

RISK FACTORS

You should carefully read and consider all of the information in this Document, including the risks and uncertainties described below, before deciding to make any [REDACTED] in our Shares. Our business, financial condition, results of operations or prospects could be materially adversely affected by any of these risks and uncertainties. The [REDACTED] of our Shares could decline due to any of these risks and uncertainties. As a result, you may lose part or all of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition, results of operations and prospects. You should seek professional advice from relevant advisers regarding your prospective [REDACTED] in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The industry in which we operate is heavily regulated. Any failure to comply with relevant laws and regulations, including failure to obtain or renew the various licenses, permits, approvals and certificates, may adversely affect our business, results of operations and financial condition.

We conduct our business in a heavily regulated industry, and the operations of our hospitals are subject to various laws and regulations at the national and local levels. Therefore, we have incurred, and would continue to incur, costs in order to ensure our on-going compliance with relevant rules and regulations. These laws and regulations mainly relate to the requirements for operations of private for-profit hospitals, licensing, qualifications and number of hospitals and medical professionals, licensing and filings for conducting different types of hematology healthcare services, the use of pharmaceuticals, medical reagents and equipment, the quality and pricing of healthcare services, occupational health and safety as well as environmental protection. See “Regulatory Overview” for more details.

In particular, provision of medical services through hospitals in China requires multiple licenses, permits, certificates, filings and approvals from various government authorities in the PRC, including the relevant healthcare administrative authorities. Doctors, laboratory technicians, nurses and certain medical technicians who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions at which their licenses are registered. Some of the licenses are also subject to periodic renewal requirements and inspections by various government agencies and departments at the provincial and municipal levels. Obtaining each of such licenses, permits, certificates and approvals or making filings may be subject to fulfillment of certain conditions, some of which may be beyond our control. If we fail to properly obtain, maintain and renew such requisite licenses, permits, certificates or approvals or make filings in a timely manner, our operations could be disrupted and we may be subject to penalties. Furthermore, as we develop and expand our business scope, we may need to obtain additional licenses, permits, certificates or approvals and we cannot assure you that we will be able to obtain such permits in a timely manner or at all.

In addition, any changes in laws and regulations, or any change of interpretation thereof, could require us to obtain additional licenses, permits, approvals or certificates, result in the invalidation of our currently owned licenses, permits, approvals or certificates, or result in us being regarded as not in compliance with the relevant laws and regulations, thereby subjecting us to penalties and/or other legal consequences. There is no assurance that the government authorities of the PRC will not impose more stringent laws, rules, regulations or industry standards in connection with the provision of hematology healthcare services. There is also no assurance that we will be able to adapt to such changes in a timely manner. Even if we are able to be compliant with such new laws, rules, regulations or industry standards and the regular inspection of the same, it may significantly increase our operating costs, which may in turn lower our profit margins. Any of the abovementioned circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

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If we fail to maintain or renew any major license, permit, certificate or approval for all or any of our hospitals or subsidiaries, or if the medical professionals at our hospitals become unlicensed at any time during their practices, or if we or our hospitals are found to be non-compliant with any applicable laws or regulations, we may face penalties, suspension of operations, non-renewal or even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, results of operations and financial condition.

Newly opened hospitals may not achieve normal operation as anticipated, and we may not be able to achieve and maintain an optimal balance between our business expansion and profitability.

We strategically expand our hospital network by opening Beijing Yizhuang LDP Hospital in July 2018 and Beijing Shunyi LDP Hospital in June 2020 to meet the increasing demand from patients. Currently, we are in the process of establishing Shanghai LDP Hospital and relocation of Hebei Yanda LDP Hospital, which are expected to commence operation in 2023 and 2025, respectively. See “Business—Our Hematology Hospital Network” for further details.

It typically takes a period of time for a newly opened hospital to achieve a utilization rate comparable to a mature hospital and ramp up its operation, subject to primarily, whether and how quickly it can be qualified as a Medical Insurance Designated Medical Institution. Additionally, it is also subject to other factors such as patient awareness establishment in the local community, effective competition with our competitors, standardization of operations, synergies with our existing infrastructure and macroeconomic and regulatory environment. In addition, as they ramp up their businesses, the operating results generated at the newly opened hospitals may not be optimal. The hospitals may even operate at a loss, which could adversely affect our results of operations and profitability. In addition, our results of operations may fluctuate significantly from year to year in the ramp up period. Therefore, period-to-period comparisons of our operating results during the Track Record Period may not be meaningful and you should not rely on them to predict the future performance of our operating results or the price of our Shares. During the Track Record Period, we recorded losses from operations which was partly attributable to the expansion of our hospital network. See also “Financial Information—Key Factors Affecting Our Results of Operations—Our Ability to Expand our Hospital Network and Effectively Manage Our Ramp-up Period.”

Our working capital have been, and in the future may continue to be, influenced by the timing of the opening of new hospitals and the number of new hospitals opened. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, our capital expenditure amounted to RMB50.1 million, RMB380.3 million, RMB220.1 million, RMB44.1 million and RMB105.0 million, respectively. We had higher capital expenditure in 2021 primarily for land purchase for the expansion and relocation of Hebei Yanda LDP Hospital. We also expect the capital expenditure and associated costs will continue to increase in 2023, primarily for expanding our hospital network as well as purchasing and upgrading medical equipment and devices of our existing hospitals.

We prudently control the speed of hospital network expansion, and maintain the balance of the scale of our network growth through opening new hospitals and improvements to profitability and cost efficiencies through the continued ramp up of our existing hospitals. We are able to thoughtfully manage our business with an aim of continuously growing our overall revenue and improving our gross margin. However, we may not be able to achieve and maintain an optimal balance between our business expansion and profitability by effectively managing the number and mix of our hospitals in different stages. Furthermore, hospitals in any ramp up stage may underperform and thus adversely impact our overall results of operations.

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Furthermore, the opening of the new hematology hospitals involves regulatory approvals and reviews by various authorities in the PRC, including relevant health authorities. We may not be able to obtain all the required approvals, permits or licenses for the opening of hematology hospitals in a timely manner or at all. As of the Latest Practicable Date, we were in the process of obtaining relevant regulatory approvals for commencing operations for Shanghai LDP Hospital, and we had received the construction permit and commenced the on-site construction work for the relocation of Hebei Yanda LDP Hospital. Although we do not expect any obstacles in obtaining relevant approvals, permits, licenses or certificates, there is no assurance that such approvals will not be delayed due to reasons out of our control, including the recurrence outbreak of COVID-19. In the event there is a material delay in obtaining the required approvals, permits, licenses or certificates, or we fail to obtain them at all, the opening of our new hospitals would be delayed, which may materially and adversely affect our business, financial condition and results of operations.

Government’s price control of healthcare services may affect the pricing of our services. Certain of our medical services, pharmaceuticals and medical consumables are effectively subject to regulatory price controls, which may reduce and limit our profitability.

The PRC government issues policies on the pricing of healthcare services, pharmaceuticals and medical consumables. In recent years, China has initiated a medical pricing reform to combat the unreasonable increase of medical expenses and relieve the financial burden of patients. During the Track Record Period, our three operating hospitals are subject to the pharmaceutical zero mark-up policy (藥品零加成政策) set by relevant local administrative authorities, under which listed essential pharmaceuticals are required to be sold to patients at cost without any mark-up, which in turn affected our revenue and gross profit. The scope of listed items under such policy is subject to adjustment from time to time and varies among different administrative regions.

In addition, as Medical Insurance Designated Medical Institutions, for services, pharmaceuticals and medical consumables covered by the public medical insurance programs, our hospitals are subject to the pricing guidelines set by the relevant local healthcare administrative authorities. As of the Latest Practicable Date, all of our operating hospitals were Medical Insurance Designated Institutions in Hebei province or Beijing, and are subject to the pricing guidelines set by the relevant local healthcare and administrative authorities. See “Business—Pricing and Payment—Pricing and Pricing Control” and “Regulatory Overview—Regulations on the Price of Healthcare Services and Medicine.”

Furthermore, the payments of healthcare costs are associated with patients’ medical insurance types in China. For patients with the public medical insurance, the public medical insurance will cover or reimburse patients’ costs for the basic healthcare treatments, and this part of medical expenses will be paid to hospitals by the relevant local public medical insurance authorities. For costs not covered by the basic medical insurance, patients have to pay the bill from their own pockets. The relatively low caps for basic healthcare treatment coverage increase the risk that patients with serious acute or chronic conditions, such as hematologic diseases, end up paying a large portion of their healthcare bills out-of-pocket, which may limit their ability to receive medical treatment.

We cannot predict if the PRC government will change the pricing guidelines in the future or if additional healthcare services, pharmaceuticals or medical consumables may become subject to price control, or more stringent insurance reimbursement caps, which may put pressure on the pricing of our hospitals. As a result, our financial condition and results of operations could be materially and adversely affected.

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We have incurred net losses, net liabilities and net current liabilities in the past and may not be able to achieve or maintain profitability, net assets or net operating cash inflow in the foreseeable future.

We incurred net losses in the Track Record Period. In 2020, 2021, 2022 and the four months ended April 30, 2023, we reported a net loss of RMB121.7 million, RMB408.3 million, RMB547.3 million and RMB56.7 million, respectively. These losses were primarily caused by the impacts of changes in the carrying amount of financial instruments issued to investors. Besides, we incurred loss from operations of RMB100.6 million and RMB30.8 million in 2021 and 2022, respectively, primarily for the ramp up of Beijing Yizhuang LDP Hospital and the establishment and ramp up of Beijing Shunyi LDP Hospital, both of which have yet to scale up to generate revenue normally generated by a mature hospital. We cannot assure you that we will be able to generate net profits in the future.

We expect to continue to make significant future expenditures related to the continuous development and expansion of our business, including primarily further expansion of our hospital network by opening Shanghai LDP Hospital and relocation of Hebei Yanda LDP Hospital with elevated service capability, as well as incurring costs associated with general administration, including legal, accounting and other expenses related to being a public company. As a result of these significant expenses, we will have to generate sufficient revenue to be profitable in the future. Even if we achieve profitability in the future, we may not be able to sustain or increase profitability in subsequent periods. If we fail to achieve, sustain or increase profitability, our business and results of operations could be adversely affected.

We incurred net liabilities of RMB910.0 million, RMB1,317.8 million, RMB1,872.8 million and RMB1,922.4 million, respectively, as of December 31, 2020, 2021 and 2022 and April 30, 2023, primarily due to the impact of financial instruments issued to investors recorded under current liabilities relating to our Preferred Shares. Our Preferred Shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED], and consequently it is expected that we will return to a net assets position. See “Financial Information—Discussion of Selected Items from Consolidated Statements of Financial Position.”

We had net current liabilities of RMB1,519.4 million, RMB2,258.3 million, RMB2,906.8 million and RMB2,981.9 million as of December 31, 2020, 2021 and 2022 and April 30, 2023, respectively. See “Financial Information—Liquidity and Capital Resources—Net Current Liabilities” for a detailed discussion. There can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

A portion of our revenue is from patients with public medical insurance coverage in China; any non-payment or delayed payment under such public medical insurance programs as a result of disputes, changes in insurance policies, administrative obstacles or any other reason, could affect our results of operations and financial condition.

Each of Hebei Yanda LDP Hospital, Beijing Yizhuang LDP Hospital and Beijing Shunyi LDP Hospital has been a Medical Insurance Designated Medical Institution since January 2017, January 2021 and December 2020, respectively. Patients who are covered by the public medical insurance programs may choose to rely on public medical insurance programs to pay for part of healthcare services. Our revenue derived from direct settlement through public medical insurance programs accounted for 26.7%, 29.2%, 38.3% and 37.1% of our total revenue in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively.

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The PRC government only reimburses medical expenses for certain approved services and pharmaceuticals, and the reimbursement percentages and limits for covered medical expenses may vary widely depending on various criteria, such as type of the insurance program, residency of the patient, type of treatment involved and the treatment and pharmaceuticals provided. Any dispute or late or delinquent settlement under the public medical insurance programs may cause the trade receivables of our hospitals to increase or result in write-offs.

Our participation in social security insurance programs is dependent on our hospitals’ continuing to be recognized as Medical Insurance Designated Medical Institution, which is subject to stringent regulatory scrutiny of, among other things, our medical facilities, staff, quality of healthcare services, procedures, internal controls, clinical governance and risk management. If our hospitals cannot maintain their status as Medical Insurance Designated Medical Institution, it will not only harm our reputation but may also result in reduced patient visits. Furthermore, the PRC government may alter its reimbursement policies in coverage plans in the future such that: (i) certain healthcare services provided by our hospitals will no longer be covered; or (ii) more stringent thresholds on existing coverage may be imposed. Any reduction in the rates paid or the scope of services covered may reduce patient accessibility to our hospitals and may lead to reduced patient flow and medical fees. Any of these events could lead to a decrease in our revenue generation and profitability, which could have a material adverse effect on our business, results of operations and prospects.

Changes in the regulatory regime relating to the PRC healthcare services industry, in particular with respect to hospitals operation and healthcare reform policies, could have a material adverse effect on our business, results of operations and financial condition.

China’s regulatory regime governing the healthcare services industry is undergoing reform, and new regulations and policies are expected to be promulgated. It is uncertain what impacts these new regulations and policies would have on our operations, corporate structure and competitiveness. Although the basic healthcare system is the cornerstone of China’s medical system, whereby public medical institutions are obliged to provide the substantial part of basic healthcare services, the PRC government has gradually reduced regulatory hurdles for establishing and investing in private hospitals, and encouraged development of hospital management groups. In recent years, the PRC government launched a new healthcare reform plan to ensure that every citizen has access to affordable basic healthcare services. In pursuit of these policy objectives, the PRC government has implemented extensive regulations and policies to address the affordability, accessibility and quality of healthcare services, medical insurance coverage, distribution and sales of pharmaceutical products, reform of public hospitals and incentivize provision of high-quality medical services.

Our business operations and future expansion are largely driven by the PRC government’s policies, which may change and are beyond our control. There can be no assurance that the PRC government will not impose additional or stricter laws or regulations on hospital healthcare services or foreign investments, or strengthen and tighten supervision and management of hospitals, in particular private hospitals, or implement stricter or more comprehensive regulations on the distribution of pharmaceuticals and medical consumables.

Depending on the priorities of the PRC government, the political climate and the regulatory regime with respect to foreign investment control at any given time, and the development of the Chinese healthcare system, future regulatory changes may affect public hospital reform, limit private or foreign investments in healthcare services industry, change reimbursement rates for healthcare services provided to publicly insured patients, implement additional price control on healthcare services or pharmaceuticals, or enhance management on distribution or sales of pharmaceuticals. Any of these events could have a material and adverse impact on our business, financial condition, results of operations, prospects and future growth.

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If our hospitals are unable to attract and retain sufficient qualified doctors and other medical professionals, our business and results of operations could be materially and adversely affected.

Our business is largely dependent on the ability of our hospitals to attract, retain and motivate a sufficient number of qualified medical professionals, especially doctors and laboratory technicians with extensive experience in hematology specialty. As each doctor’s professional experience, expertise and skills are personal and non-transferable assets, any material change in relationship with them may significantly affect our operations and financial performance. The recruitment of qualified medical professionals is competitive in the PRC due to the increasing demand for healthcare services and the limited supply of specialist doctors.

Our ability to attract and retain competent doctors is dependent on several factors, such as the reputation and culture of our hospitals, compensation package, training programs and career path, the efficiency of hospital management, the quality of facilities and supporting staff, and sometimes location. Our private for-profit hematology hospitals may not compete favorably with other medical institutions such as public hospitals in respect of one or more of these factors, and our hospitals may not be able to attract or retain the medical professionals we desire. In addition, multi-site practice doctors practice at our hospitals pursuant to the liberated doctor registration regulation that allows licensed doctors to register and practice at multiple medical institutions. If the PRC government imposes restrictions on such practice in the future, our hospitals may not be able to retain their current base of multi-site practice doctors. If our hospitals are unable to successfully recruit or retain seasoned and qualified doctors, our business, financial condition and results of operations may be adversely affected.

Our success is also dependent on the ability of our hospitals to recruit and retain other qualified medical professionals. It has become increasingly costly to recruit and retain medical professionals in recent years and there is no guarantee that our hospitals will be able to recruit and retain sufficient medical professionals in the future. To compete with other medical institutions for such qualified personnel, we may experience pressure to offer more competitive compensation. Our staff cost increased by 35.3% from RMB191.1 million in 2020 to RMB258.5 million in 2021, and further increased by 12.9% to RMB291.8 million in 2022. We have adopted an employee share incentive scheme to incentivize and retain our employees in June 2022. If we fail to recruit and retain sufficient qualified medical professionals, or if the relevant labor costs increase in the future, we may not be able to maintain the quality of our services or operate our hospitals, which may materially and adversely affect our business, financial condition and results of operations.

If we fail to properly manage the practice of doctors and other medical professionals at our hematology hospitals, we may be subject to penalties against these hospitals, which could materially and adversely affect our business and results of operations.

The practicing activities of doctors and other medical professionals are strictly regulated under the PRC laws and regulations. Doctors, nurses, laboratory technicians and medical technicians who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions at which their licenses are registered. A doctor practicing in multiple institutions must apply to register or file with competent in-charge administrative authorities and can only have the right to prescribe medicine at the registered or filed practicing institution. If the doctor issues a prescription in a medical institution not registered in his or her license, the relevant medical institution would also be subject to regulatory penalties, including a fine and, in the worst-case scenario, revocation of the medical institution’s Practicing License of Medical Institution. See “Regulatory Overview—Regulations on Medical Practitioners of Medical Institutions” for further details.

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In practice, it takes some time for doctors and other medical professionals to transfer their licenses from one medical institution to another or add another medical institution to their permitted practicing institutions. We closely follow up with the registration and renewal status of the practicing licenses by our doctors and other medical professionals at the time of employment and conduct regular checking of such practicing licenses. However, we cannot assure you that the medical professionals at our hospitals will always strictly follow the requirements and will not practice outside the permitted scope of their respective licenses. In addition, we cannot assure you that external doctors with whom we collaborate will all complete the related government procedures to add our relevant hospitals to their permitted practicing institutions timely or at all. Any failure by our hospitals to properly manage the employment of their doctors and other medical professionals may subject us to administrative penalties against our hospitals, which could materially and adversely affect our business.

Our competitors comprises public hospitals who may have certain inherent competitive edge over us. We also compete with new market entrants as the PRC healthcare services industry continues to grow. If we cannot successfully compete against new or existing competitors, our business, financial condition and results of operations may be materially and adversely affected.

Due to the complexity and high technical barriers in the hematologic disease treatments, there are only a few medical service providers that are capable of providing full-range diagnosis and treatment services in this specialty, conducting HSCTs and hematology esoteric testing in China, especially for R/R hematologic diseases. Leveraging our leading market position and extensive knowledge and experience in hematology treatments, we believe we mainly compete with the hematology departments of only a few public hospitals. Public hospitals especially Grade IIIA public hospitals may possess certain inherent advantages which are not currently enjoyed by private hospitals, such as a large talent pool, more medical resources, government grants and endowment, and tax preference treatment. We may not be able to compete favorably with those public hospitals in terms of the foregoing aspects in the near future or at all. In addition, the total number of hematology specialty hospitals in China increased from 14 in 2018 to 22 in 2022. If the number of such hospitals increases over time, we will be competing against a larger pool of hematologic specialty hospitals that patients may select from, causing increased competition for our business, which could, in turn, have a negative effect on our patient volume and overall market share.

We will also compete with future market entrants as the rapid growth of the healthcare services industry in the PRC may attract more domestic or international players to enter. Our hospitals primarily compete on the following key factors: service quality, treatment option, innovation, reputation, convenience, medical professionals, medical equipment and pricing. We cannot assure you that our hospitals will be able to successfully compete against new or existing competitors, and changes in the competitive landscape may result in price reduction, reduced profitability or loss of market share, any of which could have a material adverse effect on our business, results of operations and prospects.

If third-party medical institutions that we collaborate with for business and medical research activities decide to terminate or not renew our cooperation arrangements, our business operation, revenue and profitability may suffer.

We collaborate with renowned third-party medical institutions, such as hospitals, medical research institutes and medical schools for healthcare technology development, medical research and training in the hematology specialty. We believe such collaborations enable us to further advance our diagnosis and treatment technology innovation, medical professional training and best practice integration, as well as to broaden our patient base and accelerate the ramp-up period and path of profitability of new hospitals. Such collaboration may or may not be successful and the evolving regulatory landscape of our business which may cause such collaboration to be subject to further approvals, consent, license or permits. See “—The industry in which we operate is heavily regulated. Any failure to comply with relevant laws and regulations, including failure to obtain or renew the various licenses, permits, approvals and certificates, may adversely affect our business, results of operations and financial condition.” For example, in March 2021, Beijing Shunyi LDP Hospital established the Joint Ward Collaboration Arrangement with the

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Hematology Department of PKUPH, under which the Hematology Department of PKUPH collaborates with us on healthcare service and R&D in the hematology specialty. Rapid business growth of Beijing Shunyi LDP since 2021 demonstrates high operation efficiency and rapid ramp-up under the collaboration model. However, we cannot assure you that we will be able to continue our collaboration with the Hematology Department of PKUPH, and if such collaboration is ceased, there is no assurance that it would not negatively affect our continuous patient base expansion or make our healthcare services less attractive to patients, which may adversely affect our business, financial conditions and results of operations.

In addition, we cannot assure you that any other collaboration in various forms we had entered into or intend to enter into with third parties will not be subject to regulatory oversight and requirements, and if we or other third parties that we collaborated with or intend to collaborate with fail to comply in full, we may have to discontinue such collaboration until the requisite requirements are met or otherwise be subject to penalties for non-compliance and corresponding negative publicity.

We also collaborate with other renowned business partners leveraging our brand name and expertise in the hematology healthcare industry. Early termination or negative publicity under such collaboration may adversely affect our established reputation, medical research activities and reduce our attractiveness to qualified medical professionals.

An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as the outbreak of COVID-19, could have a material adverse effect on our results of operations.

Our business could be materially and adversely affected by natural disasters and extreme weather conditions, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as the COVID-19 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 contagious diseases or other adverse public health developments in the PRC or elsewhere could materially disrupt our business and operations.

Since the outbreak of COVID-19, many businesses and social activities in China and other countries and regions have been severely disrupted, including us and China’s overall healthcare services market and hematology healthcare market, in which we operate. In addition, a slowdown or adverse development in the Chinese economy due to COVID-19 may lower the disposable income and medical budget of our current and potential patients, adversely affecting their ability to afford treatments at our hospitals and our business in general.

During the Track Record Period, our operating and financial performance was affected by the COVID-19 pandemic in various ways. For example, the opening and operation commencement of Beijing Shunyi LDP Hospital was delayed affected by the impact of the COVID-19 pandemic. In addition, during the peak of the COVID-19 outbreak in 2020, we were offered certain preferential treatments, such as social security insurance exemption by the government and rental expenses reduction by landlords. All these preferential treatments were not available from 2021, while we continued to experience regional COVID-19 resurgence and be subject to various restrictions on business and social activities.

Since early December 2022, the PRC government has lifted a series of COVID-19 prevention measures on a nationwide basis, as an active optimization of epidemic prevention and control policies of the government. A surge in COVID-19 cases at the end of 2022 and the beginning of 2023 temporarily affected the outpatient visits for the four months ended April 30, 2023. The extent to which the pandemic affects our results of operations and financial condition in the future will depend on future developments which involve uncertainties and are unpredictable.

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Given that the COVID-19 pandemic and the countermeasures continue to develop, we cannot assure you that our business and its growth rate will not be negatively affected by the pandemic in the future. Should there be an escalation of the spread, we may experience strict emergency measures to combat the spread of the virus, which may impact our business. Should there be a relaxation or an ease of the countermeasures against COVID-19, we may experience a temporary surge in infection cases, which may in turn result in temporary short supply of manpower and medication. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook cannot be reasonably estimated at this time. If the situation persists or escalates, we may be subject to further negative impacts on our business operations, results of operations and financial condition.

Furthermore, there remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic. For details of the impact of recent resurgence of regional COVID-19 outbreaks on our business, see “Summary—Impact of COVID-19 Pandemic.”

We have conducted, and will continue to conduct, measures to control the risk of virus spread in our hospital operations, including mandating our employees be vaccinated or regularly tested. However, if any of our employees, especially our doctors and other medical professionals, has contracted any contagious disease or condition, our patients may expose to infection risks on one hand, and we may be short of medical professionals to support day-to-day operations. Such restrictions may limit our ability to provide healthcare services. As a result, our business operations would be materially and adversely affected.

We may experience patient complaints, significant liability claims and legal proceedings in the course of our operations, all of which could result in additional costs and severely damage our reputation and materially and adversely affect our results of operations and prospects.

We rely on the doctors and other medical professionals of our hospitals to make proper clinical decisions regarding the diagnoses and treatments of their patients. The clinical activities of our hospitals and the decisions and actions taken by the doctors and other medical professionals in relation to their diagnoses and treatments of patients are subject to their professional judgment and in most cases, must be performed on a real time basis. Any incorrect decisions or actions on the part of the doctors and other medical professionals, or any failure by our hospitals to properly manage their clinical activities may result in undesirable or unexpected outcomes, including complications, injuries and even deaths in extreme cases. Our hospitals are especially exposed to heightened risks from the treatment of complex medical conditions related to hematologic diseases, which typically have variable outcomes. We may be subject to complaints, claims or legal proceedings initiated by our patients as a result of any negative physical reaction to our treatment. In addition, there are inherent risks associated with the clinical activities that may result in unavoidable and unfavorable medical outcomes.

During the Track Record Period and up to the Latest Practicable Date, the total amount of monetary compensation paid by our hospitals to settle medical disputes was approximately RMB3.5 million. In addition, as of the Latest Practicable Date, we were subject to five unresolved medical disputes pending courts’ judgment. See “Business—Legal Proceedings and Non-compliance—Legal Proceedings” for further details. We cannot assure you that we or any of our doctors will not encounter malpractice, medical negligence or misconduct claims in the future. These claims may be brought against us or any of our medical professionals by way of legal proceedings or lodging of formal complaints with the relevant licensing regulatory bodies. In any of these cases, we may be required to pay monetary damages or the qualifications or licenses of our medical professionals may be suspended or revoked or otherwise they may be subject to other disciplinary action. With the development of social media platforms, these claims may be quickly and broadly disseminated. Negative publicity associated with these claims or actions may affect our business as well as our business reputation. In addition, we may also from time to time be involved in disputes with other parties involved in our operations, such as our contractors, suppliers and employees. As of the Latest Practicable Date, we had (i) one ongoing litigation arising from our outsourced waste

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disposal activities, under which the plaintiffs claimed a compensation of approximately RMB1 million in total against us and two third parties. In the first instance’s judgment, the court dismissed all claims against us, among others. As of the Latest Predictable Date, the case was pending the trial of the second instance; and (ii) two ongoing litigations brought by a former employee of Beijing Shunyi LDP Hospital, under which he claimed to be a 10% shareholder of Beijing Shunyi LDP Hospital and a shareholder of our Company. Our PRC litigation counsels advised us that, based on the evidence currently available, the likelihood of the court finding against us in either of the cases brought by the former employee is very remote. See “Business—Legal Proceedings and Non-compliance—Legal Proceedings” for further details. Any complaint, claim or legal proceeding, regardless of merit, could result in significant legal costs, diversion of medical professionals’ and management’s resources and reputational damage to us, which may in turn materially and adversely affect our business, financial condition and results of operations.

Furthermore, rare incidents have occurred in hospitals and medical institutions in the past where dissatisfied patients carried out extreme actions or even violence during the course of the disputes. Any such incident, if occurs, would harm our reputation, impair the ability of our hospitals to recruit and retain medical professionals and staff, discourage other patients from visiting our hospitals, and cause us to incur substantial costs.

Our reputation is important to our business success. Any negative publicity about us, our hospitals or the healthcare services industry could harm the reputation of us or our hospitals and trust in the services provided by our hospitals, which could result in a material and adverse impact on our business and prospects.

Our success depends to a significant extent on the recognition of our brand and reputation as a leading hematology specialized healthcare service provider in China. Any litigation claims or complaints from the patients in relation to the quality of services provided by us may adversely affect the reputation and image of our business. Where undesirable complications or harms are caused by our services or where the relevant treatment or medication does not fully meet the expectation of a patient, the patient may express negative comments through media such as the internet, newspaper or lodge complaints with relevant healthcare administrative authorities or may pursue a claim against our doctors and us. These complaints may result in reviews, investigations or disciplinary actions by regulatory and professional bodies and may affect the reputation of the relevant doctors as well as our business. During the Track Record Period and up to the Latest Practicable Date, we were subject to legal proceedings and claims that arise in the ordinary course of business. See “Business—Legal Proceedings and Non-compliance—Legal Proceedings.”

Negative publicity involving our doctors, us, our hospitals or the healthcare services industry may materially and adversely harm the brand image and reputation of us or our hospitals and cause deterioration in the level of market recognition of and trust in the services provided by our hospitals, thereby resulting in reduced patient visits and potential loss of doctors and staff. Such negative publicity may also result in diversion of management’s attention, and governmental investigations or other forms of scrutiny. These consequences may have a material and adverse effect on our business, results of operations, financial condition and prospects.

Our business may be affected by technological and therapeutic changes or by shifts in doctors’ or patients’ preferences for alternative treatments.

We are the largest hematology healthcare services provider in China in terms of 2022 revenue, according to F&S. Our long-term competitiveness depends on our ability to develop and master advanced treatments especially HSCTs for patients with R/R hematologic diseases through our research and development activities. We have made, and will continue to make, investments in research and development including buying new equipment and employing qualified medical professionals. Although

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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 we fund, after having committed significant time and financial resources.

As technological advances in the healthcare services industry continue to evolve rapidly, new services and equipment may arise and our success will depend on the ability of our hospitals to adapt to such technological changes, which could incur significant expenditures and may be subject to licensing or other regulatory requirements. In order to keep up with the latest developments and trends in the hematologic disease treatments of our patients, we are required to upgrade our existing service devices, invest in new service devices and introduce new services from time to time. If we are unable to anticipate or adapt to the latest technological developments in the hematologic disease treatments, we may not be able to meet the expectations of our patients. The demand for our services may decline. Furthermore, if our competitors are more responsive to emerging technology in the industry, our services may become less competitive. We may lose our existing patients and be unable to attract new patients. Such result could have an adverse impact on our business. In addition, there is also no assurance that we will be able to recover the expenditures associated with the purchase of new service devices. Any of these circumstances may adversely affect our results of operations, financial condition and prospects.

Furthermore, the treatment of patients with hematologic diseases, is especially subject to potentially revolutionary technological and therapeutic changes. There may be significant advances in hematology treatment methods and patients and doctors may also choose alternative therapies due to any number of reasons. Any shifts in doctors’ or patients’ preferences for other therapies may materially and adversely affect our business, financial condition and results of operations. In addition, even if we pioneer or keep pace with the technological and therapeutic development in hematology treatment methods, we may face challenges and hurdles inherently brought by revolutionary technological and therapeutic development, including but not limited to ethical, legal and social concerns. Adverse publicity due to the ethical and social controversies surrounding the therapeutic use of revolutionary technologies, such as cellular immunotherapy, and reported side effects from any clinical trials using these technologies or the failure of such trials to demonstrate that these therapies are safe and effective, may limit patient acceptance of our medical services and bring controversies to our business. Doctors may not be willing to undergo training to adopt any novel and personalized therapy, may decide the therapy is too complex to adopt without appropriate training and may choose not to administer the therapy, either of which may impair our ability to meet the demands of our patients. Negative public attitudes towards any revolutionary therapies could also result in greater regulatory control or limit of uses of such therapies, which could impair our capabilities to adopt such revolutionary therapies. The increased government regulation, unfavorable public perception and publicity, additional government-imposed restrictions on, or concerns regarding possible government regulation of, the use of any revolutionary therapies in hematology fields adopted by us could also cause an adverse effect on us by harming our ability to attract collaborators and investors, delaying or preventing the development of certain therapies and causing a decrease in the price of our Shares or by otherwise making it more difficult for us to raise additional capital.

Failure to gain or maintain significant commercial market acceptance for our hematology esoteric testing services, or any future services may adversely affect our business and results of operations.

According to F&S, we are the third largest hematology esoteric testing services provider among all such testing services providers in China in terms of 2022 testing revenue. Market size of hematology esoteric testing market in China increased at a CAGR of 14.7% from 2018 to 2022 and is expected to continue to increase at a CAGR of 12.4% from 2022 to 2026. Our ability to execute our growth strategy and maintain the sales volumes, pricing levels or profit margins of our testing services will depend upon the continued and further adoption of our hematology esoteric testing services. Therefore, our business and results of operations may be adversely affected if our hematology esoteric testing services fail to gain or maintain commercial market acceptance as expected.

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Our ability to achieve and maintain commercial market acceptance of our existing and future testing services will depend on a number of factors, including the utility and effectiveness of our hematology esoteric testing services, our technology capacities to continuously develop innovative services and the prices we charge for our hematology esoteric testing services. We cannot assure you that our existing or future testing services will continue to gain or maintain market acceptance, and any failure to do so would harm our business and results of operations.

If we cannot secure an adequate supply of registered beds and HSCT wards, our business could be adversely affected.

Registered beds and HSCT wards are vital to our business and our patients. We are dependent on registered beds to provide healthcare services to all inpatients and HSCT wards to perform HSCTs. As of April 30, 2023, we had in aggregate 860 registered beds and 128 HSCT wards in our three hospitals. During the Track Record Period, utilization rate of registered beds at Hebei Yanda LDP Hospital, our flagship hospital, consistently remained at a high level due to the addition of temporary beds to satisfy patient demand.

If we cannot effectively manage the usage of our HSCT wards and registered beds, the inpatient admission and HSCTs would have to be delayed, which may lead to failure to provide necessary treatments to patients within the optimal timing for treatment. Moreover, conditions of certain patients may deteriorate during the waiting period for available HSCT wards and registered beds. Such changes may impair our ability to meet the demands of our patients, which could have a material adverse effect on our business, results of operation and financial condition.

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

The growth of our business depends, to a significant extent, on the successful implementation of our expansion strategies and future plans. Historically, we expanded our hospital network primarily through establishing new hospitals and we plan to continue to do so. In addition, we also plan to expand our hospital network through collaborations and strategic acquisitions in the future. See “Future Plans and Use of [REDACTED]” for further details. There is no assurance that we will identify suitable business partners or targets to expand our business, negotiate commercially acceptable terms for such expansion, or successfully integrate any new assets or businesses in the future. Even if we are able to identify suitable business partners or targets, such expansion can be difficult, time-consuming and costly to execute, and we may not be able to secure the necessary financing for such expansion. Our future expansion and subsequent ramp up and integration efforts would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations.

We cannot assure you that we will be able to manage our growth or execute our growth strategies effectively. If we are not able to identify, capture or execute opportunities to expand our operations successfully, or if we suffer reputational or financial harm caused by unknown or contingent liabilities of the hospitals we acquire, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If our testing laboratories or testing services fail to comply with applicable regulatory requirements in the PRC, or suffer substantial disruption by any reason beyond our control, our ability to perform tests may be jeopardized and our business, financial condition and results of operations could be adversely affected.

We provide hematology esoteric testing services through various testing laboratories in our hospitals in China. Our testing laboratories are subject to extensive regulations in China. To operate these testing laboratories, we need to obtain approvals and accreditation from or file with the NHC or their respective local counterparts. See “Regulatory Overview—Regulations on Medical Testing and Clinical Laboratories” for more details. If we fail to maintain or renew any major license, permit, certificate,

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approval, accreditations or filings for all or any of our clinical laboratories, or if the laboratory technicians at our laboratories become unlicensed at any time during their practices, or if we or our laboratories are found to be non-compliant with any applicable PRC laws or regulations, we may face penalties, suspension of operations or even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, financial condition and results of operations.

Furthermore, if our testing laboratories or the laboratory instruments or equipment become damaged or inoperable, we may not be able to replace our testing capacity quickly or inexpensively, or at all. Any substantial interruption in testing operations in our laboratories could result in our inability to satisfy the demand of our commercialization. A number of factors could cause interruptions, including equipment malfunctions or failures, technology malfunctions, damages to or destruction of either facility due to natural disasters, regional power shortages, product tampering or terrorist activities. Any disruption that impedes our ability to provide our hematology esoteric testing services in a timely manner could materially harm our business, financial condition and results of operations.

We are subject to extensive government regulations over the entire hematology healthcare services we offer.

We conduct our business in a heavily regulated industry, and have been subject to various laws and regulations, including those with respect to foreign investment in healthcare services industry. There have been instances whereby our testing services and certain clinical trials may subject us to administrative penalties and fines (“**Historical Instances**”). See “Business—Legal Proceedings and Non-compliance—Non-compliance.”

We have ceased to provide the relevant services as a rectification measure. In addition, we have made outsourcing arrangement for in vitro genomic tests based on human genes, as part of our continuous clinical diagnosis services. During this process, we actively discussed with third-party trial sponsors and patients for a smooth cessation and transition. However, there is no assurance that the business cessation would not subject us to potential disputes or claims with third-party trial sponsors, patients or others. Further, given the complexity of the regulatory regime over healthcare industry and the evolvement of the laws, regulations and interpretation, we cannot assure you that we may be subject to administrative penalties and fines if the relevant regulatory authorities do not view our Historical Instances to be fully compliant with applicable laws and regulations.

In addition, prior to the Track Record Period, there existed isolated incidents whereby our doctors prescribed to our patients some pharmaceutical produced with our in-house patented formula (“**In-house Pharmaceutical**”, 院內製劑). However, we did not obtain the Dispensing Permit of Medical Organization (醫療機構製劑許可證), which is a prerequisite to produce any in-house pharmaceuticals, pursuant to the Medicinal Product Administration Law of the PRC (《中華人民共和國藥品管理法》) (the “**Incident**”). Since 2019 which is prior to the commencement of the Track Record Period, we had ceased completely the production and prescription of the In-house Pharmaceutical. In November 2019, pursuant to a decision letter issued by Sanhe Administration for Market Regulation (三河市市場監督管理局) in relation to the Incident, all unused In-house Pharmaceutical were confiscated and we were fined and had our gains confiscated for a total of RMB292,000.

We are of the view that the Incident does not involve any integrity or dishonesty issues of our Directors, and does not affect their suitability under Rules 3.08 and 3.09 of the Listing Rules to be a director of our Company or their competence to manage our Group in a law-abiding manner, considering the following factors: (i) the inadvertent failure to obtain the relevant medicine production permit, due to the genuine but mistaken belief that the In-house Pharmaceutical with our patented formula falls under the category of traditional Chinese formula and does not require relevant permit or approval; (ii) the immediate and complete cessation of production and prescription of the In-house Pharmaceutical after becoming aware of the non-compliance status; (iii) the limited use of the In-house Pharmaceutical only on our patients with the doctor’s prescriptions, but not for external sales for profit; (iv) the complete

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investigation and inspection by the relevant government authority with a relatively small amount of fines and confiscation without any reprimand on any individual; and (v) the enhanced internal control after the Incident, including, among other measures, enhanced training on our Directors, senior management and employees to keep abreast of the regulatory development, and the reiterated emphasis over the prescription of approved drugs only to our doctors, pharmacists and the staff responsible for pharmaceutical procurement. However, such Incident may result in negative publicity and cause reputational damage, which may adversely affect our results of operations.

Based on the due diligence work performed by the Joint Sponsors and in particular the representation of the Directors that the incident was not attributable to any integrity or dishonesty issues of the Directors, nothing has come to the attention of the Joint Sponsors, that would lead them to cast doubts on the Company’s views as discussed above.

We depend on the continued service of our senior management team and other key employees, and if we lose their services, our business, financial condition and results of operations may be adversely affected.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team and other key employees, some of whom have been with us since our inception. See “Directors and Senior Management” for further details of their biographies. Competition for competent candidates in the industry is intense and the pool of competent candidates is limited. We do not maintain key person insurance. If we lose the services of one or more of our key personnel, we may not be able to locate suitable or qualified replacements timely, at acceptable costs or at all and may incur additional expenses to train new personnel. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations could be materially and adversely affected. In addition, if any member of our senior management team or key employees joins a competitor, we may lose know-how, trade secrets, patients and key professionals and staff.

We may not be able to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, patients, suppliers or other third parties.

We are exposed to the risks of fraud or other misconduct involving employees, patients, suppliers or other third parties, which may have a material adverse impact on our business. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud and other misconduct involving our employees, patients, suppliers or other third parties that had any material adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in the future. For example, we are also exposed to the risk of our staff members responsible for procurement and quality control receiving bribes or kick-backs from our suppliers in violation of our policies or failing to inspect suppliers’ qualifications to supply relevant products, which in turn may result in supplies that are overpriced or fail our quality standard. In addition, we may not be able to detect or deter our employees from unauthorized use, prescription, distribution or sale of pharmaceuticals, which may subject us to patient claims and administrative penalties. We may be unable to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses and/or harm our reputation.

We have limited insurance coverage for our operations and we may be subject to professional and other liabilities for which we may not be insured.

Our hospitals are exposed to potential liabilities that are inherent to the provision of healthcare services. Our hospitals have been, and may continue to be, subject to such claims for our provision of healthcare services. During the Track Record Period and up to the Latest Practicable Date, the total amount

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of monetary compensation paid by our hospitals to settle medical disputes was approximately RMB3.5 million. Although we maintain medical liability insurance for our hospitals, our hospitals may be subject to losses and liabilities for any future claims against them. In addition, our hospitals may face liabilities that exceed their available insurance coverage or which arise from claims outside the scope of their insurance coverage. It may also experience gaps in coverage when seeking to renew their insurance policies or seeking to change insurance providers. We cannot assure you that our hospitals will be able to renew its insurance coverage at a reasonable cost, if at all, or that it will not incur uninsured losses and liabilities. Insurers may also dispute or refuse to honor claims for a variety of unforeseen reasons beyond our control.

We also face risks of medical liability claims against doctors in connection with our healthcare services. 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 in relation to the provision of hospital services by such doctors in our hospitals. 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 us in the future on commercially acceptable terms, or at all. In addition, medical liability claims may fall outside of the scope of our insurance coverage, such as claims arising from doctors practicing outside of their licensed scopes. Any claims made against us or our doctors that are not fully covered by insurance could be costly to defend against, result in substantial damage awards against us and divert the attention of our management and our practicing doctors from our operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

Furthermore, we do not maintain any business interruption insurance or product liability insurance, which we believe is consistent with industry practice in China. Any significant uninsured loss could disrupt our business operations, requiring us to incur substantial costs and divert our resources, which could have material and adverse effects on our business, financial condition and results of operations.

We depend on third-party suppliers and service providers for different aspects of our business. Any loss of or significant interruption in any of our major suppliers or service providers may negatively impact our business.

We depend on third parties for different aspects of our business, such as supplying pharmaceuticals, medical equipment, laboratory equipment, medical reagents and consumables, blood and other supplies, and outsourced testing services. During the Track Record Period, we also engage third parties suppliers and service providers for the construction and renovation projects for our hospital network expansion. The supply or service agreements we have with third-party suppliers and service providers are typically on a non-exclusive basis, though we generally maintain long-term relationship with our major suppliers. Any interruptions or changes in the medical supplies, or our inability to obtain substitute suppliers and service providers meeting our quality standards at acceptable prices in a timely manner may impair our ability to meet the demands of our patients. Moreover, we expect our demand for such supplies to increase as we continuously expand our business scale. We cannot guarantee that our current suppliers and service providers have the capacity to meet our increasing demand going forward. In addition, we cannot assure you that our suppliers and service providers will continue their business relationships with us on commercially reasonable terms or at all. In the event that these third parties do not continue to maintain or expand their cooperation with us, or fail to provide us with adequate supply to meet our needs, we may not be able to find suitable alternative suppliers and service providers within a short period of time, which could disrupt our operations and adversely affect our results of operations.

Therefore, if we cannot retain business relationships with our existing major suppliers and service providers or if these suppliers and service providers increase prices, delay in delivery, provide substandard pharmaceuticals, medical devices, medical reagents and consumables, blood and other supplies, and

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outsourced testing services, or encounter financial, operating or other difficulties, our business, financial condition and results of operations could be materially and adversely affected.

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We have limited control over the quality of pharmaceuticals, medical equipment, medical reagents and consumables and other supplies used in our operations.

The provision of medical services by our hospitals involves the frequent use of a variety of pharmaceuticals, medical equipment and medical consumables, substantially of which we procure from suppliers we do not have control over. We depend on the quality control procedures of our suppliers. We cannot assure you that all supplies are authentic, free of defects and meet the relevant quality standards. In the event of any quality issues, we could be subject to complaints and liability claims of our patients, negative publicity, reputational damage or administrative sanction, any of which may adversely affect our results of operations and reputation. We may not be able to seek indemnification from our suppliers. If we engage in legal proceedings against our suppliers, such proceedings may be time consuming and costly regardless of the outcomes. In addition, we cannot assure you that we will be able to find suitable replacement suppliers, failing which our provision of medical services will be delayed and our business, results of operations, financial condition and prospects will be adversely affected.

Furthermore, our business exposes us to liability risks that are inherent in the operation of complex medical testing and treatment equipment, which may contain defects or experience failures. We rely to a certain degree on equipment manufacturers to provide technical training to our staff on the proper operation of such complex medical testing and treatment equipment. If such staff are not properly and adequately trained by the equipment manufacturers or by us, they may misuse or ineffectively use such equipment in our hospitals. These staff may also make errors in the operation of the equipment even if they are properly trained. Any defects or failures of the medical testing and treatment equipment or any failure of the staff to properly operate such equipment could result in unsatisfactory treatment outcomes, patient injury or possible death, and we may be made a party to any such liability claim. Regardless of its merit or eventual outcome, such claim making us a party could result in significant legal defense costs for us, harm our reputation, and otherwise have a material adverse effect on our business, financial condition and results of operations.

Our operations are susceptible to fluctuations in the costs of pharmaceuticals, medical reagents and consumables and other supplies, which could adversely affect our profitability and results of operations.

The profitability of our hospitals is influenced by fluctuations in the costs of pharmaceuticals, medical reagents and consumables and other supplies. During the Track Record Period, our cost of pharmaceuticals and medical reagents and consumables amounted to RMB566.8 million, RMB732.1 million, RMB903.8 million and RMB319.6 million, respectively, representing 61.5%, 60.8%, 62.8% and 63.4% of our total cost of sales for the same periods, respectively. The availability and prices of the pharmaceuticals, medical reagents and consumables and other supplies used in our business fluctuate from time to time and are subject to factors beyond our control, including supply, demand, general economic conditions and governmental pricing control, each of which may affect our costs or cause a disruption in our supply. See also “—Government’s price control of healthcare services may affect the pricing of our services. Certain of our medical services, pharmaceuticals and medical consumables are effectively subject to regulatory price controls, which may reduce and limit our profitability.”

During the Track Record Period, we engaged a limited number of suppliers for pharmaceuticals, consumables and other supplies to provide hematology specialized medical services. We cannot assure you that our hospitals will be able to anticipate and react to changes in medical supply costs in the future by locating replacement suppliers, or that our hospitals will be able to pass these cost increases onto the patients. Any of these factors may have a material and adverse effect on our profitability and results of operations.

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We rely on major suppliers for a large portion of our procurement for supplies.

During the Track Record Period, we made procurement from a limited number of suppliers for pharmaceuticals, medical equipment, medical reagents and consumables and other suppliers to provide hematology healthcare services and testing services. In 2020, 2021, 2022 and the four months ended April 30, 2023, our purchases from our five largest suppliers accounted for 56.3%, 46.8%, 45.0% and 51.4% of our total purchases, respectively, and our purchases from our single largest supplier in each year/period during the Track Record Period accounted for 18.6%, 15.4%, 15.5% and 14.9% of our total purchases, respectively. We have maintained long-term cooperation with such five largest suppliers. See “Business—Procurement and Inventory Management—Suppliers.” We are subject to the concentration risk of making substantial part of the purchases from major suppliers. If any of these major suppliers decides to substantially reduce the supply or terminate their cooperation with us in the future, we may not be able to find suitable alternative suppliers in a timely manner, or at all, in order to guarantee the supplies in our hospitals, and our business, financial conditions and results of operations would be materially and adversely affected.

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

We are subject to credit risk associated with the collection of our trade and other receivables. Our trade and other receivables amounted to RMB165.6 million, RMB216.0 million, RMB177.8 million and RMB166.4 million, respectively, as of December 31, 2020, 2021 and 2022 and April 30, 2023. We reversed impairment losses of RMB1.1 million in 2020 and RMB730 in the four months ended April 30, 2023, and recognized impairment losses of RMB4.8 million and RMB0.5 million, respectively, in 2021 and 2022. Our trade receivables turnover days were 34.4 days, 36.0 days, 28.9 days and 21.1 days in 2020, 2021, 2022 and the four months ended April 30, 2023, respectively. During the Track Record Period, our trade receivables mainly represent the amounts due from public medical insurance programs or local governments. See “Financial Information—Discussion of Selected Items from Consolidated Statements of Financial Position—Trade and Other Receivables” and Notes 17 and 26 to the Accountants’ Report included in Appendix I to this Document for details. Although our trade and other receivables are mainly due from public medical insurance programs which generally have good credit standing and higher recovery rate, we cannot assure you that no default will arise from such government payees in the future. Furthermore, the amount, turnover days and concentration of our trade and other receivables may increase in the future, which may make it more challenging for us to manage our working capital effectively and our results of operations, financial conditions and liquidity may be materially and adversely affected.

We may not be able to protect our patients’ and operation information from leakage or improper use, which could expose our Group and our doctors and staff to claims, regulatory actions or litigations.

We acknowledge that the personal information and privacy of our patients is particularly essential to our operation and that they expect us to keep their information strictly confidential. Our hospitals and employees are also subject to, among others, regulations on personal information protection in the PRC, which limit the use of personal information of our patients collected by us for such purposes for which they were collected or for a directly related purpose or for which are required or allowed by relevant laws and regulations. In addition, we have implemented our own policies to safeguard our patients’ personal information. For example, we have taken measures to maintain the confidentiality of our patients’ personal and medical information, including limiting our employees’ access to data for only the data necessary and setting internal rules requiring our employees to maintain the confidentiality of our patients’ personal and medical information. See “Business—Data Privacy and Protection” for details. However, any change in relevant laws and regulations could impose more stringent data protection requirements and thus affect our ability to collect, store or use patients’ data for current permitted purposes and may also incur additional costs and labors. Furthermore, the patients’ and operation information is processed by our information system, and we have adopted a set of rules and management procedures in accordance with relevant laws and regulations for the system safety to prevent any data leakage.

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However, we cannot guarantee that our confidentiality policies and measures could always effectively or completely prevent our patient information from leakage or unauthorized use. Any system failure or compromise of our hospital network security may result in the unauthorized access to or release of such data. In particular, we could be subject to attacks on our systems by third parties or fraudulent or inappropriate behaviors by our employees, third-party service providers or other business partners. Third parties may also gain access to our data using computer malware, viruses, spamming, phishing attacks or other means. Personal information we maintain could be leaked because of any theft or misuse of personal information due to misconduct or negligence. Any breach of our confidentiality obligations to our patients could expose our Group and/or our medical professionals and management to potential liabilities, such as claims, regulatory actions or litigations, or disciplinary actions, which may have a material adverse effect on our brand image and reputation, business, results of operations, financial conditions and prospects.

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

When conducting our business, we may need to store, transmit and process certain data of our patients, and therefore face risks inherent in handling large volumes of data and in protecting the security and privacy of such data by using of information systems. In recent years, cybersecurity, privacy and data protection has become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of cyber security and personal data in the past few years. Such regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations, or significant changes, resulting in uncertainties about the scope and degree of our responsibilities in that regard. For instance, on June 10, 2021, the SCNPC promulgated the PRC Data Security Law (中華人民共和國數據安全法), which took effect in September 1, 2021. The PRC Data Security Law requires, among other things, data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data security, data processing activities must be conducted based on data classification and hierarchical protection system. Furthermore, along with the promulgation of the Opinions on Strictly Combating Illegal Securities Activities (關於依法從嚴打擊證券違法活動的意見), overseas listed China-based companies are subject to a heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data flow and management of confidential information from PRC regulatory authorities. On August 20, 2021, the SCNPC issued the Personal Information Protection Law (中華人民共和國個人信息保護法) (the “PIPL”), which took effect on November 1, 2021, reiterating the circumstances under which a personal information processor could process personal information and the requirements for such circumstances. The PIPL clarifies the scope of application, the definition of personal information and sensitive personal information, the legal basis of personal information processing activities and the basic requirements of notice and consent. On August 8, 2022, National Health Commission, National Administration of Traditional Chinese Medicine, and National Bureau of Disease Control and Prevention jointly promulgated the Administrative Measures for the Cybersecurity of Medical and Healthcare Institution (《醫療衛生機構網絡安全管理辦法》) with immediate effect. Administrative Measures for the Cybersecurity of Medical and Healthcare Institutions requires all the medical and health institutions to implement full life-cycle management of cyber security and data security, including but not limited to strengthening system construction, implementing daily network maintenance and monitoring, conducting annual self-inspection and rectification, and classifying and grading data assets.

We cannot assure you that we will always be able to comply with the regulatory requirements in connection with cybersecurity, data and privacy protection in the PRC in all aspects, and a non-compliance may lead to regulatory actions against us, even not material. For example, according to the Cybersecurity Law and the Administrative Measures for Graded Protection of Information Security (《信息安全等級保護管理辦法》) (the “Measures for Information Graded Protection”), information system operators shall fulfil the cybersecurity protection obligations under the information graded protection system. As of the Latest Practicable Date, all of our three hospitals have complied with such requirements and obtained the Filing Certificates for Information System Security Protection (Level

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III) after completing information security protection certification of its information system and relevant filings with relevant authority (the “**Certification and Filing**”). However, in September 2022, Beijing Shunyi LDP Hospital received a rectification order with regard to the information graded protection from Shunyi Branch of Beijing Municipal Police Bureau (“**Shunyi Police Bureau**”), which requested the hospital to carry on rectification on its information system based on the graded protection requirements and to report rectification status to Shunyi Police Bureau by October 8, 2022. Beijing Shunyi LDP Hospital subsequently started to take rectification as required, and had reported rectification progress to Shunyi Policy Bureau within the prescribed timeframe. In March 2023, Beijing Shunyi LDP Hospital has obtained the Filing Certificate for Information System Security Protection (Level III) after completing the Certification and Filing process. As of the Latest Practicable Date, save as disclosed above, no any other administrative actions against any of our operating hospitals had been taken by any relevant competent authorities on this regard. As advised by our PRC Legal Advisor as to PRC cybersecurity and data privacy protection laws, according to Article 59 of the Cybersecurity Law, if an information system operator fails to perform such obligations of graded protection of cybersecurity, the relevant competent authority may order it to rectify and/or give a warning; if an information system operator refuses to rectify or causes consequences such as endangering cybersecurity, a fine of not less than RMB10,000 but not more than RMB100,000 may be imposed, and the directly responsible person in charge may be fined not less than RMB5,000 but no more than RMB50,000. As further advised by our PRC Legal Advisor as to PRC cybersecurity and data privacy protection laws, considering that (i) Beijing Shunyi LDP Hospital had completed the Certification and Filing process in March 2023 and therefore fulfilled their cybersecurity protection obligations under the information graded protection system; (ii) the rectification order received by Beijing Shunyi LDP Hospital did not involve any momentary penalties, and the rectification process did not affect its normal operations, operation results and financial condition in all material aspects; and (iii) save as disclosed, none of our three operating hospitals had received any administrative penalties or been under any investigations imposed or taken by any relevant competent authorities for the historical delay in the Certification and Filing, our PRC Legal Advisor as to PRC cybersecurity and data privacy protection laws is of the view that save as the aforementioned rectification order received by Beijing Shunyi LDP Hospital, the likelihood of the Group being investigated or penalized by relevant competent authorities on this regard is remote. As a result of the foregoing, we believe that such incidents would not have any material adverse impact on our business, financial condition or results of operations.

We have adopted various measures to ensure compliance with cybersecurity and privacy and data protection regulations. See “Business–Data Privacy and Protection” for details. However, even if we endeavor to comply with relevant laws and regulations and ensure those internal policies and measures to be effective and adequate, we may not always be able to do so, as the interpretation and implementation of relevant laws and regulations are still subject to elaboration by relevant government authorities, there remains uncertainty as to how the new regulation will be applied and implemented. Any resulting non-compliance may lead to regulatory actions, investigations or litigations against us. Even if these actions, investigations or litigations do not result in any liability to us, we could incur significant costs in investigating and defending against them, and could be subject to negative publicity about our privacy and data protection practices, which may affect our reputation in the marketplace. Our potential risks related to our collection and use of data and information system could require us to implement measures to reduce our exposure to liability, which may require us to expend substantial resources and limit the attractiveness of our services to our patients and partnered hospitals. As a result, our business, results of operations and financial condition could be materially and adversely affected.

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Any technological failure, security breach or other disruptions of our information technology systems may result in significant disruption to our operations and adversely impact our reputation and financial condition.

Our information technology systems store and process a variety of data, including our proprietary business information, as well as medical and personal data of our patients. Our business operations depend on the satisfactory performance, stability and reliability of our information technology systems, including business management system and related software programs, which are critical to our storage of patient records and treatments, management of inventory as well as computation of operational data. However, despite the precautionary measures we have taken to prevent unanticipated problems that could affect our information technology and telecommunications systems, our information technology systems may experience system interruptions or failures caused by reasons such as natural disasters, telecommunications failures, errors encountered during system upgrades or system expansions, computer viruses, security breaches, cyber-attacks or other attempts to harm our systems. Such interruptions or failures may result in the disruption, malfunction, breakdown or other performance problems of our business management system, which may, individually or collectively, significantly disrupt our business operations and reduce our work efficiency and therefore, have a negative impact on the quality of our services.

There is no assurance that our information technology systems will not experience disruption, malfunction, breakdown or other performance problems in the future. There is also no assurance that we will be able to effectively upgrade our existing systems or develop new systems to support our expanding business operations in a timely manner. Any failure to do so may materially and adversely affect our business, results of operations, financial condition and prospects.

We may not be able to adequately protect our intellectual property rights, which could harm our business and competitive position. Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantage.

Our intellectual property rights are key to our business operation. We have registered intellectual properties, including patents, trademarks, copyrights and registered domain names that are material to our business in China. See “Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights” in Appendix IV to this Document for details. We mainly rely on a combination of patent, copyright and trademarks laws, trade secrets protection and other contractual restrictions for the protection of the intellectual property used in our business. There is no assurance that third parties will not copy or otherwise obtain and use our intellectual property rights without our prior authorization. The measures we have taken may be inadequate to prevent the misappropriation of our intellectual property. Accordingly, we may not be able to effectively protect our intellectual property rights. We may have to initiate legal proceedings to defend the ownership of our intellectual property rights against any infringement by third parties, which may be costly and time-consuming, and we might be required to devote substantial management time and resources in an attempt to achieve a favorable outcome. Furthermore, the outcome of any legal actions to protect our intellectual property rights may be uncertain. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition, results of operations and prospects may be adversely affected.

In addition, the degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations and may not adequately protect our business or permit us to maintain our competitive advantage. For example, others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights. Any inability of us to protect our competitive advantage may impair our ability to meet the demands of our patients and this could materially adversely affect our business, prospects, financial condition and results of operations.

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

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties during the course of our operations. Defense against any of these claims would be both costly and time-consuming, and could divert the efforts and resources of our management and other personnel. There can be no assurance that favorable final outcomes will be obtained in all cases. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to liabilities to third parties, require us to seek consents or licenses from third parties, pay ongoing fees or royalties, or subject us to injunctions prohibiting the provision and marketing of the relevant brand or services. To the extent that such consents or licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative technologies, if any, or we may be forced to delay or suspend the relevant services. We may incur expenses and require attention of management in defending against these third-party infringement claims, regardless of their merit. Protracted litigation could also result in reduced patient visits. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, financial condition and results of operations could be materially and adversely affected.

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

We are the largest hematology healthcare services provider in China in terms of 2022 revenue and provide treatments to patients under the brand name of “Lu Daopei”. Trademarks and trade names are important to our success. We believe our trademarks and trade names are widely recognized and associated with quality and reliable services. While it is our policy to protect and defend our intellectual property rights vigorously, we cannot predict whether the steps we take to protect our intellectual property will be adequate to prevent infringement, misappropriation or other potential violations of our trademarks and trade names. We also cannot guarantee that others will not independently develop technology with the same or similar functions to any proprietary technology we rely on to conduct our business and differentiate ourselves from our competitors.

In addition, other parties may register trademarks which may look similar to our registered trademarks under certain circumstances, which may cause confusion among patients. We may not be able to timely prevent other parties from using trademarks that are similar to ours and the patients may confuse our hospitals with others using similar trademarks. In such case, the goodwill and value of our trademarks and the public perception of our brand image may be adversely affected. A negative perception of our brand image or failure to build name recognition in our markets of interest could have a material and adverse effect on our business, financial condition, results of operations and prospects.

If we are unable to fully comply with PRC laws and regulations on medical advertising, our reputation, results of operations and financial condition could suffer.

We are subject to certain PRC laws and regulations related to the advertisement and promotion of our services, including the Advertisement Law of the PRC (2021 Revision). In addition, according to the Administrative Measures on Medical Advertisement and the Circular of the Ministry of Health on Strengthening the Medical Advertisement Administration, medical advertisements shall be reviewed by relevant health authorities and shall obtain the Medical Advertisement Examination Certificate (醫療廣告審查證明) before they may be released by a medical institution. Further, medical advertisements can only be released within the validity period of the Medical Advertisement Examination Certificate and its contents must be within the scope as approved. Such restrictions may hinder our ability to further enhance our brand awareness in the industry. Furthermore, if the content of the published advertisement is tampered from what is approved and documented in the Medical Advertisement Examination Certificate, the competent authority may revoke the Medical Advertisement Examination Certificate and suspend any

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application for advertisement examination for one year. See “Regulatory Overview—Regulations on Medical Advertisement” in this Document for further details. Whilst we endeavor to comply with PRC advertising laws and regulations, we cannot guarantee that we would not inadvertently become non-compliant with relevant advertising laws and regulations. In addition, any changes in the existing laws and regulations, or any changes of interpretation thereof, or any promulgation of new laws and regulations in the PRC in relation to medical advertising could require us to obtain additional approvals or permits for our promotions and advertisements, or incur additional compliance costs, or result in us being regarded as not in compliance with the relevant laws and regulations thereby subjecting us to penalties and/or other legal consequences. If we fail to adjust promotions, advertising and marketing strategies and policies in a timely manner in response to changes in the existing laws, regulations or rules; or if we are found to be non-compliant with any of these laws, regulations or rules, we may face penalties, which could impair our brand and adversely affect our business, financial condition, results of operations and prospects.

We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, biological or chemical hazards, or personal injury.

Our business operations are subject to national and local laws, including but not limited to the laws on the treatment and discharge of pollutants into the environment and on the use of highly toxic and hazardous chemicals used in our hospitals. In 2020, 2021, 2022 and the four months ended April 30, 2023, our annual cost of compliance with environmental protection rules and regulations was RMB0.9 million, RMB1.2 million, RMB2.0 million and RMB0.6 million, respectively. We expect such compliance cost to increase in the future in line with the continued expansion of our hospitals. Because the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply with, or to accurately predict the potentially substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to various consequences, including substantial fines, potentially significant monetary damages or suspensions of our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition and results of operations. During the Track Record Period, there had been instance of delay in obtaining relevant sewage treatment permit (排污許可證) within the required timeframe for our hospital, which may subject us to fines and other administration penalties. We have obtained the relevant license subsequently. As advised by our PRC Legal Advisor, based on the consultation with relevant local ecology and environment authority, the likelihood that relevant competent authorities impose penalties on us due to such delay which has been rectified is low.

In addition, we cannot fully eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our hospitals during our medical service processes. In the event of any accident, we could be held liable for damages and clean-up costs that, to the extent not covered by existing insurance or indemnification, could be burdensome to our business. Other adverse effects could result from such liability, including reputational damage resulting in the reduction in patient visits or loss of business from customers. We may also be forced to close or suspend operations at certain of our affected facilities temporarily, or permanently. As a result, any accidental contamination, biological or chemical hazards, or personal injury could have a material and adverse impact on our reputation, business, financial condition and results of operations.

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

During the Track Record Period, all of our VIE Hospitals and PRC subsidiaries are subject to the statutory EIT rate of 25%, except that certain of our subsidiaries have been approved as Small Low-profit Enterprises and were subject to a preferential income tax rate from 5% to 20% during the Track Record Period. The preferential tax treatment enjoyed by us may change and we cannot assure you that it will be able to successfully renew it in the future.

Various financial subsidies were granted by the PRC government authorities to our hospitals in recognition of our contribution to the local economy and expansion of our hospital network. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, we received government grants amounting to RMB3.6 million, RMB1.0 million, RMB1.3 million, RMB0.1 million and RMB0.2 million, respectively. Furthermore, we received COVID-19 related fiscal support in 2020 from local government authorities. These financial subsidies have been granted at the discretion of the local government authorities subject to relevant local policies.

There is no assurance that we would continue to enjoy these preferential tax treatment or financial subsidies at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment and financial subsidies to us could adversely affect our financial condition, results of operations and cash flows.

We may need additional capital and may not be able to obtain it in a timely manner or under commercially acceptable terms, or at all, and raising additional capital may subject us to debt obligations which we may not be able to serve or comply with as expected.

As of April 30, 2023 and May 31, 2023, our cash and cash equivalents were RMB129.1 million and RMB76.5 million, respectively. Based upon our currently expected level of operating expenditures, we believe that our current cash and cash equivalents, anticipated cash flow from operations, available credit facilities, and the [REDACTED] from this [REDACTED] will be sufficient to meet our capital requirements and fund our operations for at least the next 12 months from the date of this Document. We may, however, require additional cash resources to finance our continued growth or other future developments. The amount and timing of such additional financing needs will vary depending on the timing of our new hospital openings, investments in acquiring hospitals and the amount of cash flow from our operations. We may seek to raise any necessary additional capital through equity offerings or debt financings, or a combination of these or other funding sources. To the extent that we raise additional financing by issuance of additional equity securities, our Shareholders may experience dilution. To the extent we engage in debt financing, including incurring bank borrowings, the incurrence of indebtedness would result in increased debt servicing obligations and could result in operating and financing covenants that may, among other things, restrict our operational flexibility or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. We could also be subject to interest rate risk arising from interest-bearing bank loans with floating interest rates. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected. For example, in August 2022, we entered into a bank facility agreement with a commercial bank, under which we have secured a long-term bank facility of up to RMB1,050.0 million designated for the new hospital buildings construction for our Hebei Yanda LDP Hospital, with a floating interest rate and a maturity of 156 months and the first repayment is required in 2025. We are allowed to make withdrawals on an as-needed basis within the facility upper limit by December 31, 2025. See “Financial Information—Working Capital Sufficiency.” Though we may not fully draw down such bank facility, and we plan to gradually draw down required amounts in the following three years based on actual needs instead of making a lump sum withdrawal, the larger amounts we withdraw, the higher finance costs and

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liabilities we will incur and the higher gearing ratio we will record, leading to the lower possibilities of attracting additional borrowings in a timely manner or at a commercially favorable terms. In addition, if we fail to properly plan our bank facility draw-down schedules in accordance with the construction and launch schedules of new hospital buildings of Hebei Yanda LDP Hospital, or fail to balance the available cash sources and finance costs to determine the amounts or timing for each withdraw under such bank facility agreement, we may have to serve debt obligations at larger principal amount or higher interests than our expectation. If we default on any single withdrawal, our liquidity and financial condition may be materially and adversely affected.

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

We may be subject to penalties under relevant PRC laws and regulations due to failure to be in full compliance with social security insurance and housing provident fund regulation.

Under the relevant PRC laws and regulations, we are required to make social security insurance and housing provident fund contributions for our employees. See “Regulatory Overview—Regulation on Supervision Over the Social Security Insurance and Housing Provident Fund” for details. During the Track Record Period and prior to July 2022, we did not make full social security insurance and housing provident fund contributions for certain employees. Accordingly, we made a provision of RMB21.3 million, RMB35.0 million and RMB22.1 million for the outstanding social security insurance and housing provident fund contributions in 2020, 2021 and 2022, respectively. We have started to make full contribution of social security insurance and housing provident fund contributions for our employees since July 1, 2022. As of the Latest Practicable Date, no relevant government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any relevant government authorities required us to settle the outstanding amount of social security insurance and housing provident fund contributions.

Furthermore, during the Track Record Period, some of our PRC subsidiaries engaged third-party human resources agencies to pay social security insurance and housing provident fund for certain of our employees. Pursuant to the agreements entered into between such third-party human resources agencies and our relevant PRC subsidiaries, the third-party human resources agencies have the obligation to pay social security insurance and housing provident fund for our relevant employees. This arrangement, while not uncommon in China, is not in strict compliance with the relevant PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, to our best knowledge, our employees had not lodged any report or complaint against us to the relevant PRC regulatory authorities with respect to social security insurance and housing provident fund contributions. As of the Latest Practicable Date, we had not received any notice of warning or been subject to any administrative penalties from the relevant PRC regulatory authorities directly. However, we cannot guarantee that we will not be subject to any fines or other penalties. This in turn may adversely affect our financial condition and results of operations.

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There are risks associated with the land and buildings on which our hospitals and offices operate.

As of the Latest Practicable Date, we leased 16 properties with an aggregate GFA of 141,003.9 sq.m. in the PRC for office use and hospital operations. See “Business—Properties” for details.

As of the Latest Practicable Date, our three operating hospitals were operating on leased premises with an aggregate GFA of 99,080.44 sq.m. We entered into long-term lease agreements for our hospitals ranging from four years to 20 years. We have made plans to relocate our Hebei Yanda LDP Hospital to self-owned new hospital buildings and we do not foresee relocation plans with the other two operating hospitals in the near future. Before the expiry of each of our leases, we have to negotiate the terms of renewal with our respective lessors. There is no assurance that our existing leases would be renewed on similar or favorable terms or at all, in particular with respect to the amount of rent and the term of the lease. Any substantial increase in the rent of our leased properties may increase our property rental and related expenses, which could materially and adversely affect our profitability. If under extreme circumstances any of their leases were to be terminated or not to be renewed upon expiration, we may be forced to relocate our hospitals in operation in such leased properties, and our operations will be severely disrupted or suspended. We may incur significant costs in securing alternative sites for relocation and relocating our operations to such alternative sites and we may lose income in regards to the affected hospitals during the relocation period. All of these consequences could materially and adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, our leased properties do not meet certain property-related requirements under PRC laws and regulations. For example, certain properties leased for office use with a GFA of approximately 327.85 sq.m. (approximately 0.2% of the total GFA of our total leased properties) was built on allocated land (劃撥用地), and certain leased properties used by us are built on lands zoning for industrial use (工業用地). We cannot assure you that the landlord of these leased properties will not be subject to any challenges, lawsuits or other actions taken against the properties leased by us. If the landlord’s rights with respect to such properties were successfully challenged, we may be forced to relocate the relevant operations, which could adversely affect our business, financial condition and results of operations. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, our business, financial condition and results of operations may be materially and adversely affected.

Under the relevant PRC law, all lease agreements in relation to housing are required to be registered with the relevant land and real estate administration bureaus. However, lease agreements of all 16 properties have not been registered with the competent PRC government authorities. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. As advised by our PRC Legal Advisor, failure to register an executed lease agreement will not affect its validity. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within a prescribed time limit. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB160,000. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements. During the Track Record Period, we did not experience any dispute arising out of our leased properties.

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As of the Latest Practicable Date, we owned land use rights to one parcel of land in the PRC with a total gross site area of 64,690 sq.m. used for the relocation of Hebei Yanda LDP Hospital. We have created security interest over such parcel of land in favor of the financing institution to secure a banking facility for the construction project for Hebei Yanda LDP Hospital. Our first payment date for the principal under such banking facilities is scheduled to be in December 2025 and we plan to use primarily cash generated from the continuous operations of Hebei Yanda LDP Hospital to repay such loans and may consider other option available and commercially acceptable by us. If there is a material default under the banking facility agreement, the financial institution may exercise its right of foreclosure to obtain ownership and/or effect a sale of the land and buildings. If under extreme circumstances such foreclosure materializes, our ability to use the underlying lands and buildings for Hebei Yanda LDP Hospital will be materially adversely affected.

Failure to comply with the anti-corruption laws, regulations and rules could subject us or our doctors, other medical professionals and hospital administrators to investigations and administrative or criminal penalties, which may harm our reputation and materially and adversely affect our business, results of operations and financial condition.

We operate in the healthcare sector in the PRC which poses elevated risks of violations of anti-corruption laws, rules and regulations. We have adopted policies and procedures designed to ensure that the doctors, staff and hospital administrators at our hospitals comply with the PRC anti-corruption laws, rules and regulations. See “Business—Internal Control and Risk Management” for further details. However, our efforts to reduce improper payments and other benefits received by doctors, staff and hospital administrators in connection with the purchase of pharmaceuticals, medical reagents and consumables and medical equipment and the provision of healthcare services may not be adequate. Although we and our employees were not subject to any government investigation relating to anti-corruption violations during the Track Record Period and up to the Latest Practicable Date, there is no assurance that our anti-corruption policies and procedures will effectively prevent our non-compliance with the PRC anti-corruption laws, regulations and rules arising from actions taken by the individual doctors, staff and hospital administrators without our knowledge. If this occurs, we and/or the doctors, staff and hospital administrators may be subject to investigations and administrative or criminal penalties, and our reputation could be harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition and results of operations.

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

Our Controlling Shareholders aggregately hold 33.21% of our equity interest as of the Latest Practicable Date. Prior to and immediately following the completion of the [REDACTED], our Controlling Shareholders will retain substantial control over our Company. See “Relationship with Our Controlling Shareholders” for further details. Subject to our Articles of Association and the Cayman Companies Act, the Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of our Controlling Shareholders may differ from the interests of other Shareholders and they are free (other than on any matters that they are required to abstain from voting) to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

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We have intangible assets other than goodwill. If our other intangible assets were determined to require impairment, it could adversely affect our results of operations and financial position.

As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had intangible assets other than goodwill of RMB9.0 million, RMB10.2 million, RMB11.9 million and RMB12.9 million, respectively, which represented the software we acquired. After initial recognition, we determine whether these intangible assets are impaired at end of each reporting period if events or changes in circumstance indicate that the carrying amount of these assets exceeds its recoverable amount. As a result, our evaluations in the future on these intangible assets may result in material impairment charges that would have a material impact on our results of operations and potentially the price of our Shares.

We are exposed to changes in the fair value of financial assets measured at fair value through profit or loss and valuation uncertainties due to the use of unobservable inputs.

As of December 31, 2020, 2021 and 2022 and April 30, 2023, we recorded financial assets at fair value through profit or loss of RMB323.0 million, RMB53.8 million, nil and nil, respectively. Our financial assets at fair value through profit or loss represent wealth management products we purchased from commercial banks and financial institutions in the PRC during the Track Record Period. We may continue to selectively invest in short-term wealth management products issued by reputable commercial banks and financial institutions. According to applicable accounting policies, financial assets at fair value through profit or loss are recorded in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of profit or loss and other comprehensive income. Such treatment of gain or loss may cause volatility in, or negatively affect our financial performance. In 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, we recognized positive changes in fair value of financial assets at FVPL of RMB3.3 million, RMB5.9 million, RMB1.0 million, RMB0.5 million and RMB0.3 million, respectively. We cannot assure you that we will continue to generate a fair value gain in the future.

During the Track Record Period, the fair value of our financial assets at fair value through profit or loss was determined by reference to unobservable inputs to the price of the underlying investments using a valuation pricing model and is classified as a Level 3 fair value measurement. See Note 26 in Appendix I to this Document for more details. Changes in these unobservable inputs will affect the estimated fair value of our financial assets at the end of each financial reporting period. Given the inherent uncertainty in the fair value of financial assets at fair value through profit or loss, any significant and adverse changes in fair value could have an adverse effect on our financial position and results of operations.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred tax assets, which could have a material adverse effect on our results of operations.

As of December 31, 2020, 2021 and 2022 and April 30, 2023, we had deferred tax assets of RMB94.1 million, RMB140.5 million, RMB170.0 million and RMB177.3 million, respectively. We recognize deferred tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset against the deductible losses. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Accordingly, if our profitability in the future is significantly lower than the estimates of our management when our deferred tax assets were recognized, our ability to recover such deferred tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations. For more information regarding our deferred tax assets recognized, see Part (b) of Note 23 to the Accountants’ Report included in Appendix I to this Document.

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Failure to maintain and predict inventory levels in line with the level of demand for our medical services, could cause us to lose sales of services or face excess inventory risks and holding costs, either of which could have a material adverse effect on our business, financial condition and results of operations.

To operate our business successfully and meet our patients’ demands and expectations, we must maintain a certain level of inventories, which mainly consist of pharmaceuticals and medical reagents and consumables we purchased from third-party suppliers, to ensure timely supply when requested. As of December 31, 2020, 2021 and 2022 and April 30, 2023, our inventories amounted to RMB51.2 million, RMB63.3 million, RMB83.8 million and RMB94.0 million, respectively. In 2020, 2021, 2022 and the four months ended April 30, 2023, our average inventory turnover days were 18.1 days, 17.4 days, 18.6 days and 21.1 days, respectively. For more details on our inventories, see “Financial Information—Discussion of Selected Items From Consolidated Statements of Financial Position—Inventories.” However, we maintain our inventory based on our internal forecasts which are subject to changes affected by factors that are beyond our control. If our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level, and may adversely affect our service capacity and result in loss of market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of pharmaceuticals, medical reagents and consumables. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs.

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

We recognize a contract liability when we receive advanced payment from a customer before the provision of our services to customers. Contract liabilities are then reclassified as revenue when we perform under the contract, which means transferring control of the related services to the customers. As of December 31, 2020, 2021 and 2022 and April 30, 2023, our contract liabilities amounted to RMB40.7 million, RMB57.1 million, RMB64.5 million and RMB58.0 million, respectively. See “Financial Information—Discussion of Selected Items From Consolidated Statements of Financial Position—Trade and Other Payables.” 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 payments we have received, which could adversely affect our cash flow and liquidity condition, our results of operations and financial condition.

Carrying amount changes in our financial instruments issued to investors and related valuation uncertainty have historically affected our financial condition and results of operations.

We entered into a series of investment agreements with some independent investors, pursuant to which Preferred Shares of different classes were issued to such investors. See “History, Reorganization and Corporate Structure—Reorganization” for details. As such, the liquidation preferences attached to the Preferred Shares result in our Company’s mandatory distribution obligation in the deemed liquidation event, and such obligations were recognized as financial liabilities. The financial liabilities are measured at the amount expected to be paid to the investors and any changes in the carrying amount of the financial liabilities were recorded as “change in the carrying amount of financial instruments issued to investors.” We recorded loss arising from change in the carrying amount of financial instruments issued to investors of RMB137.7 million, RMB287.0 million, RMB489.0 million, RMB163.0 million and RMB53.0 million in 2020, 2021, 2022 and the four months ended April 30, 2022 and 2023, respectively.

Change in the carrying amount of financial instruments issued to investors relates to changes in the total equity value of our Company. The equity valuation was performed by an independent valuer. Such valuation requires significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we and our equity valuer use and thereby affect the carrying amount of our financial instruments. Any of these factors, as well as others, could cause the estimates to vary from actual results, which could materially and adversely affect our financial condition.

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Our Preferred Shares will be automatically converted to our ordinary shares and will be re-designated from liabilities to equity. To the extent that the Preferred Shares are revalued prior to or upon the [REDACTED], any change in carrying amounts of Preferred Shares and related valuation uncertainty could materially affect our financial position and performance. After the automatic reclassification of all Preferred Shares into equity upon the [REDACTED], we do not expect to recognize any further loss or gain on change in the carrying amount of financial instruments issued to investors in the future.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

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

Foreign ownership of certain businesses in PRC is subject to restrictions under current PRC laws and regulations. For example, except for qualified service providers from Hong Kong, Macao and Taiwan, foreign investors are not allowed to own 100% of the equity interest in medical institutions. Although foreign investors are allowed to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture, the establishment of equity joint venture shall meet certain requirements and, among others, the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. For further details of the restrictions of foreign investments, please refer to the section headed “Regulatory Overview—Regulations on Foreign Investment in the PRC” in this Document.

We are an exempted company incorporated in the Cayman Islands, as such, we are classified as a foreign enterprise and our wholly-owned PRC subsidiary, LDP Medical Technology, is a foreign-invested enterprise under PRC laws and regulations. Through LDP Medical Technology, we have entered into a series of Contractual Arrangements with each of the VIE Hospitals. Please see “History, Reorganization and Corporate Structure” and “Contractual Arrangements” for details. Through our shareholdings and the Contractual Arrangements, our Company has acquired effective control over the financial and operational policies of the VIE Hospitals through LDP Medical Technology and has become entitled to all of the economic interest returns generated by our VIE Hospitals.

As advised by our PRC Legal Advisor, except as otherwise disclosed, the Contractual Arrangements are legal, valid and binding upon the parties thereto under the applicable PRC laws and regulations currently in effect. Please see “Contractual Arrangements—Legality of the Contractual Arrangements” for more details. However, we have been further advised by our PRC Legal Advisor that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC Legal Advisor.

It is uncertain whether any new PRC laws or regulations relating to Contractual Arrangements will be adopted or if adopted, what they would provide. If the ownership structure, contractual arrangements, and business of our PRC subsidiaries or our VIE Hospitals are found to be in violation of any existing or future PRC laws or regulations, or our PRC subsidiaries or our VIE Hospitals fail to obtain or maintain any of the required permits or approvals to operate our business, the relevant PRC governmental authorities would have broad discretion to take action in dealing with such violations or failures, including possibly:

- revoking the business licenses and/or operating licenses held by our PRC entities;
- imposing fines on us;
- confiscating our income or the income of our PRC subsidiaries, variable interest entities or their subsidiaries that they deem to be obtained through illegal operations;

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- discontinuing or restricting the operations of the VIE Hospitals or our Group;
- ruling the agreements under the Contractual Arrangements as unlawful, invalid or unenforceable;
- placing restrictions on our right to collect revenues;
- imposing additional conditions or requirements with which we or the VIE Hospitals may not be able to comply;
- requiring us or the VIE Hospitals to restructure our ownership or operations; or
- taking other regulatory or enforcement actions that adversely affect our business.

Any of the above possible actions which may be taken by the PRC regulatory authorities could cause significant disruption to our business operations and severely damage our reputation, which may hamper or even terminate the flow of economic benefits from LDP Medical Technology to our Group as stipulated under the Contractual Arrangements. It may result in the diversion of management attention and the incurring of substantial operating and remedial costs which may materially and adversely affect our business, financial condition or results of operations.

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

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**FIL**”) which became effective on January 1, 2020 and replaced the laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, as well their implementation rules and ancillary regulations. See “Regulatory Overview—Regulations on Foreign Investment in the PRC.”

According to the FIL and the implementation rules, the “foreign investment” refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (the “**Foreign Investors**”), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws, administrative regulations or provisions prescribed by the State Council. However, the interpretation and application of the FIL remain uncertain. In addition, the FIL stipulates that foreign investment includes “Foreign Investors investing in China through other methods under laws, administrative regulations or provisions prescribed by the State Council.” We cannot assure you that the Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the Contractual Arrangements.

In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, or if any of our operations through Contractual Arrangements is classified in the “restricted” or “prohibited” industry in the future “negative list” under the FIL, our Contractual Arrangements may be deemed as invalid and illegal, and we may be required to unwind the Contractual Arrangements and/or

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dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken 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. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the FIL provides that foreign invested enterprises established according to the previous laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that we may be required to adjust the structure and corporate governance of certain of our PRC subsidiaries in such transition period. 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, corporate governance, financial condition and business operations.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and result in adverse tax consequences to us.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to scrutiny by the PRC tax authorities and could result in additional taxes and interest imposed by the tax authorities. The PRC enterprise income tax law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its related parties to the relevant tax authorities. The tax authorities may impose reasonable adjustments on taxation if they have identified any related party transactions that are inconsistent with arm’s length principles.

We would be subject to adverse tax consequences if the PRC tax authorities were to determine that our Contractual Arrangements were not made on an arm’s length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. Such adjustment could, among other things, result in a reduction of expense deductions recorded by our VIE Hospitals for PRC tax purposes, which could in turn increase their tax liabilities without reducing our PRC subsidiaries’ tax expenses. In addition, the PRC tax authorities may impose late payment fees and penalties on our VIE Hospitals for the adjusted but unpaid taxes according to the applicable regulations. Consequently, a finding that we owe additional taxes could substantially reduce our combined net income and the value of your [REDACTED]. Our financial position could be materially and adversely affected if our VIE Hospitals’ tax liabilities increase or if it is required to pay late payment fees and other penalties.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. The other shareholders of our VIE Hospitals may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

We hold 70% equity interest in our VIE Hospitals and rely on the Contractual Arrangements with these hospitals, LDP Xianfeng, LDP Zheng’ai, Dr. Daopei LU, Ms. Yi ZHAO and Ms. Xiaowei WANG to control the remaining 30% equity interest in these hospitals to provide hematology healthcare services in China in which foreign investment is restricted. For a description of these Contractual Arrangements, see “Contractual Arrangements” in this Document. These Contractual Arrangements, however, may not be as effective as direct ownership in providing us with control over the relevant portion of our business operations. For example, our VIE Hospitals and the other shareholders of our VIE Hospitals could breach their Contractual Arrangements with us by, among other things, failing to conduct the operations of our VIE Hospitals in an acceptable manner or taking other actions that are detrimental to our interests.

If our VIE Hospitals or the other shareholders of our VIE Hospitals fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. If there is any dispute relating to the Contractual Arrangements remain unresolved, we will have to enforce our rights under the Contractual Arrangements through the operations of PRC law and arbitral or judicial agencies, which may be costly and time-consuming and will be subject to evolvement in the PRC legal system.

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In addition, the other shareholders of our VIE Hospitals may have actual or potential conflicts of interest with us. These shareholders may breach, or cause our VIE Hospitals to breach the existing Contractual Arrangements we have with them and our VIE Hospitals, which would have a material and adverse effect on our ability to effectively control our VIE Hospitals and receive the 30% economic benefits from it. For example, these shareholders may be able to cause our agreements with our VIE Hospitals to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor. LDP Zheng'ai, Dr. Daopei LU, Ms. Yi ZHAO and Ms. Xiaowei WANG may breach or refuse to renew, or cause LDP Xianfeng to breach or refuse to renew, the Contractual Arrangements with us. If any of LDP Xianfeng, LDP Zheng'ai, Dr. Daopei LU, Ms. Yi ZHAO or Ms. Xiaowei WANG breaches its/his agreements with us or otherwise have disputes with us, we may have to initiate arbitration or other legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly distract our management's attention, adversely affect our ability to control the 30% equity interest in the VIE Hospitals via the Contractual Arrangements and otherwise result in negative publicity and adversely affect the reputation of our VIE Hospitals.

LDP Xianfeng, LDP Zheng'ai, Dr. Daopei LU, Ms. Yi ZHAO and Ms. Xiaowei WANG may be involved in disputes with third parties or other incidents that may have an adverse effect on their respective direct or indirect equity interests in the VIE Hospitals and the validity or enforceability of our Contractual Arrangements. For example, if any of the equity interests of VIE Hospitals is inherited by a third party with whom the current Contractual Arrangements are not binding, we could lose our 30% control over VIE Hospitals or have to maintain such control by incurring unpredictable costs, which could cause significant disruption to part of our business and operations and harm our financial condition and results of operations. We cannot assure you that these undertakings and arrangements will be complied with or effectively enforced. In the case any of them is breached or becomes unenforceable and leads to legal proceedings, it could disrupt our business, distract our management's attention and subject us to substantial uncertainties as to the outcome of any such legal proceedings.

We may lose control over LDP Xianfeng and may not be able to enjoy full economic benefits of the VIE Hospitals if LDP Xianfeng declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

LDP Xianfeng holds 30% equity interest in each of Hebei Yanda LDP Hospital and Beijing Yizhuang LDP Hospital, and 29% equity interest in Shanghai LDP Hospital Management. Dr. Daopei LU holds 1% equity interest in Shanghai LDP Hospital Management. Our Contractual Arrangements contain terms that specifically provide that LDP Xianfeng and the VIE Hospitals may not be voluntarily liquidated without the written consent of LDP Medical Technology. However, if LDP Zheng'ai (which holds 100% equity interest in LDP Xianfeng), Dr. Daopei LU or LDP Xianfeng breaches this obligation and voluntarily liquidates LDP Xianfeng, the VIE Hospitals or if LDP Xianfeng or the VIE Hospitals declares bankruptcy, third-party creditors may claim rights to some or all of its assets, thereby hindering our ability to provide hematology healthcare services through VIE Hospitals, and we may not enjoy the full economic benefits of the VIE Hospitals, either of which could adversely affect our business, financial condition and results of operations.

If LDP Zheng'ai, Dr. Daopei LU or LDP Xianfeng was to attempt to voluntarily liquidate LDP Xianfeng or the VIE Hospitals without obtaining our prior consent, we could effectively prevent such unauthorized voluntary liquidation by exercising our right to request LDP Zheng'ai to transfer all of its equity ownership interests in LDP Xianfeng or to request Dr. Daopei LU, LDP Xianfeng to transfer all of their equity ownership interests in the VIE Hospitals to an entity or individual designated by us in accordance with the exclusive option agreement with LDP Zheng'ai, LDP Xianfeng, Ms. Yi ZHAO and Ms. Xiaowei WANG, or with LDP Xianfeng, Dr. Daopei LU and the VIE Hospitals, respectively. In

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addition, under the Contractual Arrangements, LDP Zheng'ai does not have the right to issue dividends to itself or otherwise distribute the retained earnings or other assets of LDP Xianfeng without our prior consent, Dr. Daopei LU and LDP Xianfeng do not have the right to issue dividends to themselves or otherwise distribute the retained earnings or other assets of the VIE Hospitals without our prior consent. In the event that (i) LDP Zheng'ai initiates a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of LDP Xianfeng; or (ii) Dr. Daopei LU, LDP Xianfeng initiate a voluntary liquidation proceeding without our authorization or attempt to distribute the retained earnings or assets of the VIE Hospitals without our prior consent, 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 will be uncertain.

Certain terms of our Contractual Arrangements may not be enforceable under PRC laws.

Our Contractual Arrangements provide for the resolution of disputes through arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission. Our Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interest and property interest and other assets of LDP Xianfeng or our VIE Hospitals, injunctive relief or order the winding up of LDP Xianfeng or our VIE Hospitals. In addition, our Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisor that under the PRC laws the abovementioned provisions may not be enforceable. Under PRC laws, a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of LDP Xianfeng or our VIE Hospitals and in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong, BVI and Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in our Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in China 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. In addition, under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against an entity as interim remedies to preserve the assets or shares in favor of any aggrieved party.

If we exercise the option to acquire the remaining equity ownership of our VIE Hospitals, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, LDP Medical Technology or its designated person(s) has the exclusive option to elect to purchase at any time, when permitted by the then applicable PRC laws, (i) all or any part of the equity interest in LDP Xianfeng from LDP Zheng'ai, or all or any part of the assets from LDP Xianfeng; and/or (ii) all or any part of the equity interest in the VIE Hospitals from Dr. Daopei LU and LDP Xianfeng, or all or any part of the assets from our VIE Hospitals. The transfer price of the relevant equity interest and/or assets shall be the minimum purchase price permitted under PRC laws.

The equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The amount to be received by LDP Medical Technology may also be subject to enterprise income tax. Such tax amounts could be substantial and our financial condition may be adversely affected as a result.

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RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in China’s economic, political or social conditions or government policies could affect our business and operations.

We provide hematology healthcare services through our VIE Hospitals in China. Substantially all of our businesses, assets, operations and revenues are located in or derived from our operations in China and, as a result, our business, financial condition and results of operations may be influenced, to a significant degree, by the economic, political, social and regulatory environment in China generally and by continued economic growth in China as a whole. The PRC economy differs from the economies of developed countries in many respects, including, among other things, the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although the PRC government has, in recent years, taken various actions to introduce market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business entities, the PRC government continues to play a significant role in regulating the economy and the industries by issuing relevant policies. While the Chinese economy has experienced significant growth over the past decades, the growth has gradually slowed since 2010, and the impact of COVID-19 on the global and Chinese economy in 2020 is severe.

We cannot predict future changes in China’s economic, political and social condition and the effect that new government policies will have on our business and prospects. Any actions and policies adopted by the PRC government or any prolonged slowdown in China’s economy, in particular the healthcare services industry, could have a negative impact on our business and operations.

The PRC legal system is evolving and relevant regulatory changes or development may affect our business operations.

The PRC legal system is a civil law system based on written statutes and prior court decisions may be cited for reference but have limited precedential value. Additionally, some written statutes in the PRC are often principle-oriented and require detailed interpretations or specific rules for implementation by the SCNPC or supreme judicial authorities to further apply and interpret such laws.

LDP Medical Technology is a foreign-invested enterprise and is subject to laws and regulations applicable to foreign-invested enterprises, and LDP Medical Technology and our VIE Hospitals are also subject to various Chinese laws and regulations generally applicable to companies incorporated 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 and enforcement of these laws, regulations and rules are also continually developing in responses to those changes. These continuous developments relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to us. Furthermore, any litigation involving us in the PRC may be protracted, which may result in the diversion of our resources and management attention.

In recent years, the PRC government has gradually reduced regulatory hurdles for establishing and investing in non-public hospitals, in particular by private capital, and encouraged development of hospital management groups. Our business operations and future expansion are largely driven by the PRC government’s policies, which may change significantly and are beyond our control. There can be no assurance that the PRC government will not impose additional or stricter laws or regulations on healthcare services or foreign investments, or strengthen and tighten supervision and management of medical institutions including hospitals, in particular, non-public hospitals, or implement stricter or more comprehensive regulations on the distribution of pharmaceutical products, medical devices and medical consumables.

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We cannot predict the effect of future developments in the PRC legal system, particularly with regard to our industry, including the promulgation of new laws, regulations, rules and policies as well as changes to existing laws, regulations, rules and policies or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Future regulatory changes may affect public hospital reform, limit private or foreign investments in healthcare services industry or implement additional price control on pharmaceutical products or medical services. Any of these events could have a material and adverse impact on our business, financial condition, results of operations, prospects and future growth.

The permit, filing or other requirements of the CSRC or other PRC government authorities in relation to our proposed [REDACTED] or further capital raise activities may be required under PRC laws.

On December 27, 2021, the NDRC and the MOFCOM issued 2021 Negative List which came into effect on January 1, 2022. According to Article 6 of the 2021 Negative List, where a PRC domestic company engaging in any business falling within the “prohibited” investment category under the 2021 Negative List seeks to issue and list its shares overseas: (a) it shall complete an examination process and obtain approval from relevant competent authorities; (b) foreign investors shall not participate in the operation and management of the company; and (c) shareholding percentage of the foreign investors shall be subject to relevant provisions on the administration of domestic securities investment by foreign investors.

Furthermore, on February 17, 2023, the CSRC released the Overseas Listing Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. According to the Overseas Listing Trial Measures, overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security, and the domestic companies may be required to rectify, make certain commitment, divest business or assets, or take any other measures as per the competent authorities’ requirements, so as to eliminate or avert any impact of national security resulting from such overseas offering and listing. The Overseas Listing Trial Measures provide that, an overseas offering and listing is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company’s controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller (the “**Forbidden Circumstances**”). In addition, in the process of filing, where the issuer may be under any of the Forbidden Circumstances, the CSRC may solicit the opinions of the competent government authorities under the State Council.

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Pursuant to the Overseas Listing Trial Measures, if the issuer meets both 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 the PRC, or its main place(s) of business are located in the PRC, 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 the PRC. The recognition of indirect overseas securities offering and listing of domestic enterprises shall follow the principle of substance over form. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer shall file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing 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, clarified that (i) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas offering and listing but have not obtain an approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and shall complete the filing before the completion of their overseas offering and listing; and (ii) the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which 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.

As of the date of this Document, we [had received] a notification issued by the CSRC confirming our completion of the filing procedures required by the Overseas Listing Trial Measures. However, given that the Overseas Listing 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. We cannot assure you that new rules or regulations promulgated in the future will not impose any additional requirements on us. If it is determined that we are subject to any additional approval, filing, other governmental authorization or requirements from the CSRC or other PRC government authorities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial condition as well as our ability to complete the [REDACTED].

Our business operations may be extensively affected by the laws and regulations regarding data privacy and protection in China.

The laws and regulations regarding data privacy and protection in China are generally complex and evolving. On December 28, 2021, the Cyberspace Administration of China (the “CAC”), jointly with other 12 governmental authorities, issued the revised Measures for Cybersecurity Review (網絡安全審查辦法) (the “CAC Measures”), which became effective from February 15, 2022. According to the CAC Measures, a cybersecurity review is required when national security has been or may be affected where a critical information infrastructure operator (the “CIIO”) purchases network products and services. Moreover, the CAC Measures also provide that an internet platform operator possessing personal information of more than one million users that applies for listing abroad, shall make declaration for cybersecurity review with the Office of Cybersecurity Review. Furthermore, the relevant PRC governmental authorities may initiate cybersecurity review if such governmental authorities believe that

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the network products or services, or data processing activities affect or may affect national security according to the CAC Measures. On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (關鍵信息基礎設施安全保護條例) (the “**CII Regulation**”) which came into effect on September 1, 2021. Pursuant to the CII Regulation, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation’s welfare, the people’s living and public interests. The CII Regulation also stipulates the procedures for determining critical information infrastructure. It provides that competent authorities shall promulgate detailed rules in designating critical information infrastructure, identify critical information infrastructure in the relevant industries, and notify operators of such critical information infrastructure in a timely manner. As of the Latest Practicable Date, the responsible authorities had not specifically promulgated any effective implementation provisions or identification rules which designate or identify the scope of “critical information infrastructure.” In addition, as of the Latest Practicable Date, we had not been notified by any authorities of being classified as a CIIO, involved in any cybersecurity review or received any investigation, inquiry, notice, warning or sanctions by any governmental authorities on such basis. Pursuant to a telephone consultation conducted by our PRC Legal Advisor as to PRC cybersecurity and data privacy protection laws on a named basis with China Cybersecurity Review Technology and Certification Center, which is authorized by the CAC for public inquiry relating to the cybersecurity review under the Cybersecurity Review Measures, we were informed that Hong Kong is part of the PRC and listing in Hong Kong may not be recognized as listing in a foreign country and, therefore, we are not required to apply for cybersecurity review for the [REDACTED]. But the CAC Measures are subject to further interpretation and implementation of details. If we are recognized as an operator of “critical information infrastructure” in the future, we will be required to comply with such obligations under the relevant laws and regulations, including, among others, setting up a special security management organization, organizing regular cybersecurity education and training, formulating emergency plans for cyber security incidents and conducting regular emergency drills, and although the internet products and services we purchase are primarily bandwidth and marketing services, we may need to follow cybersecurity review procedure and apply with Cybersecurity Review Office before making certain purchases of network products and services. Meanwhile, the CAC Measures grants the CAC and other competent authorities the right to initiate a cybersecurity review without application, if any member organization of the cybersecurity review mechanism has reason to believe that any internet products, services or data processing activities influences or may influence national security. There is still risk that we may be subject to the cybersecurity review in the future if we are considered to be falling into the scope of activities or data which “affect or may affect national security” as interpreted under the then regulatory regime.

On November 14, 2021, the CAC issued the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the “**Draft Data Security Regulations**”). Pursuant to Article 13 of the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the activities including (i) seeking to be listed in Hong Kong that will affect or may affect national security; and (ii) other data processing activities that will affect or may affect national security. However, the Draft Data Security Regulations provides no further explanation or interpretation for “affect or may affect national security”. As of the Latest Practicable Date, the Draft Data Security Regulations had been released for consultation purposes, as such, there remain uncertainties as to its final content, anticipated adoption or effective date, final interpretation and implementation, and other aspects, and we will continue to closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review when and once the Draft Data Security Regulations is formally promulgated.

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As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a data processor carrying out data processing activities that influence or may influence national security, neither had we been subject to any cybersecurity review, enquiry, investigation or notice by the CAC or any other authorities in connection with the proposed [REDACTED] or our business operation and we are not identified as an CIIO by any relevant authority. Nevertheless, even if we endeavor to comply with relevant laws and regulations, we may not always be able to do so due to a lack of detailed implementation rules by relevant government authorities. The constantly evolving and potentially more stringent regulatory requirements of cybersecurity and data privacy and protection could affect our business, financial condition, results of operations, prospects and future growth.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your [REDACTED].

We are a holding company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, an enterprise established outside of the PRC with “de facto management bodies” within the PRC would generally be deemed a “PRC resident enterprise” for tax purposes and be subject to an EIT rate of 25% on its global income. “De facto management bodies” is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise.

In April 2009, the SAT promulgated the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), known as Circular 82, and partially abolished according to the Decision of the State Taxation Administration on Issuing the Lists of Invalid and Abolished Tax Departmental Rules and Taxation Normative Documents (《國家稅務總局關於公布失效廢止的稅務部門規章和稅收規範性文件目錄的決定》). Under Circular 82, a foreign enterprise is considered a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are located mainly within China; (2) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, the SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), known as Bulletin 45, effective in September 2011 and last amended on June 15, 2018 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 provides for, among other matters, procedures for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general.

We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, “de facto management bodies” and then the tax resident status of an enterprise are subject to determination by the PRC tax authorities. As substantially all of our management members are based in China, it remains unclear how the tax authorities will treat a case such as ours. Nevertheless, if the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC tax resident enterprise, we would be subject to the PRC EIT at a rate of 25% on our global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

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

Under the EIT law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to [REDACTED] that are “non-resident enterprises,” which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

Under PRC Individual Income Tax law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

Although substantially all of our business and operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and would, as a result, be subject to Chinese income tax. If we are treated as a PRC resident enterprise as described under “—We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your [REDACTED],” dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on dividends paid to our non-residents [REDACTED] or on gains realized through the transfer of our Shares, the value of your [REDACTED] in our Shares may be materially and adversely affected.

Fluctuations in exchange rates could result in foreign currency exchange losses and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

The conversion of RMB into foreign currencies is based on rates set by the People’s Bank of China (the “PBOC”). The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government’s foreign exchange 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. We cannot assure you that RMB will not appreciate or depreciate significantly in value against the Hong Kong dollar, the U.S. dollar or other currencies in the future. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC government’s control on currency conversion. During the Track Record Period, we recorded net foreign exchange loss of RMB1.5 million in 2020 and RMB1,643 in the four months ended April 30, 2023. We cannot assure you that we will not incur material net foreign exchange losses in the future. If we recorded net foreign exchange losses, our results of operations and financial condition may be adversely affected.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited hedging options available in China to reduce our exposure to exchange rate fluctuations. As of the Latest Practicable Date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately

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hedge our exposure or at all. Furthermore, currency exchange losses may occur because the PRC exchange control regulations may restrict our ability to convert RMB into foreign currency freely. 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, our Shares in foreign currency terms.

PRC government’s control of foreign currency conversion and restrictions on the remittance of RMB out of the PRC may regulate our foreign exchange transactions, including dividends payment on our Shares, and affect the value of your [REDACTED].

Substantially all of our revenue and operating costs are denominated in RMB. The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations. 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 the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. However, we cannot assure you that these foreign exchange policies regulations will not become more stringent in the future. Under our current corporate structure, our revenue is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. Therefore, we may not be able to pay dividends in foreign currencies to our Shareholders, which may affect the value of your [REDACTED]. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China. Any existing and future restrictions on currency exchange may limit our ability to conduct procurements outside of the PRC or otherwise fund any future business activities that are conducted in foreign currencies.

Acquisition of Chinese companies by foreign investors, including any of our potential acquisition transactions in China in the future, are subject to the M&A Rules and certain other PRC regulations.

The M&A Rules 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” (《反壟斷法》) requires that approval from the Anti-Monopoly Bureau of SAMR shall be obtained in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the M&A Rules and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors issued by the MOFCOM (《商務部實施外國投資者併購境內企業安全審查制度的規定》) 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. The cost and effort to comply with the requirements of the above mentioned regulations and other relevant rules to complete such transactions could be substantial, 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.

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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.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and our VIE Hospitals. Any funds we transfer to our PRC subsidiaries and our VIE Hospitals, 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. For example, loans by us to our wholly-owned PRC subsidiaries in the PRC to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. In addition, any medium or long-term loan to be provided by us to our PRC subsidiaries and our VIE Hospitals must be recorded and registered by the NDRC through the online filing system of the NDRC. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be registered with the SAMR or its local branches. Such PRC subsidiaries shall also submit a change report to the MOFCOM or its local counterpart through the online enterprise registration system, and the exchange registration with qualified banks shall be completed. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals, our ability to use the [REDACTED] from the [REDACTED] and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

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

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local counterparts of the SAFE or other competent financial institutions in connection with their direct or indirect offshore investment activities. SAFE Circular 37 was promulgated by the SAFE in July 2014 and requires PRC residents or entities to register with SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. According to the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of the Overseas Direct Investments (《國家外匯管理局關於發佈境內機構境外直接投資外匯管理規定的通知》) (“SAFE Circular 30”) and other regulations, our shareholders who are PRC entities shall complete their registration with the competent SAFE, the National Development and Reform Commission or the PRC Ministry of Commerce branches. These regulations apply to our Shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), or SAFE Circular 13, which came into effect on June 1, 2015, pursuant to which local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37 and SAFE Circular 30, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

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Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local counterpart of the SAFE under SAFE Circular 37, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. In accordance with SAFE Circular 13, the foreign exchange registration aforesaid has been directly reviewed and handled by banks since June 1, 2015, and the SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. However, we may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC residents or entities, and therefore, we may not be able to identify all our Shareholders or beneficial owners who are PRC residents or entities to ensure their compliance with SAFE Circular 37, SAFE Circular 30 or other related rules. Failure by any Shareholders to comply with SAFE Circular 37, Circular 30 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries’ ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the stock incentive plan participants or us to fines and other legal or administrative sanctions.

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for foreign exchange registration with respect to offshore special purpose companies. Our Directors, executive officers and other employees who are PRC residents and have been granted share-based awards may follow SAFE Circular 37 to apply for the foreign exchange registration before we become a Hong Kong publicly [REDACTED] company. Pursuant to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company or another qualified institution selected by such PRC subsidiary, and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share-based awards, the purchase and sale

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of corresponding shares or interests and fund transfers. In addition, the domestic qualified agent is required to amend the SAFE registration for any material change to the share incentive plan, the domestic qualified agent or the overseas entrusted institution or other material changes. We and our Directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted share-based awards are subject to these regulations upon the completion of this [REDACTED]. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, there may be additional restrictions on the ability of them to exercise their stock options or remit proceeds gained from sale of their stock into the PRC. In addition, the SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC government authorities.

You may experience difficulties in effecting service of legal process, enforcing judgments or bringing original actions in the PRC or Hong Kong against us and our Directors and management based on foreign laws.

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in China and substantially all of our operations are conducted in China as well. In addition, a majority of our Directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. As a result, it may not be possible for [REDACTED] to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”), which came into effect on August 1, 2008, pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “New Arrangement”). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction need to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with certain rules without the parties’ agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as of the Latest Practicable Date, the New Arrangement has not become effective and no specific date has been determined as its effective date. The Arrangement continues to apply and, as such, it may be difficult or impossible for [REDACTED] to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

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On January 9, 2021, the MOFCOM promulgated Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures (《阻斷外國法律與措施不當域外適用辦法》) with immediate effect, pursuant to which, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third State (or region) or its citizens, legal persons or other organizations, he or she or it shall truthfully report such matters to the MOFCOM within 30 days. Upon assessment and being confirmed that there exists unjustified extra-territorial application of foreign legislation and other measures, the MOFCOM shall issue a prohibition order to the effect that, the relevant foreign legislation and other measures are not accepted, executed, or observed, but such a citizen, legal person or other organization of China may apply to the MOFCOM for an exemption from compliance with such prohibition order.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our Directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, there is no assurance that a judgment rendered by a court outside the PRC would be recognized and enforced in a PRC court.

RISKS RELATING TO THE [REDACTED]

There has been no prior public [REDACTED] for our Shares and there can be no assurance that an active [REDACTED] would develop or sustain.

Prior to the [REDACTED], there has been no public [REDACTED] for our Shares. The [REDACTED] for our Shares was the result of negotiations between our Company and the [REDACTED] on behalf of the [REDACTED], and the [REDACTED] may not be indicative of the price at which our Shares will be [REDACTED] following the [REDACTED]. We have applied for the [REDACTED] of, and permission to [REDACTED] in, our Shares on the Hong Kong Stock Exchange. A [REDACTED] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] for our Shares will develop, or, if it does develop, that it will be sustained following the [REDACTED].

You will incur immediate and substantial dilution as a result of the [REDACTED] and may experience further dilution in the future due to future financing.

Potential [REDACTED] will pay a price per Share in the [REDACTED] that exceeds the value of our combined net tangible assets per Share as of April 30, 2023. Therefore, [REDACTED] of our Shares in the [REDACTED] will experience an immediate dilution. See “Appendix II—[REDACTED].” In addition, holders of our Shares may experience further dilution in their shareholding percentage if we issue additional Shares in the future.

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There will be a gap of several days between [REDACTED] and [REDACTED] of our [REDACTED] and the [REDACTED] of our [REDACTED] could fall during the period before [REDACTED] of our [REDACTED] begins.

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

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the [REDACTED] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price favorable to us.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] in our Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

The [REDACTED] of our Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] 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, the PRC, 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 the PRC, especially those engaging in similar business to ours, that have listed their securities in Hong Kong may affect the volatility in the [REDACTED] of and [REDACTED] for our Shares. Some of PRC-based companies have experienced significant volatility, including significant price declines after their initial public offerings in Hong Kong. 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] of our Shares. These broad market and industry factors may significantly affect the [REDACTED] and [REDACTED] of our Shares, regardless of our actual operating performance.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

The net [REDACTED] to us from the [REDACTED] will be approximately [REDACTED] (assuming the [REDACTED] is not exercised) based on an [REDACTED] of [REDACTED] per Share, the mid-point of the indicative [REDACTED] range stated in this Document. A large portion of the net [REDACTED] of this [REDACTED] is allocated for our hospital network expansion and development, including expansion and relocation of Hebei Yanda LDP hospital and optimization of operations of Shanghai LDP Hospital. See “Future Plans and Use of [REDACTED]—Use of [REDACTED].” Our management will have discretion as to the application of the net [REDACTED] received by us. Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our shareholders. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [REDACTED] from the [REDACTED].

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

We currently do not have a formal dividend policy or a predetermined dividend payout ratio. Distribution of dividends will be at the discretion of our Board and subject to 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, availability of dividends received from our operating subsidiaries and other factors that our Directors consider relevant. Please see “Financial Information—Dividends.” 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 for minority shareholders’ protection may be different from those under the laws of Hong Kong or other jurisdictions.

We are an exempted company incorporated under the laws of the Cayman Islands with limited liability, and the law of the Cayman Islands differs in some respects from that of Hong Kong or other jurisdictions where [REDACTED] may be located.

Our corporate affairs are governed by Memorandum and Articles of Association as well as the Cayman Companies Act and the common law of the Cayman Islands. A summary of the constitution of our Company and the Cayman Companies Act is set out in Appendix III to this Document. 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 and other jurisdictions. These differences may mean that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions.

Certain facts, forecasts and statistics in this Document are derived from a third-party report and publicly available official sources and may not be fully reliable.

Some of the facts and statistics in this Document are derived from various publications of governmental agencies or publicly available sources and obtained during communications with various government agencies or independent third parties that our Directors believe are reliable. However, our Directors cannot guarantee the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading.

Prospective [REDACTED] should read the entire Document carefully and we strongly caution you not to place any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this Document.

You are strongly advised to read the entire Document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this Document.

Prior to the completion of the [REDACTED], there may be press and media coverage regarding our Group and the [REDACTED]. Our Directors would like to emphasize to prospective [REDACTED] that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to [REDACTED] in our Shares, prospective [REDACTED] should rely only on the financial, operational and other information included in this Document.