC may also 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 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 effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our 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, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

In particular, PRC laws and regulations concerning the digital healthcare services market are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations and avoid conducting any non-compliant activities under the applicable laws and regulations, the PRC governmental authorities may promulgate new laws and regulations regulating the digital healthcare services market in the future. We cannot assure you that our practice would not be deemed to violate any new PRC laws or regulations relating to digital healthcare. Moreover, developments in the digital healthcare services market may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict digital healthcare platforms like us, which could materially and adversely affect our business and operations.

We may be subject to filing procedure and other requirements of the CSRC or other PRC governmental authorities in connection with this [REDACTED], future capital raising activities and future major events.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "Trial Measures") and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfill relevant filing procedures and report information to the CSRC. If a domestic company fails to complete the filing procedure, omits any material fact, falsifies any content or contains any misleading statement in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if such domestic companies complete the overseas listing within such six-month transition period, they are not subject to the filing procedure with respect to such overseas listing. See "Regulations–Regulations Relating to Overseas Listing." However, since the Trial Measures was newly promulgated, the interpretation, application and enforcement of Trial Measures remain unclear.

If it is determined that we are subject to any filing or other authorization or requirements of the CSRC or other PRC governmental authorities for future fund raising activities or other major events, and we fail to complete such filing or meet such requirements in a timely manner or at all, we could be subject to sanctions by the CSRC or other PRC regulators authorities. If we are determined not in compliance with the requirements under the Trial Measures, and thus are unable to complete the filing with the CSRC, we may need to postpone or terminate our future fund raising activities if any. Any uncertainties or negative publicity regarding such filing or other requirements stated above could materially and adversely affect our business, prospects, financial condition, reputation, and [**REDACTED**] of the Shares.

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

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (the "M&A Rules"), adopted by six PRC regulatory agencies in 2006 and amended in 2009 by the MOFCOM, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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 investment.

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 management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or SAT, issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those not controlled by PRC enterprises or PRC enterprise groups like us, 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 Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our Company or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we 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, dividends paid by us and gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such dividends or gains are deemed to be from PRC sources. Any such tax on the dividends received by our Shareholders from us may be withheld at source. 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 investment in our Shares.

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

The value of Renminbi against the U.S. dollar and other currencies fluctuates, is subject to changes resulting from 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 Renminbi and 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. We experienced net foreign exchange losses of RMB19.6 million and RMB13.0 million in 2020 and 2022, respectively, and net foreign exchange gains of RMB1.7 million in 2021, which resulted from our holding of U.S. dollars arising from our U.S. dollar denominated assets and liabilities. In 2020, 2021 and 2022, we also recognized currency translation differences of our Company in our other comprehensive income of negative RMB2.0 million, negative RMB0.1 million and RMB0.8 million, respectively, which represented currency translation differences arising from the consolidation of our subsidiaries' financial statements prepared in currencies different than Renminbi. We are subject to the risk relating to volatility in future exchange rate and PRC government's controls on currency conversion.

The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against the Hong Kong dollar may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of Renminbi 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 Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments indirectly from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE by complying with certain procedures under PRC foreign exchange regulation. However, approval from or registration with appropriate governmental authorities is required where Renminbi 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.

In light of the flood of capital outflows of China in 2016 due to the weakening of Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the filing, reporting or registration with relevant governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, and (ii) Xikang WFOE may not procure foreign loans which exceed the statutory limits. Any medium or long term loan to be provided by us to our Consolidated Affiliated Entities must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not be able to complete such filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the [**REDACTED**] of this [**REDACTED**] and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect as of June 1, 2015. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange, or SAFE Circular 16. SAFE Circular 19 and SAFE Circular 16 continue to prohibit foreign-invested enterprises from, among other things, using Renminbi fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment in securities or investments other than banks' principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use except for real estate enterprises. On October 23, 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment, or SAFE Circular 28, which, among other things, allows all foreign-invested enterprises to use Renminbi converted from its foreign exchange capitals for expenditure for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. On December 31, 2020, the People's Bank of China, SAFE and other government authorities jointly issued the Circular on Further Optimizing Cross-border Renminbi Policies to Support the Stabilization of Foreign Trade and Foreign Investment, or the SAFE Circular 330, which, among other things, reiterates the above provisions in Circular 28. However, since the Circular 28 and Circular 330 are relevantly new, it is unclear how SAFE and other government authorities as well as competent banks will carry this out in practice. The above SAFE circulars may significantly limit our ability to transfer to and use in China the net [**REDACTED**] from this [**REDACTED**], which may adversely affect our business, financial condition and results of operations.

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 investment in us.

On February 3, 2015, SAT promulgated the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (the "Circular 7"), which heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise (the "PRC Taxable Assets") and stipulated that tax authorities in the PRC are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of an equity interest in an overseas holding company which directly or indirectly hold the PRC Taxable Assets, by disregarding the existence of the overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been made for the purpose of evading PRC enterprises income tax and without any reasonable commercial purpose.

There is uncertainty as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions, future acquisitions or sale of the shares of our offshore subsidiaries, where non-resident enterprise transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

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

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, was promulgated by the SAFE in July 2014 that requires PRC residents or PRC entities (the "Domestic Residents") to register with the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing, with assets or equity interests of onshore companies or offshore assets or interests held by the Domestic Residents, referred to in SAFE Circular 37 as a "special purpose vehicle."

In addition, SAFE Circular 37 further requires amendment to the previously filed registration with the local branch of the SAFE, with respect to that special purpose vehicle, to reflect any material change including any material change of the special purpose vehicle's Domestic Resident shareholder, name of the special purpose vehicle, term of operation, or any increase or reduction of the special purpose vehicle's registered capital, share transfer or swap, and merger or division. Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, which were promulgated on 13 February 2015 and implemented on 1 June 2015, the foreign exchange registration for establishing or taking control of a special purpose vehicle by Domestic Residents is required to be conducted with a qualified bank, instead of the local SAFE branch.

If our shareholders or beneficial owners who are Domestic Residents do not complete their registration or change of the registration with the local SAFE branches or qualified local banks, or fail to obtain the approval or complete the filing with the NDRC or the MOFCOM or their local counterparts relating to the overseas investment activities, as applicable, Xikang WFOE may be imposed penalties, restrictions on its ability to distribute dividends to us, and restrictions on our ability to inject additional capital into Xikang WFOE.

We have used our best efforts to notify Domestic Residents who directly or indirectly hold shares in our Company, and who are known to us as being Domestic Residents to timely complete the required filings and registrations. However, we cannot assure you that all of our Domestic Residents who directly or indirectly hold shares in our Company will comply with the SAFE, the NDRC and the MOFCOM registration or filing requirements, including updating their registration or filing pursuant to relevant requirements or registration by future beneficial owners who are Domestic Residents, which is out of our control. Any failure by Domestic Residents who directly or indirectly hold shares in our Company to make registration or filing in accordance with relevant regulations or update their filing or registration, or the failure of future beneficial owners who are Domestic Residents to comply with the registration or filing requirements may result in penalties and the prohibition of payments to offshore parents from capital reductions, share transfers or liquidations of our PRC subsidiaries and could materially adversely affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to our shareholders.

Certain judgments obtained against us by our Shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands and substantially all of our current operations are conducted in China as well. In addition, substantially all of our current Directors and officers are nationals and residents of China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, as there are no clear statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our Directors and officers.

We may grant employees share options, which may materially impact our results of operations in the future.

We had recorded share-based compensation expenses of RMB34.0 million, RMB153.6 million and RMB79.2 million in 2020, 2021 and 2022, mainly in relation to the Pre-[**REDACTED**] SOS Options granted to our employees. We adopted the Pre-[**REDACTED**] SOS on March 29, 2019 to achieve strategic goals and fuel the development of our Company by providing our Directors, senior management and employees with the opportunity to acquire proprietary interests in our Company. As of the Latest Practicable Date, the Pre-[**REDACTED**] SOS Options in an aggregate of 16,320,000 Shares (or [81,600,000] Shares immediately following the Share Subdivision) have been granted to the Pre-[**REDACTED**] SOS Grantees (as defined below) pursuant to the Pre-[**REDACTED**] SOS. Further, in order to provide incentives and rewards to participants for their contributions to, and continuing efforts to promote the interest of, the Company, we have adopted the Post-[**REDACTED**] SOS as approved by our Board on May 27, 2021. See "Appendix IV – Statutory and general information – D. Share Option Schemes" for further details. The grant of share options or any issue of award shares would have an adverse impact on our profits. Moreover, any exercise of the share options wehave granted or will grant in the future or any issue of award shares will increase the number of our Shares and result in a dilution in the shareholding of the existing Shareholders in our Company. Any sale of additional Shares acquired upon the exercise of the share options or any issue of award shares may adversely affect the [**REDACTED**] of our Shares.

RISKS RELATING TO THE [REDACTED]

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

Prior to 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**]. The [**REDACTED**] is the result of negotiations among our Company and the [**REDACTED**] and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), which may not be indicative of the price at which our Shares will be [**REDACTED**] following completion of the [**REDACTED**]. The [**REDACTED**] of our Shares may drop below the [**REDACTED**] at any time after completion of the [**REDACTED**].

The trading price of the Shares may be volatile, which could result in substantial losses to you.

The trading price 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 performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed 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 listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the [**REDACTED**] performance of our Shares. These broad market and industry factors may significantly affect the [**REDACTED**] and volatility of our Shares, regardless of our actual operating performance.

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

As the [**REDACTED**] of our 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**] will 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.

There will be a time gap between [REDACTED] and [REDACTED] of our Shares, and the price of our Shares when [REDACTED] begins could be lower than the [REDACTED].

The [**REDACTED**] of our Shares sold in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be five Business Days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise [**REDACTED**] the Shares before the commencement of [**REDACTED**]. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when [**REDACTED**] begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [**REDACTED**] begins.

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.

There can be no assurance if and when we will pay dividends in the future.

Distribution of dividends will be at the discretion of our Board and subject to our Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. See "Financial Information – Dividend." As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This means that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Islands companies laws is set out in Appendix III to this document.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the sections headed "Business" and "Industry Overview," contains information and statistics relating to the digital healthcare services market. Such information and statistics have been derived from the report prepared by Frost & Sullivan, which was commissioned by us, various official government publications and other publicly available publications. In particular, we engaged Frost & Sullivan, as the industry expert, to prepare an independent industry report, in connection with the [**REDACTED**]. The information from official government sources has not been independently verified by us, the Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of their respective directors and advisors, or any other persons or parties 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 included in this document 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. 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].

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. 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.