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

RISKS RELATING TO OUR FINANCIAL POSITION AND PROSPECTS

Our historical financial and operating results, including our revenue and gross profit from COVID-19 testing, may not be indicative of our future performance.

Our historical financial and operating results, including our revenue and gross profit from COVID-19 testing, may not be indicative of our future results. During the Track Record Period, we generated revenue from provision of full cycle genetic testing solutions, pathogenic microbe genetic testing solutions and research and development genetic testing solutions. In particular, a significant portion of our revenue during the Track Record Period was generated from the provision of COVID-19 testing services. In 2020, 2021 and 2022, our revenue generated from COVID-19 testing services amounted to RMB34.1 million, RMB359.4 million and RMB1,533.8 million, respectively, representing 34.1%, 73.8% and 91.5% of our total revenue for the respective years. Our gross profit from COVID-19 testing services in 2020, 2021 and 2022 amounted to RMB20.6 million, RMB171.3 million and RMB502.5 million, respectively, and our gross profit margin from COVID-19 testing services for the same periods was 60.4%, 47.7% and 32.8%, respectively.

The effects of changing regulatory, economic, public health, environmental, competitive conditions and future expansion of our testing facilities, and many other factors cannot be fully predicted and may have a material and adverse effect on our business, financial condition, results of operations and prospects. For example, the circumstances that have driven the growth of our COVID-19 testing services may be temporal in nature and may not be sustained going forward. Starting in December 2022, the PRC government put forth a series of rules and policies, including the Notice on COVID-19 Pandemic Prevention and Control Scheme (10th Version) in January 2023, that had the overall effect of easing COVID-19-related restrictions and testing requirements. For details, see "Summary — Recent Developments." Pursuant to these policies, there has been a significant decrease in market demand for COVID-19 testing services, which could have a material and adverse impact on our revenue generated from COVID-19 testing services, and in turn, affect our overall financial condition and results of operations. Moreover, we may be unable to repurpose or consolidate the human resources, facilities, testing equipment and reagents that were previously devoted to COVID-19 testing services, which may have a negative impact on our business and financial performance.

As we continue our business expansion, we cannot assure you that we will achieve the expected results or maintain the same levels of revenue growth and profitability as we have achieved during the Track Record Period. We believe that year-to-year comparisons of our operating results during the Track Record Period may not be indicative of our future performance, and you should not rely on them to predict the future performance of our operating results.

We incurred net losses during the Track Record Period and although we recorded net profits in 2021 and 2022, we cannot guarantee that we will remain profitable or that we will not incur losses in the foreseeable future and you may lose substantially all your [REDACTED] in us given the high risks involved in the genetic testing market.

We follow a clinically driven R&D model to develop innovative genetics solutions, mainly in oncology and infectious diseases, to address unmet clinical needs in China. Our product development involves substantial upfront capital expenditures and significant risks that a product candidate may fail to gain regulatory approval or become commercially viable, or a service under development may fail to become commercially viable. We have incurred and are expected to continue to incur significant expenses related to our ongoing operations. We incurred net loss of RMB66.0 million in 2020. While we recorded net profits of RMB66.8 million in 2021 and RMB157.8 million in 2022, respectively, this was largely attributable to the revenue generated from our COVID-19 testing services. Our future profitability will depend on a variety of factors, including the performance of our business, the success of our service portfolio, competitive landscape and market demand of genetic testing solutions, macroeconomic and regulatory environment, and the uncertainties associated with the COVID-19 pandemic, among other factors. Therefore, our revenue may not grow at the rate we expect, and it may not increase sufficiently to offset the increase in our costs and expenses. As a result, we may continue to incur losses in the future. If we fail to become profitable or are unable to sustain profitability on a continuing basis, we may be unable to continue our operations at planned levels and be forced to reduce our operations. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, expand our business or continue our operations. Failure to become and remain profitable may adversely affect the **[REDACTED]** of our Shares. A decline in the value of our Company could also cause you to lose all or part of your **[REDACTED]**.

Our financial prospects depend on the success of our portfolio of genetic testing solutions.

We will continue to expand and optimize our genetic testing solutions portfolio, and to extend our reach in the genetic testing industry. Our ability to be profitable in the future depends upon, among other things, our ability to successfully allocate our limited resources, including those that supported the genetic testing needs during the COVID-19 pandemic. As a result, we may forego or delay pursuit of opportunities for other types of genetic testing services or IVD products for indications that may later prove to have greater commercial potential. Our decisions on resource allocation may cause us to fail to capitalize on viable genetic testing services or profitable market opportunities. For example, if we do not accurately evaluate the commercial potential or target market for a particular genetic testing solution, we may relinquish valuable rights to such candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights.

Our profitability also depend on our ability to expand and optimize our portfolio of genetic testing solutions, achieve and maintain market acceptance of our genetic testing solutions, as well as develop and register our IVD products and related services. As of the Latest Practicable Date, we had a portfolio of 31 LDT services, with 27 commercialized, and ten IVD product and product candidates. We have invested a significant portion of our efforts and financial resources in the development of our existing genetic testing solutions portfolio. In 2020, 2021 and 2022, our research and development expenses amounted to RMB22.2 million, RMB26.6 million and RMB62.8 million, respectively, which were primarily incurred in relation to our full cycle genetic testing solutions. We expect to continue to incur substantial and increasing research and development expenses in developing our genetic testing solutions. Our ability to achieve revenue and profitability is dependent on our ability to complete the development of our pipeline candidates, obtain necessary regulatory approvals, and have our IVD products manufactured and successfully marketed.

However, our ability to successfully develop, expand and market our portfolio of genetic testing solutions may also be impacted by factors that are not fully within our control, such as the macro-environment and prevailing testing policies, which were largely focused on COVID-19 tests in the past three years, hence contributing to a dampened demand for non-clinical genetic testing services during the same period. As such, we cannot guarantee that we will be able to achieve any of the aforesaid objectives in respect of our genetic testing solutions portfolio, and our failure to do so may materially and adversely impact our business, financial condition and results of operations.

We recorded net cash outflow from operating activities and had net liabilities during the Track Record Period.

We had experienced net cash outflow from operating activities during our Track Record Period. We had net cash used in operating activities of RMB11.2 million and RMB17.8 million in 2020 and 2021, respectively. While we recorded net cash flows generated from operating activities of RMB70.9 million in 2022, this was primarily because of our profits from the provision of our COVID-19 testing services, which will likely decrease going forward. The cost of continuing operations could further reduce our cash position, and an increase in our net cash outflow from operating activities could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our business, fund our investments in our business expansion or to complete the development and commercialization of additional products and solutions.

We had net liabilities of RMB309.9 million, RMB222.2 million and RMB18.3 million as of December 31, 2020, 2021 and 2022, respectively, primarily attributable to our redeemable preferred shares which we recorded as liabilities amounting to RMB340.7 million, RMB507.2 million and RMB707.2 million as of the same dates. As of the Latest Practicable Date, all of our convertible loans had been converted into redeemable preferred shares. Our redeemable preferred shares will automatically convert into Shares upon **[REDACTED]**, which will improve our financial position. However, we may continue to have net liabilities in the future. A net liabilities position could require us to seek financing from sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material and adverse effect on our business, financial condition, results of operations and prospects.

While we believe we have sufficient working capital to fund our current operations, we may, however, continue to experience net cash outflows from our operating activities for the foreseeable future. If we are unable to maintain adequate working capital, we may default in our payment obligations and may not be able to meet our capital expenditure requirements or pursue our growth strategies, which may have a material and adverse effect on our business, financial condition, results of operations and prospects. Accordingly, we may require further funding through public or private offerings, debt financing, collaborations and licensing arrangements or other sources. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that the financing may be available when we need them on terms that are favorable to us, or at all. Our ability to raise funds will also depend on financial, economic and market conditions and other factors, many of which are beyond our control. If adequate funds are not available to us on a timely manner, we may have to delay, limit, reduce or terminate our research and development activities or the commercialization of one or more of our products and services, which in turn will adversely affect our business prospects.

We are exposed to credit risk arising from our trade receivables. If we fail to collect our trade receivables in a timely manner or at all, our cash flows and operations could be materially and adversely affected.

Our trade receivables increased from RMB20.9 million as of December 31, 2020 to RMB245.5 million as of December 31, 2021, and further increased to RMB678.5 million as of December 31, 2022, primarily attributable to the increase of our COVID-19 testing services in 2021 and 2022, which had longer credit terms due to the nature of working with governmental agencies. In addition, our trading terms and settlement arrangements with customers have credit periods that generally do not exceed three months. In 2020, 2021 and 2022, our average trade receivables turnover days were 51 days, 100 days and 101 days, respectively, primarily because we allowed longer credit period for certain governmental agency customers for our COVID-19 testing services in 2021 and 2022 to preserve the long-term cooperation with our strategic customers. Although we assess the credit quality of our customers, taking into account their financial position, past experience and other factors, we cannot assure you that no default will arise from our customers in the future. In particular, we recorded impairment losses on financial assets, which represented our impairment losses on trade receivables, of RMB6,000, RMB1.7 million and RMB38.0 million in 2020, 2021 and 2022, respectively. We cannot assure you that our customers would be able to settle trade receivables in a timely manner, or at all, or that we can properly assess and respond in a timely manner to changes in their credit profile and financial condition. Adverse changes in their financial condition may negatively affect the length of time that it will take us to collect associated trade receivables or impact the likelihood of ultimate collection. If any of our major customers fails to fulfill its obligations, our financial condition and results of operations could be materially and adversely affected. Any of the foregoing could materially and adversely affect our financial condition and results of operations.

We require substantial capital for our operations. If we cannot satisfy such requirement with cash from operations or raise sufficient additional capital on acceptable terms, our business, financial condition and results of operations may be materially and adversely affected.

In order to further expand our business, develop new services and products and remain competitive, we may require additional capital to be expended in our operations. We expect our capital expenditure will increase significantly in light of our business expansion plans to develop and expand our genetic testing solutions portfolio, provide software and hardware platforms and laboratory management solutions, continue to optimize and enhance our technology platforms and our network and collaboration with key stakeholders, among other things. If the cash from our operations and financial resources available to us are insufficient to satisfy our cash requirements, we may seek additional funding through equity offerings, debt financings, collaborations and licensing arrangements. However, financing may be unavailable in such amounts or on such terms acceptable to us, or at all. Our ability to use cash from our operations and to obtain additional capital from other channels and instruments is subject to a variety of uncertainties, including our future financial condition, cash flows, general market conditions for capital-raising activities, as well as the economic, political and social conditions in China. The future incurrence of indebtedness may result in debt service obligations and could result in operating and financing covenants restricting our operations or our ability to make acquisitions or pay dividends. Any failure to meet our capital requirements may materially and adversely affect our business, financial condition and results of operations.

Raising additional capital may lead to dilution of shareholdings by our existing shareholders or restrict our operations, which may in turn materially and adversely affect our business, financial condition and results of operations.

We may seek additional funding through a combination of equity and debt financings and collaborations. To the extent that we may raise additional capital through the issue of equity, redeemable preferred shares and warrant liability or convertible loans, the ownership interest of existing holders of our Shares may be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our existing shareholders. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to our business.

Changes in the fair value of our financial assets may adversely affect our financial condition and results of operations.

During the Track Record Period, we purchased wealth management products with floating interest rates, which were recorded as financial assets at fair value through profit or loss. These amounted to RMB52.1 million, RMB68.6 million and RMB89.0 million as of December 31, 2020, 2021 and 2022, respectively. The fair value of such financial assets is estimated by discounting the future contractual cash flows at the market interest rate available to our Group for similar financial instruments. For the years ended December 31, 2020, 2021 and 2022, we recorded fair value gains on financial assets at fair value through profit or loss of RMB0.2 million, RMB0.4 million, and RMB0.2 million, respectively. The estimation of our financial assets at fair value through profit or loss primarily uses unobservable inputs, such as the expected rate of return of the wealth management products. This requires our management to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. As a result, such treatment of carrying amounts of our financial assets measured at fair value through profit or loss may cause significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations.

Discontinuation of preferential tax treatments or government grants currently available to our PRC subsidiaries could adversely affect our financial position and results of operations.

Some of our PRC subsidiaries qualify and benefit from various types of preferential tax treatment according to the prevailing PRC tax laws. For example, during the Track Record Period, certain of our PRC subsidiaries were subject to a preferential income tax rate of 15%, including Shenzhen Haplox and Shenzhen Lab in 2020, 2021 and 2022; Jiangxi Lab in 2020 and 2021; and Ganzhou Lab in 2022. If any of these PRC subsidiaries fail to maintain their respective qualification under the relevant PRC laws and regulations, their applicable enterprise income tax rates may increase to up to 25% and they may need to pay value-added tax for clinical testing revenues collected from customers, which could have a material and adverse effect on our financial condition and results of operations. Any change or elimination of such preferential tax treatments may also materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, the PRC local governments have granted government grants from time to time to our PRC subsidiaries. We recognized RMB3.6 million, RMB7.4 million and RMB5.0 million of government grants in other income and gains for the years ended December 31, 2020, 2021 and 2022, respectively. The timing, amount and criteria to qualify for government grants are determined by the local governmental authorities in their sole discretion. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. We cannot assure you of the continued availability of the government incentives currently enjoyed by our PRC subsidiaries. Any significant reduction or elimination of incentives may adversely affect our financial condition and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may be unable to develop and expand our portfolio of genetic solutions on a timely basis, or at all, which may harm our growth opportunities and prospects.

We intend to continue to expand our business lines by developing and expanding our genetic testing solutions portfolio, providing software and hardware platforms and laboratory management solutions, continuing to optimize and enhance our technology platforms and our network and collaborations with key stakeholders. However, developing genetic tests is a lengthy and complex process. New genetic tests may take time to be developed, and their commercialization could be delayed or may not be successful for a number of reasons which may not be within our control, including:

- We may fail to generate sufficient data and insights from our existing portfolio of genetic testing solutions to advance the research and development of new genetic tests and products as we had expected, or at all;

- Our genetic test candidates may fail to demonstrate clinical utility, or the development process may produce negative or inconclusive results, and we may decide to conduct additional clinical trials or to abandon our development programs;

- Our employees or research partners may fail to comply with their contractual duties or obligations or meet expected deadlines, and if the quality, completeness or accuracy of the clinical data they obtain are compromised due to any failure to adhere to our clinical protocols or for other reasons, our clinical trials may have to be extended, delayed or terminated; and

- Changes in the applicable laws and regulations may impose additional compliance obligations on our development programs or render them non-compliant, in which case we may be required to modify our development programs, or we may decide to abandon them.

We cannot guarantee that we will be able to develop and expand our portfolio of genetic testing solutions in a timely manner, or at all. Failure to do so may harm our growth opportunities and prospects.

Failure to achieve and maintain market acceptance for our genetic testing solutions may harm our business, financial condition and results of operations.

Our results of operations depend on our ability to achieve and maintain market acceptance for our genetic testing solutions, which we offer through a combination of LDT services and IVD

products. In addition to our genetic testing services, we plan to expand our business to include software and hardware platforms and laboratory management solutions to serve the needs of hospitals, biopharmaceutical companies, governments and beyond. The degree of market acceptance and adoption of our genetic testing solutions depend on several factors, including:

- Our ability to demonstrate among our customers the clinical utility, superiority and the benefits of our genetic testing solutions;
- Our ability to further validate our proprietary technologies, methodologies, processes, testing reagents, test kits and other applications used in the provision of our genetic testing solutions;
- The prices we charge for our genetic testing solutions;
- The effectiveness of our sales and marketing efforts;
- Our ability to maintain laboratory certification, accreditation and regulatory approvals, and complete required inspections;
- The impact of any negative publicity regarding our or our competitors' tests and technologies resulting from defects or errors; and
- The impact of any regulatory or social concerns and policies regarding our provision or the adoption of our genetic solutions.

We cannot guarantee that our genetic testing solutions will achieve market acceptance, and we may not be able to maintain market acceptance over time if new testing solutions and products introduced prove to be more favorably received or are more cost effective than ours, or render our genetic testing solutions obsolete. Any failure to achieve and maintain market acceptance for our genetic testing solutions may materially and adversely impact our business, financial condition and results of operations.

Our business and financial performance are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our full cycle genetic testing solutions. According to CIC, consumers in China generally prefer not to undertake medical procedures around the Chinese New Year. Based on our historical data, demand for our full cycle genetic testing solutions have generally been lower in the first quarter of each year, especially in the month of the Chinese New Year. As a result of such seasonal fluctuations, comparisons of revenue and our results of operations between different periods within a single financial year may not necessarily be meaningful, nor can these comparisons be relied upon as indicators of our future performance. Should there be a significant reduction in demand for our services in any particular period of any year, our business, financial condition and results of operations may be adversely affected.

Failure in testing quality control may adversely affect our operating result, reputation and business.

Our testing processes are required to meet certain quality standards. We have a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our testing and manufacturing processes. For further details of our quality control and assurance system, see "Business — Quality Control." Despite our quality control and assurance system and procedures, we cannot eliminate the risk of failure. Quality defects may fail to be detected or remediated as a result of a number of factors, many of which are outside of our control, including:

- inherent inability of genetic testing to be 100% accurate;
- poor quality or degraded samples;
- technical or mechanical malfunctions in the operation;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and/or
- quality issues with the equipment, medical devices, reagents, third-party tools, software or raw materials we purchase or use.

Our success depends on market confidence that we can provide accurate, reliable and high-quality services or products that will provide individuals or physicians with valuable clinical or diagnostic information. However, there is no assurance that our testing solutions will perform as expected at all times. Our tests may fail to accurately, completely or correctly identify the relevant diseases, or may contain other misleading testing results due to a variety of reasons (such as malfunction of our laboratory equipment, manufacturing defects and degraded samples provided by our delivery service providers), which may result in negative perception of our tests and significant damage to our reputation. In addition, failure to detect shortcomings in our services or products or to prevent such misleading results from being delivered to our end users could result in injury or death, license revocation, regulatory fines, professional liabilities or other problems that could seriously harm our reputation and business, expose us to liability, and materially and adversely affect our revenue and profitability.

For example, we could face medical liability claims if anyone alleges that our tests identified inaccurate or incomplete information regarding a targeted testing item, or otherwise failed to perform as designed. An end user could allege that our test results caused unnecessary treatment or other costs or resulted in the end user missing the best opportunity or timing for treatment. An end user could also allege other mental or physical injury or that our tests provided inaccurate or misleading information concerning the diagnosis, prognosis or recurrence of, or available therapies for a disease. We may also be subject to medical liability for errors in, a misunderstanding of or inappropriate reliance upon the diagnostic information our tests provided. Any medical liability or professional liability lawsuit could damage our reputation, or cause our business partners to terminate existing agreements with us and seek other business partners, or cause us to lose our current or potential customers.

Insurance companies in China generally offer a limited selection of medical liability and professional liability insurance policies and it is often difficult to secure suitable medical liability and professional liability insurance coverage at reasonable rates in China. In line with industry practice in the PRC, we have elected not to maintain certain types of insurance, including medical liability insurance. Any medical liability or professional liability claim brought against us, with or without merit, could increase our future insurance rates or prevent us from securing insurance coverage.

If we fail to conduct our sales and marketing activities effectively, our revenue and margins may be materially and adversely impacted.

We have developed a flexible and multi-channel sales and marketing strategy for our genetic testing solutions. In addition to relying on our in-house team and engaging third-party sales representatives, we also actively market our brand through forging strong relationships with different industry stakeholders, which we develop and maintain through participating in research collaborations and other industry functions to build our reputation and brand recognition. For details, see "Business — Sales and Marketing." We incurred RMB40.6 million, RMB63.7 million and RMB81.0 million of selling and distribution expenses in 2020, 2021 and 2022, respectively, which accounted for 40.6%, 13.1% and 4.8% of our revenue for the respective years. As we increase our efforts to market our genetic testing solutions and grow our business, our selling and distribution expenses will continue to increase in the foreseeable future. However, we cannot guarantee that our sales and marketing efforts will be successful for reasons that are beyond our control. For example, our participation in research collaborations and industry functions may not show results in promoting our brand and portfolio of genetic testing solutions. Our lack of prior experience in the commercialization and marketing of IVD products may also render our marketing efforts ineffective or inefficient. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our revenue and margins may be materially and adversely affected.

Our success depends on the development and maintenance of strong relationships with our business partners, and our failure to do so may negatively affect our customer base, marketing efforts, as well as reputation.

During the Track Record Period, we provided our genetic testing solutions to the end users through hospitals, governmental agencies, biopharmaceutical companies, research institutes, and other institutions such as health checkup centers and insurance companies, with whom we maintain close working relationships. In addition, we provided a comprehensive service portfolio, ranging from more straightforward CRO services to complex research and analysis services to biopharmaceutical companies and research institutes to support their drug development and scientific research endeavors. We also engaged in research collaborations with leading experts and reputable institutions which we believe enables us to stay at the forefront of industry developments and establish brand familiarity and recognition within the community. Our success therefore depends on our ability to develop and maintain strong relationships with our business partners and establish new collaborations in the future.

Relationships with our business partners are subject to numerous risks. If our services fail to meet the expected standards and evolving needs of our business partners, they may reduce or cease their endorsement of our services and we may lose market confidence. Our research collaborations may fail, and disputes may arise between us and our business partners that result in costly legal proceedings that divert management attention and resources. They may also choose to terminate our collaborations, or to work with our competitors, for reasons which are not within our control. Any of these events could result in our loss of access to part of our customer base, and may materially and adversely affect our business, financial condition, results of operations and reputation.

We face substantial competition and rapid market changes, and if we cannot compete successfully with our competitors, or fail to respond and adapt to market changes timely and effectively, our business and prospects could be materially and adversely affected.

The market for the development and provision of genetic testing solutions in China has become increasingly competitive in the recent years owing to rapid technological advancements and growing demand and participation. We face substantial competition from other genetic testing companies in developing innovative algorithms and integration of machine learning models into the analytical process, so as to improve accuracy, efficiency and utility of genetic assays. For details, see "Industry Overview." We anticipate that we will continue to face increased competition as existing companies develop new or improved products and services and as new companies enter the market with new technologies. Some of our competitors have greater financial and personnel resources, broader product lines, more focused product lines, a more established customer base, or more experience in research and development than we do. In addition, as a result of mergers and acquisitions in the industry, even more resources are being concentrated in our competitors and our upstream and downstream business partners. Our competitors may operate and develop products and services in a more cost-effective manner than ours, or obtain patent protection, regulatory approval, product commercialization, and market penetration more rapidly than we do. Our existing and potential business partners, such as medical and research institutes and biopharmaceutical companies, may also develop competing products and services. Furthermore, medical breakthroughs, progress in the commercial applicability of technologies, increased capital investment and changes to the applicable regulatory regime also result in rapid market changes.

Extensive competition and rapid market changes may render one or more of our technologies obsolete or uneconomical. If we are unable to compete successfully with current and future competitors for these and any other reasons, or if we fail to respond and adapt to market changes timely and effectively, we may be unable to increase market acceptance and sales volume of our genetic testing solutions and products, which could prevent us from maintaining or increasing our revenue levels, which could have a material and adverse impact on our business and prospects.

If our genetic testing solutions do not perform as expected, we may suffer from reputational damage and liability claims.

Our success depends on our ability to provide reliable, high-quality genetic testing solutions that give physicians clinically actionable medical information. However, genetic testing is by nature subject to inherent risks, such as its innate inability to be 100% accurate or definitive, and the ingrained risk of producing false negatives and false positives. Such inherent risks may not be fully overcome by technologies we have developed, such as our proprietary LIUDUS™ platform, our proprietary molecular technologies and bioinformatics tools. Our tests may also fail to accurately detect gene variants, incompletely or incorrectly identify the significance of genomic alterations, or contain other errors or mistakes due to a variety of reasons, such as the receipt of degraded test samples and other malfunctioning or quality issues with any equipment, devices, reagents, third party tools, software or raw materials used in providing our tests. While we have implemented a quality control and assurance system and adopted standardized operating procedures to prevent quality issues with respect to our testing and manufacturing processes, we cannot eliminate the risk of failure, and there is no guarantee that our genetic testing solutions will perform as expected at all times.

Inaccurate or incomplete results, or any misunderstanding of or inappropriate reliance on the genetic information our tests provided, could misguide clinical decisions which could lead to, or be associated with, side effects or adverse events in patients who used our tests, including treatment-related injuries and death. Failure to detect and rectify shortcomings in our solutions offerings, or to prevent the delivery of erroneous or misleading results, could result in license revocation or regulatory fines. We could also face claims for product liability of our test kits, negligence or improper conduct in the testing process, or other medical liability for erroneous, inaccurate or incomplete testing results and prognosis. Such claimants may seek exorbitant damages in respect of costs incurred for unnecessary treatment undertaken, loss of opportunity for early treatment, and other mental distress or injury suffered. Our involvement in such proceedings, regardless of merits, could materially damage our reputation and lead to significant financial loss.

Our laboratories are subject to licensing requirements. Any disruption to the proper operations of our laboratories could materially and adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, we had five laboratories located in Guangdong, Jiangxi and Tianjin, China. Our existing laboratories, as well as any future laboratories we may establish, are subject to extensive regulations in China. To operate these laboratories, we need to obtain approvals and accreditation from the NHC or their respective local offices. We currently have the primary approvals and accreditations from the NHC or their respective local offices that are required for our existing laboratories. See "Business — Licenses, Permits and Approvals" for details. All of our five laboratories have obtained the PRC Practice Licenses of Medical Institution (醫療機構執業許可證). For details, see "Business — Testing Facilities." If we increase the number of our laboratories to meet increasing demand for our genetic testing solutions, we will be required to obtain approvals and accreditations from the NHC or their respective local offices for such additional laboratories, and there is no guarantee that we would obtain such approvals and accreditation in a timely manner, or at all, as the approval and accreditation process is costly, lengthy and uncertain. If we fail to maintain or renew any major license, permit, certificate, approval or accreditations for all or any of our laboratories, or if the testing professionals 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. Without obtaining or maintaining our laboratory certification, accreditation and certain regulatory approvals from relevant authorities, our ability to develop and commercialize new products and solutions may also be impacted. Any of these events could materially and adversely affect our business, financial condition and results of operations.

In addition, incidents, accidents or injuries at our laboratories may subject us to liabilities and negatively impact our reputation. Moreover, if a laboratory or research and development facility or laboratory equipment becomes damaged or inoperable, including due to accidents and injuries, we may not be able to replace our testing capacity quickly or at all. In the event of a temporary or protracted loss of use of any laboratory, facility or equipment, we might not be able to rebuild or replace any of them in a timely manner or at all, which could result in delays in delivering or inability to deliver our genetic testing solutions. We maintain insurance of the types and in the amounts that we believe are commercially reasonable and that are available to businesses in our industry, but there can be no assurance that we will be able to recover all or any of the losses we suffer. Our business, financial condition and results of operations could be harmed to the extent claims and associated expenses resulting from incidents, accidents or injuries exceed our insurance recoveries.

Fluctuation, in particular downward change, in pricing and profit margin of our genetic testing solutions may have a material adverse effect on our business and results of operations.

We may face downward change in pricing of our services and products due to increasing market competition, commercialization of competitive services and products or evolving regulatory regime which may impose pricing control or other restrictive measures. We offer our solutions to hospitals, governmental agencies, health checkup centers, insurance companies, biopharmaceutical companies and other institutions, and to end users through online and offline channels. In terms of pricing strategy, we conduct analysis of multiple factors, such as test type, costs, local market conditions, expected testing volumes and customer type, prices of competing solutions, the overall

competitive landscape and the level of local economic development, to formulate a standard price for each of our solutions, except for our COVID-19 testing services. We negotiate the price directly with our customers as well as the offer of discounts from time to time. The COVID-19 test prices are generally subject to pricing guidance set by local governments and are negotiated with our customers. However, our pricing strategies may not be effective and competitive at all times to reflect the supply and demand of our services and products, which may affect our ability to capture market demand and generate revenue. Our customers may gain more bargaining power depending on the availability of alternative services and products, demands of individuals to whom we provide tests and the preference of physicians. If our customers lower order prices of our solutions and therefore reduce our profitability, it will have a significant negative impact on our results of operations.

In addition, more competing molecular diagnostics and testing products and services may become available, which will offer alternatives for hospitals, patients and other types of customers. If the PRC government issues price guidances or other price controls for molecular diagnostics and testing products and services, it may negatively affect the prices of our solutions and will further affect our business and results of operations.

We may not succeed in developing, enhancing or adapting to new technologies and methodologies.

The PRC genetic testing industry is constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position. We may need to develop and adapt to new technologies and methodologies to maintain our competitive position in the provision of genetic testing solutions and products. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our research and development activities. We intend to continue to enhance our technical capabilities in molecular diagnostics technologies and data processing infrastructures, which are capital- and time-intensive. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient or any patent or other intellectual property protection for such new or enhanced products, or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, that those products will achieve market acceptance. Any failure to do so may make our techniques obsolete, which could harm our business and prospects. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient or any patent or other intellectual property protection for such new or enhanced products, or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, that those products will achieve market acceptance. Any failure to do so may make our techniques obsolete, which could harm our business and prospects.

We have limited control over our third-party suppliers. Any illegality, misconduct, delay or failure by our suppliers to provide satisfactory business may harm our business, prospects and reputation.

We procure a variety of raw materials, mainly consumables and equipment used for our genetic testing solutions. Since we engage third-party suppliers in certain aspects of our business, such as providing raw materials for our reagents and other materials, we are exposed to the risk of illegalities, misconduct, delay or any failure by our third-party suppliers to provide satisfactory services. For instance, certain of our suppliers are subject to various regulations and are required to obtain and maintain various qualifications, government licenses and approvals. If any of these suppliers loses its qualification or eligibility because of its failure to comply with regulatory requirements, we may not be able to find alternative suppliers in a timely manner or at all. If we are unable to identify alternative materials or suppliers and secure approval for their use in a timely manner, we could face a lack of products and loss of customers for our inability to offer products and services timely, or at all. As a result, our business, prospects and reputation could be adversely harmed. Any change in suppliers could require significant effort or investment in circumstances where the items supplied are integral to service performance or incorporate unique technology, which could result in higher procurement costs and have an adverse effect on our financial condition and results of operations. Any material misconduct or disputes against our suppliers may also potentially harm our business and reputation.

It is difficult to identify and prevent such misconduct, and we may not able to effectively control unknown or unmanaged risks or losses, or protect us from governmental investigations or other legal actions and proceedings stemming from our suppliers' failure to comply with these laws or regulations. Our suppliers or service providers who are responsible for the claims, disputes or legal proceedings against us due to defective supplies or services sold to us may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

We face mishandling, contamination, disruptions in delivery, and other risks related to the transportation of test samples, which may harm our business, reputation, results of operations and prospects.

The quality of our genetic testing solutions largely depends on our ability to deliver well-preserved samples quickly and reliably to our laboratories after collection. The rendering of accurate testing results requires us to preserve the samples in pristine condition, which could be difficult as test samples are sensitive to various external conditions, such as biological materials, sub-optimal temperature, heat or light, and may also become contaminated in the process of their handling, storage and transportation. From time to time, logistics service providers, including external drivers, may be involved in the transportation of test samples to our laboratories. Such third-party logistics service providers may encounter performance issues that cause the test samples to be exposed to inappropriate temperatures or other improper storage conditions. In addition, disruptions in delivery which could be due to factors beyond our and their control such as traffic conditions, natural disasters, extreme weathers, imposition of logistics-related regulatory measures, labor disruptions or other factors, including human errors such as the failure to properly label or package the samples, could adversely affect our receipt of samples or specimen integrity, and in turn have a material and adverse impact on our ability to process samples and provide our services in a timely manner, or at all. As a result, our business, reputation, results of operations and prospects could be materially and adversely affected.

Ethical, legal and social concerns related to the use of genetic information in China could materially and adversely affect the demand for our products and solutions.

Negative public sentiment and distrust regarding the use of genetic testing may lead to lower demand for our products and solutions. For example, genetic testing has raised ethical, legal and social issues regarding privacy and the appropriate uses of the resulting information. Governmental authorities could, for social or other purposes, limit or regulate the use of genetic information or genetic testing or prohibit testing for genetic predisposition to certain conditions, particularly for those that have no known cure. Similarly, these concerns may lead to refusal or reluctance to use genetic tests even if permissible. These and other ethical, legal and social concerns may limit market acceptance of our products and solutions or reduce demand for such products and solutions, either of which could have a material and adverse effect on our business, financial condition and results of operations.

Our business depends on the proper and uninterrupted functioning of our information technology systems, and any failure of these systems could harm our business.

We depend on our information technology systems to perform critical elements of our business operations, including our laboratory operations, test sample tracking, sample analyzes, quality control, customer service support, billing and reimbursement, research and development activities, as well as other supporting business functions and general administrative activities such as the management of our human resources, financial controls and reporting, contract management, regulatory compliance, and other infrastructure operations.

Information platforms and systems may be exposed to numerous and evolving risks, including network failures, malicious attacks by hackers or viruses, state-sponsored intrusions, industrial espionage, employee malfeasance, and human or technological error. Despite the precautionary measures we have taken to prevent unanticipated problems that could disrupt the proper functioning of our information technology systems, any failure or significant downtime of such systems or those used by third-party service providers could impede our ability to conduct our daily operations, which could have a material and adverse impact on our business and results of operations.

Security breaches, loss of data, and unauthorized use of data by third parties could expose us to claims and liability, which could materially and adversely affect our business and reputation.

Our information technology systems store and process a variety of data, including our proprietary business information, financial information, and intellectual property information owned or controlled by ourselves or our customers, our business partners and other parties. We also collect and store medical and personal information, for which we are legally obliged to ensure their security and mainly for research purposes. For details, see "— Risks Relating to Government Regulations — We are subject to a variety of laws, rules, policies and other obligations regarding privacy and data protection. Any changes to the applicable regulatory regime in China, which is still under development, and any failure to comply with current or future laws and regulations, could adversely affect our business and reputation." It is therefore essential that our information technology infrastructure remains secure and is perceived by our customers and our research and business partners to be secure.

We manage and maintain our applications and data utilizing a combination of our self-developed information system and external cloud-based data centers. We implement de-identification, data isolation, utilization minimization, lifecycle management and other measures to ensure privacy and security. Despite our security measures, we may face cyber-attacks that cause our information technology systems to be breached, sabotaged, or otherwise compromised, which could result in the misappropriation of proprietary information and technology. Any such unauthorized access, loss or dissemination of data and information not only disrupts our business operations, but could also result in legal claims, proceedings, and liabilities under PRC laws and regulations in relation to the protection of personal information and cybersecurity as well as those specifically governing medical and personal data. Such events could result in significantly increased business and security costs, or costs related to defending legal claims and proceedings. Moreover, we may not be able to prevent third parties from illegally obtaining and misappropriating data and information collected and stored in our information technology systems, including our tested individual's personal information. Concerns about data leakage or unauthorized use of data by third parties, even if unfounded, could damage our reputation and business prospects. Although we have not experienced any material breach of our information technology system to date, there can be no assurance that a future breach will not have a material impact on our business, financial condition and results of operations.

Any litigation, legal and contractual disputes, claims, investigations, or other legal and administrative proceedings against us could be costly and time-consuming to defend or settle. Our involvement in such disputes and proceedings may also generate negative publicity and harm our reputation.

We may from time to time be involved in contractual disputes or legal and administrative proceedings and claims arising out of the ordinary course of business or pursuant to governmental or regulatory enforcement activity. Existing or future legal proceedings might result in substantial costs and divert management's attention and resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings that are initially not material may escalate and become material to us due to a variety of factors, such as changes in the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. Laws, regulations and legal actions could also have significant regulatory consequences and result in regulatory enforcement actions. Our insurance might not cover claims brought against us, might not provide sufficient payments to cover all of the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if such claim is outside the scope of the indemnification arrangement we have with our customers, our customers do not abide by the indemnification arrangement as required or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material and adverse effect on our business, financial condition and results of operations.

Our reputation is important to our business success. Negative publicity may adversely affect our reputation and business prospect.

Our ability to maintain our reputation depends on a number of factors, some of which are out of our control. We may face negative publicity, claims, disputes and allegations, which may have a material and adverse impact on our reputation, even if untrue or inaccurate. In addition, to the extent our Directors, shareholders, senior management or employees were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. Any negative publicity, claims, disputes and allegations involving, any conduct or matter affecting the reputation of other parties, including our business partners, could have a material and adverse impact on our brand and reputation. As a result, we may be required to spend significant time and incur substantial costs to respond and protect our reputation, and we cannot assure you that we will be able to do so within a reasonable period of time, or at all, in which case our business, results of operations, financial condition and prospects may be materially and adversely affected.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

We maintain compulsory insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. In line with industry practice in the PRC, we have elected not to maintain certain types of insurance, such as business interruption insurance or key man insurance. We cannot assure you that our insurance coverage is sufficient to cover all of our risk exposure and prevent us from any loss, or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or if the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. Any liability or damage to, or caused by us, our facilities or our personnel that is beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources. See "Business — Insurance" for details of our insurance policies.

In addition, insurance companies in China generally only offer a limited selection of medical liability and professional liability insurance policies and it is often difficult to secure suitable medical liability and professional liability insurance coverage at reasonable rates in China. Any medical liability or professional liability claim related to our products and solutions brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage. Additionally, any medical liability or professional liability lawsuit could damage our reputation, or cause our business partners to terminate existing agreements with us and seek other business partners, or cause us to lose our current or potential customers. Any of these developments could adversely impact our results of operations and business prospects.

Failure to attract, retain and motivate highly qualified senior management and other key R&D and sales and marketing personnel may materially and adversely affect our business.

We are highly dependent upon our founders and senior management, including our co-founders, Dr. Xu Mingyan and Dr. Chen Shifu, as well as other employees and consultants. Our business and growth depend on our continued ability to attract, retain and motivate highly qualified senior management and key R&D and sales and marketing personnel. Although we have formal employment agreements with each of our employees, these agreements do not prevent them from terminating their employment with us at any time. To incentivize valuable employees to remain in our Company, in addition to salary and cash incentives, we have granted equity interests to certain eligible employees. The value of these equities grants to employees may be significantly affected by movements in the **[REDACTED]** that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies. We do not maintain key person insurance for any of our executives or other employees. Losing the services of any of these persons could impede us from achieving our research, development and commercialization objectives.

Risks related to natural disaster, widespread health epidemics or other outbreaks may materially and adversely affect our business, financial condition and results of operations.

Our business had been affected by the COVID-19 pandemic during the Track Record Period, and 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, 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.

In particular, the COVID-19 pandemic has had an impact on our business and financial condition during the Track Record Period. For example, the PRC government had adopted various disease control measures including lockdowns, which affected usual business activities, including the ability of patients and customers to access genetic testing services in hospitals. The overall shift in the industry to focus on COVID-19 tests during the pandemic also lowered demand for other genetic testing services during the same period. Many of the restrictive measures previously adopted by the PRC governments at various levels to control the spread of the COVID-19 virus have been revoked or replaced with more flexible measures since December 2022. However, the extent of the downturn brought by the COVID-19 pandemic is difficult to assess or predict and the full impact of the COVID-19 pandemic on our operations will depend on many factors beyond our control. Our business, financial condition, results of operations and prospects have also been materially and adversely affected to the extent that COVID-19 pandemic had affected the PRC and global economy in general. The extent to which the COVID-19 pandemic may continue to impact our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including but not limited to, the recurrence of the pandemic, its severity, and the prevailing policies implemented to contain the virus and its impact. To the extent COVID-19 adversely affects our business and results of operations, it may also have the effect of heightening many of the other risks described in this document.

We could be adversely affected by violations of anti-bribery and anti-money laundering laws.

We are subject to the anti-bribery laws and regulations of the PRC which prohibits companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. We are subject to risks in relation to actions taken by us, our employees and our third-party sales representatives that may constitute violations of the anti-bribery laws and regulations. Although we have policies and procedures designed to ensure that we, our employees and our third-party sales representatives comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent our employees and our third-party sales representatives from engaging in bribery activities. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery or anti-bribery related regulations could also require us to make changes to our operations. If we fail to comply with applicable anti-bribery laws and anti-money laundering laws, we may be subject to criminal and civil penalties and sanctions or incur significant expenses, our reputation could be harmed and our customers could cancel or not renew contracts for our services, all of which could have a material and adverse effect on our business, financial condition and results of operations. Other remedial measures could include further changes or enhancements to our procedures, policies, and controls and potential personnel changes and/or disciplinary actions, any of which could have a material and adverse effect on our business, financial condition, results of operations and liquidity. We could also be adversely affected by any allegation that we violated such laws.

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

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

RISKS RELATING TO GOVERNMENT REGULATIONS

We may be adversely affected by the lack of regulatory supervision of LDT services in China. Future laws and regulations may impose additional requirements and obligations on our provision of LDT services, which may materially and adversely affect our business, financial condition and results of operations.

We currently offer our genetic testing solutions through both LDT services and IVD products, and our full cycle genetic testing solutions are primarily provided through the use of LDTs. Due to the relatively short history of LDT services in China, a comprehensive regulatory framework governing the LDT industry has not been established. As advised by our PRC Legal Advisors, there is no specific definition for LDTs under the PRC laws and regulations, nor are there detailed rules and standards for the use of LDTs. With the proliferation of LDT services in the recent years, the PRC laws and regulations have been evolving to accommodate and validate the provision of LDT services. For details of the regulatory framework of LDT services in China, see "Regulatory Overview — Regulation of LDTs."

Pursuant to the Administrative Measures for Clinical Gene Amplification Test Laboratories of Medical Institutions (《醫療機構臨床基因擴增檢驗實驗室管理辦法》), a clinical gene amplification testing laboratory shall not conduct clinical testing items that have not been registered or filed with the relevant health administrative authority in accordance with the Catalogue of Clinical Laboratory Items for Medical Institutions (2013) (《醫療機構臨床檢驗項目目錄》(2013年版)) ("**Testing Items Catalogue**"). The scope of the Testing Items Catalogue is limited and has not been updated since 2013. In addition, pursuant to the Notice on Issues Related to the Management of Clinical Laboratory Items (《關於臨床檢驗項目管理有關問題的通知》) ("**Circular 167**") promulgated by the National Health and Family Planning Commission ("**NHFPC**") on February 25, 2016, services which are not included in the Testing Items Catalogue but have clear clinical significance, relatively high specificity and sensitivity, and reasonable price, are required to be validated in a timely manner to meet clinical needs.

On February 9, 2014, the NHFPC and the China Food and Drug Administration, predecessor of the NMPA, jointly issued the Notice of Strengthening the Administration of Products and Technology relating to Clinical Genetic Testing (《關於加強臨床使用基因測序相關產品和技術管理的通知》) ("**Notice No. 25**")), pursuant to which IVD testing with the use of human body samples for the purpose of, among others, disease prevention, diagnosis, treatment and monitoring, health assessment and hereditary diseases prediction, shall be generally regarded as medical devices, and have to be registered and governed in accordance with the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) ("**Medical Devices Regulations**") which was promulgated by the State Council of the PRC on January 4, 2000. Article 53 of the Medical Devices Regulations, as amended on February 9, 2021 and effective June 1, 2021, ("**2021 Rules**") further states that, subject to detailed rules and standards to be enacted by the NMPA and the NHC, qualified medical institutions may, based on clinical needs, research and develop IVD testing reagents and use such IVD testing reagents internally under the guidance of licensed physicians if there were no comparable registered products in the Chinese market. Pursuant to the Announcement on the Implementation of the Regulations on the Supervision and Administration of Medical Devices (《關於貫徹實施《醫療器械監督管理條例》有關事項的公告》) issued by the NMPA on May 31, 2021, the prior version of the Medical

Devices Regulations (i.e., the Regulations on the Supervision and Administration of Medical Devices (2017 Revision) ("**2017 Rules**")) would be applicable if a potential breach of medical devices regulations occurred before June 1, 2021. However, if the actions are not considered as a breach under the 2021 Rules or where the penalty for the potential breach is less severe than that required in the 2017 Rules, the 2021 Rules shall apply.

We conducted regulatory consultation with the NHC in November 2022. Pursuant to this consultation and applicable PRC laws and regulations, as advised by our PRC Legal Advisors, the provision of LDT services is exclusively regulated by the health commission system, including the NHC and its subordinate local health commissions (i.e., provincial and municipal health commissions). Specifically, the NHC is mainly responsible for policy setting and formulation of relevant laws and regulations, whilst the administrative and supervision functions are delegated to the local health commissions. As such, our Group's provision of LDT services is under the guidance and supervision of the relevant local health commissions. On the basis of such consultation with the NHC and the regulatory interviews with the local health commissions responsible for supervising our business, as well as applicable PRC laws and regulations, our PRC Legal Advisors are of the opinion that: (i) we are allowed to use our self-developed unregistered testing reagents for the provision of LDT services without any additional consent and approval from the relevant local health commissions; (ii) we are not subject to any administrative actions, fines or penalties for the provision of LDT services with the use of unregistered testing reagents; and (iii) our likelihood of being penalized for the provision of LDT services is low. Based on the foregoing and as confirmed by CIC, our PRC Legal Advisors are of the opinion that our provision of LDT services in principle complies with Article 53 of the Medical Devices Regulations considering (i) Article 53 of the 2021 Rules has established a legal status for LDTs and has been generally recognized as a more receptive regulatory approach towards LDTs; (ii) for all of our LDT services, there were no IVD products of the same type that has been approved by the NMPA in China as of the Latest Practicable Date and we develop these testing reagents based on clinical needs and market demands and use these testing reagents internally in our laboratories, for which we have obtained the requisite licenses and permits to conduct such services; (iii) we use these reagents under the guidance of licensed physicians; and (iv) we did not distribute or sell these self-developed testing reagents.

Based on the foregoing, we believe that we are entitled to provide LDT services without substantive legal obstacles. However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. For details, see "— Risks Relating to Doing Business in China — Uncertainties with respect to the PRC legal system and changes in laws, regulations and policies in China could materially and adversely affect us." As such, the PRC governmental authorities may take a view contrary to the opinion of our PRC Legal Advisors. We cannot assure you that the introduction and implementation of new laws, rules and regulations, or the subsequent interpretation of existing laws, rules and regulations would not render our provision of LDT services non-compliant. In order to ensure compliance or in the event that we must remedy any violations, we may be required to modify our business operations to meet additional requirements and obligations imposed on the provision of LDT services, or may even have to suspend or terminate certain non-compliant business operations. We may also become subject to fines or other penalties. In each case, our business, financial condition and results of operations may be materially and adversely affected.

We may be required to seek regulatory approval, certificates, licenses or permits for, or take other compliance actions in relation to, our NGS-based genetic testing solutions, which may adversely affect our business, financial condition and results of operations.

Our genetic testing solutions portfolio includes a series of NGS-based solutions covering a wide range of cancers, including lung, gastrointestinal, hepatobiliary and pancreatic, urological, gynecologic, breast and thyroid cancers, as well as glioma. The PRC laws and regulations relating to the use of NGS technology is in a state of development. For details of the regulatory framework of the use of NGS technology in China, see "Regulatory Overview — Regulation of NGS Technology."

Notice No. 25 stipulates that provincial health administrative departments are responsible for the management of NGS technology. No medical institutions may apply genetic testing technologies or products for clinical use before the issuance of relevant access standards and management regulations. In March 2014, the NHFPC issued the Notice on Application for Pilot Program on Clinical Use of NGS-based Testing (《關於開展高通量基因測序技術臨床應用試點單位申報工作的通知》) which introduced a pilot program to encourage the application of NGS technology in (i) prenatal screening and diagnosis; (ii) genetic disease diagnosis; (iii) tumor screening and diagnosis; and (iv) preimplantation embryo genetic diagnosis. The first group of pilot enterprises to participate in the pilot program included 107 prenatal screening institutions and nine medical testing laboratories. Subsequently, there has been a gradual relaxation of regulatory restrictions for the use of NGS technology. As advised by our PRC Legal Advisors, based on its consultation with the Shenzhen Health Commission, no other enterprises have been approved under the pilot scheme for the use of NGS technology after the first group of pilot enterprises, and it will not accept fresh applications for pilot enterprises. CIC shares the observation that no other enterprises have been approved under the pilot scheme for the use of NGS technology after the first group of pilot enterprises.

We conducted regulatory consultation with the NHC in November 2022. On the basis of such consultation with the NHC and the regulatory interviews with the local health commissions responsible for supervising our business, as well as applicable PRC laws and regulations, our PRC Legal Advisors are of the opinion that: (i) we are allowed to provide LDT services using NGS technology for third party usage in research and development as well as clinical trial uses without any additional consent and approval from the relevant local health commissions; (ii) we are permitted to use NGS technology in the provision of LDT services prior to the promulgation of PRC laws and regulations specific to the use of NGS technology; and (iii) the possibility that any retrospective penalty will be imposed on us in respect of the use of NGS technology is low.

Based on the foregoing, we believe that we are entitled to use NGS technology without substantive legal obstacles. However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. For details, see "— Risks Relating to Doing Business in China — Uncertainties with respect to the PRC legal system and changes in laws, regulations and policies in China could materially and adversely affect us." As such, the PRC governmental authorities may take a view contrary to the opinion of our PRC Legal Advisors. We cannot assure you that the introduction and implementation of new laws, rules and regulations, or the subsequent interpretation of existing laws, rules and regulations would not render our use of NGS technology non-compliant. In order to ensure compliance or in the event that we must remedy any violations, we may be required to modify our business operations to meet additional requirements and obligations imposed on our use of NGS technology, or may even have to suspend or terminate certain business operations that rely on our use of NGS technology. We may also become subject to fines or other penalties. In each case, our business, financial condition and results of operations may be materially and adversely affected.

If we are not able to obtain, complete or maintain, or experience delays in obtaining, completing or maintaining, required regulatory approvals, permits, registrations or filings, we will not be able to commercialize our IVD candidates, and our ability to generate revenue will be materially impaired.

Other than LDT services, we are also exploring the market of IVD products. All material aspects of the research, development and commercialization of our IVD products/candidates are heavily regulated in China. The process of obtaining regulatory approvals and compliance with appropriate laws and regulations require substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. The failure to comply with these regulations could have a material adverse effect on our business, financial condition and prospects.

Before obtaining regulatory approvals for the commercial sale of any IVD candidate, we must demonstrate its effectiveness in well-controlled clinical trials, and, with respect to approval in China, to the satisfaction of the NMPA that the IVD candidate is safe and effective for the intended use and that the manufacturing and testing facilities, processes and controls are adequate. See "Regulatory Overview — Regulations Relating to Medical Devices." Obtaining regulatory approvals is a lengthy, expensive and uncertain process, and approvals may not be obtained. When we submit a registration application to the NMPA, the NMPA will decide whether to accept or reject the submission for registration. We cannot be certain that any submissions will be accepted for registration and reviewed by the NMPA. The NMPA may also slow down, suspend or cease review of our applications and any of these could prolong the registration process of our products.

Our IVD candidates could fail to receive regulatory approval for many reasons, including:

- failure of clinical trial results to meet the level of statistical significance required for approval or failure to conduct a clinical trial in accordance with regulatory requirements or clinical trial protocols;

- changes in approval policies or regulations that render our preclinical and clinical data insufficient for approval or require us to amend our clinical trial protocols;

- regulatory requests for additional analyzes, reports, data, nonclinical studies and clinical trials, or questions regarding interpretations of data and results and the emergence of new information regarding our product candidates or other products; and/or

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

Changes in regulatory requirements and guidance may also occur, and we may, among other things, need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Amendments may require us to resubmit clinical trial protocols to institutional review boards or ethics committees for re-examination, which may impact the costs, timing or successful completion of a clinical trial.

The process to develop, obtain regulatory approval for and commercialize medical device product candidates is long, complex and costly. Even if our product candidates were to successfully obtain approval from the regulatory authorities, such approval might significantly limit the approved use, or require that precautions or warnings should be included on the product labeling, or require expensive and time-consuming post-approval clinical trials or surveillance as conditions of approval. If we are unable to obtain regulatory approval for our product candidates in one or more jurisdictions, or any approval contains significant limitations, our target market will be reduced and our ability to realize the full market potential of our product candidates will be harmed. Furthermore, we may not be able to obtain sufficient funding or generate sufficient revenue and cash flows to continue the development of any other product candidate in the future.

We face risks arising from the uncertainties with respect to the interpretation and implementation of the Regulation for the Administration of Human Genetic Resources.

We offer genetic testing solutions that may involve the collection and preservation of human genetic resources, which are mainly used for research purposes. The collection, preservation, usage and outbound provision of human genetic resources in China, except for activities relating to human genetic resources conducted for some specific purposes including clinical diagnosis and treatment, are governed by the Regulation for the Administration of Human Genetic Resources ("**HGR Regulation**") and the Implementation Measures of Regulation for the Administration of Human Genetic Resources (Draft for Comments) ("**Draft Implementation Measures of HGR**").

During the Track Record Period, we also provided research and development genetic testing solutions related to human genetic resources, and our cumulative revenue from such solutions during the Track Record Period were approximately RMB110.4 million, representing less than 5% of our total cumulative revenue for the same period. We provided research and development genetic testing solutions related to human genetic resources before we entered into the Contractual Arrangements, and such solutions, which are different from the aforementioned genetic testing solutions, are not covered under the aforementioned exceptions of the HGR Regulation, and therefore such research and development genetic testing solutions are governed by the HGR Regulation. Pursuant to the HGR Regulation, there are some limitations for foreign entities, individuals and such entities established or actually controlled thereby ("**Restricted Entities**", and each, a "**Restricted Entity**") to engage in activities relating to human genetic resources. For example, a Restricted Entity is not allowed to collect or preserve human genetic resources of the Chinese, while it is prohibited from using human genetic resources of the Chinese unless such Restricted Entity has been approved or filed with relevant governmental authority for international cooperation with a domestic entity. Although an entity controlled, directly or indirectly, by foreign persons through shareholding ownership would be deemed as a Restricted Entity, the HGR Regulation remains unclear as to whether a variable interest entity controlled by a wholly foreign owned enterprise through contractual arrangements would be deemed as a Restricted Entity. We cannot assure you that our Consolidated Affiliated Entities will not be deemed as Restricted Entities in the future, given the lack of clear statutory interpretation regarding the HGR Regulation. If our Consolidated Affiliated Entities are deemed as the Restricted Entities by relevant governmental authority, we may need to or cooperate with our research and development partner that are not Restricted Entities for purposes of the HGR Regulation and be required to obtain approvals or file with relevant governmental authority for such cooperation, which could result in additional cost and our business, financial condition and results of operations will be adversely affected.

As advised by our PRC Legal Advisors, considering, (i) our research and development partners are responsible for applying for relevant approvals; and (ii) we had not been subject to any material fines or other penalties pursuant to the HGR Regulation, the application of the HGR Regulation will not have a material adverse impact on our business operations.

We conduct our business in a heavily regulated industry. Any failure to comply with applicable laws and regulations and industry standards, including any failure to obtain and maintain relevant approvals, licenses and permits, could harm our business, results of operations, prospects and reputation. The legality of our business operations may also be affected by the uncertainties and changes in PRC regulations with respect to the genetic testing industry in general.

Our laboratories, technology platforms, R&D operations and sales network are primarily located in China. A number of governmental agencies or industry regulatory bodies in China impose strict rules, regulations and industry standards governing genetic testing research and development activities, which apply to us. In addition, we are required to obtain, maintain and renew the requisite approvals, licenses, permits, registrations or filings in relation to various aspects of our operations in China. See "Regulatory Overview" for a discussion of regulatory requirements that are applicable to our current and planned business activities in China.

We may fail to comply with such laws and regulations as they continue to change and evolve, due to differences and uncertainties in the implementation or enforcement by relevant governmental authorities, or for reasons which are not within our control. For example, we cannot guarantee that our applications for the issuance or renewal of relevant approvals, licenses, permits, registrations or filings will always be accepted and reviewed by the relevant governmental authorities, or that such applications will not be suspended or delayed or denied. Any pending applications or approvals granted may also be suspended, revoked or withdrawn. Our failure to comply with such laws and regulations, including any failure to obtain and maintain relevant licenses and permits, could result in the termination of ongoing research or business activities, administrative penalties imposed by regulatory bodies or the disqualification of data for submission to regulatory authorities. Any such failure could harm our business, results of operations, prospects and reputation.

Furthermore, as a comprehensive regulatory framework governing the genetic testing industry has not been established, we cannot rule out the possibility that some common practices in the industry, which we also adopt, might be deemed by PRC governmental authorities as not being in full compliance with the existing PRC laws and regulations. The PRC governmental authorities may also periodically, and sometimes abruptly, change their enforcement practices. Therefore, prior enforcement activity, or lack of enforcement activity, is not necessarily predictive of future actions. In addition, the regulatory framework for the administration of human genetic resources is evolving and may remain uncertain for the foreseeable future. Any changes or amendments of the current regulatory environment may result in increased compliance costs on our business, cause delays in or prevent the success of the development or commercialization of our services in China and reduce the benefits currently available to us through developing genetic testing solutions in China. Any failure by us, our PRC subsidiaries, our PRC Consolidated Affiliated Entities, or our business partners to maintain compliance with applicable laws and regulations may result in the suspension or termination of our business activities in China.

We are subject to a variety of laws, rules, policies and other obligations regarding privacy and data protection. Any changes to the applicable regulatory regime in China, which is still under development, and any failure to comply with current or future laws and regulations, could adversely affect our business and reputation.

As a genetic testing solutions provider, we may access, use and store a variety of data, including the tested individual's personal information such as name, gender, age, identification number, contact details, blood type and medical history, which are collected from patients and their treating physicians with their prior informed consent. As such, we are subject to PRC laws and regulations relating to the collection, use, sharing, retention, security, and transfer of confidential and private information, such as personal information and other data. For example, the Basic Standards for Medical Laboratories (for Trial Implementation) (《醫學檢驗實驗室基本標準(試行)》), as promulgated by the NHFPC in 2016, provides that medical laboratories must establish information management and patient privacy protection policies.

In China, the Cybersecurity law became effective in June 2017 and requires network operators to follow the principles of legitimacy in collecting and using personal information. The Data Security Law (《數據安全法》), which took effect on September 1, 2021, provides for data security obligations on entities and individuals carrying out data activities. The Personal Information Protection Law (《個人信息保護法》), which took effect on November 1, 2021, integrates multiple rules with respect to personal information rights and personal information protection. The Measures for Cybersecurity Review (《網絡安全審查辦法》), which became effective in February 2022, includes a requirement for a "critical information infrastructure operator" or a "internet platform operator" to apply for cybersecurity review. For more details, see "Regulations Related to Information Security and Data Privacy".

In addition, the CAC published the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) on November 14, 2021, or the Draft Measures for Network Data Security, which specified that data processor who seeks to list in Hong Kong, which affects or may affect the national security, shall apply for cybersecurity review. However, the criteria for determining "affect or may affect the national security" as stipulated therein remain unclear and is still subject to further explanation and elaboration, and substantial uncertainties exist with respect to the enactment date, final content, interpretation and implementation of the Draft Measures for Network Data Security.

Our PRC Data Compliance Adviser has conducted consultation via the hotline on February 27, 2023 with the China Cybersecurity Review Technology and Certification Center (the "**CCRC**"). Based on such consultation, we are informed that Hong Kong is a part of the People's Republic of China and therefore does not belong to "foreign country" under the Measures for Cybersecurity Review, it is not necessary for us to voluntarily apply for cybersecurity review according to Article 7 of the Measures for Cybersecurity Review. As announced by the CAC, the CCRC is entrusted by the Cybersecurity Review Office and under its guidance, to undertake specific work of the cybersecurity review such as receipt of materials and formal review of such materials and set up a hotline for the consultation regarding cybersecurity review. As of the Latest Practical Date, we had not been notified by any regulatory authority or subject to any investigation on any data processing activity that affects or may affect national security.

The privacy and data protection regulatory regime in China is complex and evolving, and relevant laws and regulations can be subject to varying interpretations, or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. For details, see "Regulatory Overview — Regulations Related to Information Security and Data Privacy." Any changes to the privacy and data protection regulatory regime in China, which is still under development, and any failure to comply with current or future laws and regulations, could adversely affect our business and reputation.

We have established strict data protection policies to ensure that the collection, use and storage of personal information that we may undertake in the course of our business operations comply with legal and regulatory requirements and proven industry standards. We have taken measures to maintain the confidentiality of any personal and medical information collected, including encrypting such information in our information technology system so that it cannot be viewed without proper authorization and setting internal rules requiring our employees to maintain the confidentiality of our end users' personal and medical information. For details, see "Business — Data Privacy and Protection." However, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Any change in the privacy and data protection regulatory regime in China could affect our ability to collect, use or store personal information. Complying with all applicable laws, regulations, standards and obligations relating to data privacy, security, and transfers may cause us to incur substantial operational costs or require us to modify our data processing practices and processes. Non-compliance could result in proceedings against us by data protection authorities, governmental authorities or other relevant parties, which would subject us to significant fines, penalties, judgments and negative publicity. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, including changes in laws, regulations and standards or new interpretations or applications of existing laws, regulations and standards, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, severe criminal or civil sanctions and reputational damage. Any of the foregoing could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

We are subject to environmental protection, occupational 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 past and present business operations are subject to national and local laws in the jurisdictions in which we operate, including but not limited to the laws on the treatment and discharge of pollutants into the environment. Since 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 adverse impact on our business, financial condition and results of operations.

In May 2012, the State Administration of Work Safety of the PRC issued the Catalogue of Classification and Management of Occupational Disease Hazards in Construction Projects, which was amended by the NHC in March 2021 ("**Catalogue**"). Pursuant to the Catalogue, we are required to carry out (i) the project declaration of occupational disease hazards; (ii) the pre-evaluation of occupational diseases; (iii) the design, construction and putting into use of occupational disease protection facilities; (iv) the evaluation of the effect of control of occupational disease hazards and acceptance of protection facilities; and (v) the testing of occupational disease hazards regularly for our manufacturing projects. During the Track Record Period, we did not fulfill certain filing and inspection obligations relating to occupational disease protection, such as the filing of project declaration for occupational disease hazards, the construction of occupational disease protection facilities and the evaluation of occupational disease hazards, primarily due to the responsible employees' inaccurate understanding of relevant policies at the time. As advised by our PRC Legal Advisors: (i) the occupational disease hazard risk level of the construction projects is assessed to be at the lowest level according to the Catalogue, (ii) having conducted searches, we were not subject to any administrative actions, fines or penalties during the Track Record Period and up to the Latest Practicable Date due to such non-compliance. As of the Latest Practicable Date, we have designed laboratory personal protection policy and have begun to arrange testing agencies to inspect and evaluate occupational disease hazards to fulfill applicable filing requirements. However, we may be subject to fines and other administrative penalties imposed by those government authorities under the Catalogue, which may have a negative impact on our business operations.

We cannot fully eliminate the risk of accidental contamination, biological hazards or personal injury at our laboratories during our business operations. In the event of any accident, we may 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 loss of business. We may also be forced to suspend or terminate operations at the affected facilities temporarily or permanently, which would have a material and adverse impact on our business, reputation and prospects.

Although we maintain injury insurance for all employees as required by applicable laws and regulations to cover costs and expenses incurred due to work-related injuries to our employees, and we purchase accident insurance for employees exposed to higher risks to injuries, such insurances may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of hazardous or radioactive materials.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY

We could be unsuccessful in obtaining or maintaining adequate protection for our intellectual property rights, including patent rights.

Our success depends largely on our ability to protect our proprietary technology used in the provision of our genetic testing solutions and products from competition by obtaining, maintaining, defending and enforcing our intellectual property rights, including patent rights. As of the Latest Practicable Date, we owned 95 patents and patent applications, including 23 granted patents, 70 patent applications and two published PCT applications. We also owned 170 trademarks and trademark applications, 117 software copyrights and software copyright applications and 13 domain names in China. For details, see "Business — Intellectual Property." Our inability to adequately protect our intellectual property rights could materially and adversely affect our competitive position, business, financial condition and results of operations.

We seek to protect our proprietary technologies, methodologies, processes, testing reagents, test kits and other applications used in the provision of our genetic testing solutions that we consider commercially important by filing patent applications in China and the U.S., relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. We cannot guarantee that our competitors will not develop and seek patent protection for the same or related technologies and processes that prevent us from using such technologies and processes or producing our products. Even if we decide to seek patent protection, we cannot be certain that patents will be issued or granted with respect to our patent applications that are currently pending, or that issued or granted patents will not later be found to be invalid and/or unenforceable, be interpreted in a manner that does not adequately protect our services and products, or otherwise provide us with any competitive advantage. The granting of patent protection is generally uncertain because it involves complex legal and factual considerations. Patent applications we had applied may not be granted in the end.

It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to obtain patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the U.S. and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. Furthermore, both China and U.S. have adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology which we invented.

Based on the foregoing, we do not know the degree of future protection that we will have on our proprietary technologies, methodologies, processes, testing reagents, test kits and other applications used in the provision of our genetic testing solutions, if any, and any failure to obtain adequate protection with respect to our such intellectual property rights could have a material and adverse impact on our business and prospects.

Intellectual property laws and regulations are subject to change, which could diminish the value of, or impair our ability to protect, our current and future intellectual property.

Intellectual property laws, including patent laws, are subject to change, and we cannot guarantee that such changes would not adversely affect our intellectual property protection. In China, intellectual property laws are constantly evolving, with efforts being made to improve intellectual property protection in China. For example, the Patent Law of the PRC, as amended by the Standing Committee on October 17, 2020, came into effect on June 1, 2021 and there remains substantial uncertainty in certain aspects of its application such as patent examination. We also cannot guarantee that other changes to PRC intellectual property laws would not have a negative impact on our intellectual property protection. Changes in the geopolitical environment in China and globally may also adversely affect our current and future intellectual property protection.

Issued patents that we have obtained could be found invalid or unenforceable if challenged in court, and may not offer sufficient protection of our intellectual property rights.

Despite measures we take to obtain and maintain patent and other intellectual property rights with respect to our proprietary technologies, methodologies, processes, testing reagents, test kits and other applications used in the provision of our genetic testing solutions, our intellectual property rights could be challenged or invalidated. For example, if we were to initiate legal proceedings against a third party to enforce an issued patent, the defendant could counterclaim that our patent is invalid and/or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the USPTO, the State Intellectual Property Office of China, or the applicable foreign counterpart, or made a misleading statement, during prosecution.

Although we believe that we have conducted our patent prosecution in accordance with a duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our technologies, methodologies, processes, testing reagents, test kits and other applications used in the provision of our genetic testing solutions. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Even if we establish infringement, the court may decide not to grant an injunction against further infringing activity and instead award only monetary damages, which may not be an adequate remedy. In addition, if the breadth or strength of protection provided by our patents is threatened, it could dissuade companies from collaborating with us to license, develop, or commercialize our current or future testing solutions and products. Any loss of patent protection could have a material and adverse impact on our business and prospects.

Enforcing our intellectual property rights against third parties may also cause such third parties to file other counterclaims against us, which could be costly to defend and could require us to pay substantial damages, cease the sale of certain testing solutions or products or enter into a license agreement and pay royalties (which may not be possible on commercially reasonable terms or at all). Any efforts to enforce our intellectual property rights are also likely to be costly.

Confidentiality agreements with employees and third parties may not prevent unauthorized disclosure of trade secrets and other proprietary information.

In the course of our research and development activities and our business activities, we often rely on confidentiality agreements and non-disclosure agreements to protect our proprietary information. Such agreements are used particularly with parties that have access to the proprietary information, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, consultants, advisors and other third parties. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized disclosure of our proprietary confidential information or breach such confidentiality agreement, regardless intentionally or inadvertently, or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable. It is likely that a competitor will make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Some of our genetic testing solutions and technologies may involve the use of open source software, which may pose increased risks to our proprietary software.

Some of our genetic testing solutions and technologies may contain the use of open source software. Open source software licenses typically require that the source code, and any modifications or adaptions thereto, be made available to the public. These open source licenses typically also mandate that proprietary software, when combined in specific ways with open source software, shall become subject to the open source license. We may face claims from third parties alleging that our proprietary software has combined with open source software in such ways that require our release of the source code of our proprietary software. Claims against us for the violation of any licensing terms could result in litigation. In the event that any portion of our proprietary software is determined to be subject to an open source license, we could be required to publicly release the affected portion of our source code, re-engineer all or part of our implicated technologies, or cease the use and offering of our implicated technologies and services, each of which could materially and adversely affect our business, results of operations and prospects.

We may be subject to intellectual property rights infringement claims, which may result in significant costs, divert management attention and cause our business, financial condition and results of operations to suffer. Our reputation may also be harmed and the market price of our common stock may decline.

Given the nature of the genetic testing industry, we may from time to time receive claims from various industry participants alleging infringement of their patents, trade secrets or other intellectual property rights. We cannot guarantee that all of the technologies, methodologies, processes, testing reagents, test kits and other applications used in the provision of our genetic testing solutions do not or will not infringe patents, software copyrights, trademarks or other intellectual property rights held by others. Any proceedings and claims brought against us could result in significant costs to us and divert the time and attention of our management and technical personnel from the operation of our business.

Intellectual property disputes and proceedings can be very expensive, and we may not have the financial means to defend ourselves or our customers or collaboration partners. Moreover, third parties making claims against us may be able to obtain injunctive relief, including interim injunctive relief, against us, which could prevent us from offering one or more of our products or testing solutions. As a result, our ability to conduct business and raise capital will suffer, even if we are ultimately absolved of all liability. Any injunction imposed on our business operations may also implicate our ability to perform other existing contractual obligations, which would result in further financial loss and damage.

Our involvement in intellectual property disputes and proceedings harms our reputation, and may cause the perceived value of our intellectual properties and our genetic testing solutions and products to be diminished. The market for our existing portfolio of testing solutions and products as well as future pipelines that we may develop may also be affected, which would have a material and adverse effect on our business and prospects. Accordingly, the **[REDACTED]** of our Shares may decline.

RISKS RELATING TO DOING BUSINESS IN CHINA

Uncertainties with respect to the PRC legal system and changes in laws, regulations and policies in China could materially and adversely affect us.

Our business is conducted in China and is governed by PRC laws and regulations. Our business operations are supervised by competent PRC regulatory authorities. The PRC legal system is a civil law system based on written statutes and prior court decisions can only be cited as references. Additionally, written statutes in the PRC are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. However, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. As these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. Moreover, we cannot predict the effect of future developments in the PRC legal system and regulatory structure. Such unpredictability towards our contractual, property and procedural rights, as well as our rights licensed, approved or granted by the competent regulatory authority, could adversely affect our business and impede our ability to continue our operations. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the requisite approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material and adverse effect on our business and results of operations. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) and some rules may have a retroactive effect. Hence, we may not be aware of the violation of these policies and rules until after such violation has occurred.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations.

Changes in the political, economic and social conditions and policies in China could have a material and adverse effect on our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

During the Track Record Period, all of our business operations were located in China. As a result, our business, financial condition, results of operations and prospects may be significantly influenced by economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including but not limited to the extent of government involvement and control over the allocation of resources, the evolving state of regulations and the level of transparency in the regulatory process. The PRC government exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies. In addition, the PRC government continues to play a significant role in regulating industry development by imposing relevant industrial policies.

While the PRC economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. For example, starting from the end of 2019, the COVID-19 pandemic has caused a severe and prolonged economic downturn. Even before the outbreak of COVID-19, the global macroeconomic environment faced numerous challenges, including tensions in intergovernmental relations and risks embedded in other political and socioeconomic affairs. Any adverse changes in economic conditions in China, in the policies of the PRC government or in the laws and regulations in China could have a material and adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to a reduction in demand for our solutions and services and adversely affect our competitive position. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, the PRC government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth in the past. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operations.

Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including China, even before 2020. There have also been concerns about the relationship between China and other countries, including the United States and the surrounding Asian countries, which may potentially have economic effects. Any severe or prolonged slowdown in the PRC economy may materially and adversely affect our business, results of operations and financial condition. In particular, an economic slowdown may reduce the healthcare investment and expenditure in China, and the genetic testing market in China may grow at a slower pace than expected, which may have a material and adverse effect our business, financial condition or results of operations.

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

We are a holding company incorporated in the Cayman Islands, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders or to service any debt we may incur. If any of our PRC subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in China, up to the amount of net assets held in each operating subsidiary.

In response to the persistent capital outflow in China and the Renminbi's depreciation against the U.S. dollar, the People's Bank of China and the SAFE promulgated a series of capital control measures, including stricter vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by the SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends to our investors or other obligations to our suppliers, or otherwise fund and conduct our business.

PRC regulations on the investment in, or acquisition of, Chinese companies by foreign investors are complex and still evolving, which could make it more difficult for us to pursue growth through acquisitions in China.

The Foreign Investment Law (《外商投資法》), which came into effect on January 1, 2020, replaces a trio of previous laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. This law has become the legal foundation for foreign investment in the PRC. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) were promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020. However, uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and its Implementation Rules, which may adversely impact our corporate governance practice and increase our compliance costs. For instance, we might be required by government interpretations or implementing rules of the FIL to adjust the corporate governance of our PRC subsidiaries within the five-year transition period. In addition, the FIL

imposes information reporting requirements on foreign investors or foreign-invested enterprises. Failure to take timely and appropriate measures to cope with any of these or other regulatory compliance requirements under the FIL may lead to rectification obligations, penalties or other regulatory sanctions on us.

We and our shareholders face uncertainty relating to indirect transfers by a non-resident enterprise of assets of a PRC resident enterprise.

On February 3, 2015, the STA issued the Announcement on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("**STA Circular 7**"), which supersedes certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on non-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》) ("**STA Circular 698**"), which was previously issued by the STA on December 10, 2009, as well as certain other rules providing clarification on STA Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise.

Provisions of STA Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to "non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market," or the Public Market Safe Harbor, which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for STA Circular 698. In general, transfers of the Shares by shareholders on the Stock Exchange or other public market would not be subject to the PRC tax liabilities and reporting obligations imposed under the STA Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in "Information about this Document and the **[REDACTED]**" in this document, potential investors should consult their professional advisors if they are in any doubt as to the tax implications of **[REDACTED]**, purchasing, holding, disposing of and dealing in the Shares.

Any failure by our shareholders or beneficial owners of our Shares to comply with certain PRC foreign exchange regulations relating to offshore investment activities could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

The State Administration of Foreign Exchange of the PRC ("**SAFE**") has promulgated several regulations requiring PRC residents to register with qualified local banks before engaging in direct or indirect offshore investment activities, including the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles ("**SAFE Circular 37**"), effective on July 4, 2014. SAFE Circular 37 requires PRC residents, including PRC individuals and institutions, to register with SAFE or its local branches in connection with their direct establishment or indirect control of an offshore "special purpose vehicle" for the purpose of overseas investment and financing with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. In addition, such PRC residents must update their foreign exchange registrations with SAFE or its local branches when the offshore special purpose vehicle in which such residents directly hold the equity interests undergoes material events relating to any change of basic information (including change of such PRC individual shareholder, name and operation term), increases or decreases in investment

amount, share transfers or exchanges, or mergers or divisions. If any shareholder holding interest in an offshore special purpose vehicle, who is a PRC resident as determined by SAFE Circular 37, fails to fulfill the required foreign exchange registration with the local SAFE branches, the PRC subsidiaries of that offshore special purpose vehicle may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the offshore special purpose vehicle may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC subsidiaries of the special purpose vehicle under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas 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 and deemed to have been evasive and (2) in the circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

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, if our shareholders who are PRC entities do not complete their registration with the competent SAFE, NDRC or MOFCOM branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. In addition, our shareholders may be required to suspend or stop the investments and complete the registration within a specified time, and may be warned or prosecuted for relevant liability. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restriction.

On February 13, 2015, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment ("**SAFE Circular 13**"), which took effect on June 1, 2015. In accordance with SAFE Circular 13, entities and individuals are required to apply for foreign exchange registration of foreign direct investment and overseas direct investment, including those required under SAFE Circular 37 and SAFE Circular 30, with qualified banks, instead of SAFE. The qualified banks, under the supervision of SAFE, directly examine the applications and conduct the registration.

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at the practice level. We are committed to complying with and procuring that our shareholders who are subject to the regulations comply with the relevant SAFE rules and regulations. However, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC governmental authorities, such registration might not always be practically available in all circumstances as prescribed in those regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. In addition, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and therefore, we may not be able to identify all our shareholders or beneficial owners who are PRC residents to ensure their compliance with SAFE Circular 37, SAFE Circular 30 or other related rules. We cannot assure you that all of our shareholders or beneficiaries will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by SAFE rules or other regulations. Failure by any

such shareholders to comply with SAFE rules or other regulations may result in restrictions on the foreign exchange activities of our PRC subsidiaries and may also subject the relevant PRC resident or entity to penalties under the PRC foreign exchange administration regulations.

The approval, filing or other requirements of the CSRC or other PRC government authorities may be required under PRC laws

The recently issued Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which were available to the public on July 6, 2021 and emphasized information securities, such as to strengthen the cross-board regulatory collaboration, to improve relevant laws and regulations on data security, cross-border data transmission, and confidential information management, and provided that efforts will be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities abroad, to implement the responsibility on information security of companies listed in foreign countries, to strengthen the standardized management of cross-border information provision mechanisms and procedures and to establish a sound system for the extraterritorial application of capital market law. In addition, the opinions also emphasized the need to strengthen the administration over illegal securities activities and the supervision on listings by China-based companies in foreign countries, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based companies listed in foreign countries, and provided that the special provisions of the State Council on offering and listing by those companies in foreign countries limited by shares will be revised and therefore the duties of domestic industry competent authorities and regulatory agencies will be clarified. As these opinions were newly issued and there are no further explanations or detailed rules and regulations with respect to such opinions, there are still uncertainties regarding the interpretation and implementation of such opinions. Under the possible trend of tightened state supervision of Chinese companies listed overseas represented by these opinions, we cannot assure you that we would not be subject to a closer review by relevant authorities and that we would be able to comply with relevant laws, regulations and regulatory requirements in all respects, which may have a material adverse effect on our business, operations and financial condition.

Furthermore, the CSRC promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") and five relevant guidelines on February 17, 2023, which will become effective on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to complete the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provide that if the issuer meets both of the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as an indirect overseas offering subject to the filing procedure set forth under the Overseas Listing Trial Measures: (i) 50% or more of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited combined financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the issuer's business activities are substantially conducted in mainland China, or its principal place(s) of business are located in mainland China, or the senior managers in charge of its business operations and management are mostly Chinese citizens or domiciled in Mainland China. Where an issuer submits an application for an initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from making loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We may make loans or capital contributions to our PRC subsidiaries, or we may establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, or acquire offshore entities with business operations in China in an offshore transaction. Any capital contribution or loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries cannot exceed statutory limits and must be registered with the local branch of the SAFE. In addition, our capital contributions to our PRC subsidiaries are subject to the requirement of reporting or filing to the competent department of commerce in the enterprise registration system and the enterprise credit information publicity system and registration with other competent PRC governmental authorities. There is no assurance that we will be able to complete or obtain the necessary government registrations or approvals in a timely manner, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected, which may materially and adversely affect our liquidity and our ability to fund and expand our business.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences for us and our shareholders.

Under the PRC Enterprise Income Tax Law ("**EIT Law**") and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within China is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules of the EIT Law define the term "de facto management body" as the body that exercises full and substantial control over and overall and substantial management of the productions, personnel, accounts and properties of an enterprise. In 2009, the STA issued the Circular on Issues Concerning the Identification of Chinese-controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the Actual Standards of Organizational 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》) ("**STA Circular 82**"), which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups and not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the STA's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises. According to STA Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location where senior management personnel and departments that are responsible for the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

Under the STA Circular 82, dividends and other distributions paid by resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when received or recognized by non-PRC resident enterprise shareholders. This circular also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. In addition, STA Circular 82 specifies that certain PRC-invested enterprises will be classified as resident enterprises. On July 27, 2011, the STA issued Administrative Measures of Enterprise Income Tax of Chinese-controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得税管理辦法(試行)》) ("**STA Bulletin 45**"), which became effective on September 1, 2011, to provide further guidance on the implementation of STA Circular 82. STA Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status, including which the competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration.

We believe that we are not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." Additional implementing regulations or guidance may be issued determining our Cayman Islands holding company to be a "resident enterprise" for PRC enterprise income tax purposes. If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we and our offshore subsidiaries will be subject to the uniform 25% enterprise income tax on our world-wide taxable income, which could materially reduce our net income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by PRC enterprise would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiaries to us will not be subject to a 10% withholding tax, as the PRC foreign-exchange control authorities and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by a PRC enterprise like us. Finally, the EIT Law and its implementing rules issued by PRC tax authorities provide that dividends paid by us to our non-PRC shareholders and, while less clear, capital gains recognized by them with respect to the sale of our Shares may be subject to tax of 10% for non-PRC resident enterprise shareholders and 20% for non-PRC resident individual shareholders. In the case of dividend payments, such PRC tax may be withheld at source. It is unclear whether non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.

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

We may be classified as a PRC resident enterprise for PRC tax purposes. For details, see "— We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences for us and our shareholders." If we are classified as a PRC resident enterprise, 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. With respect to dividends, the "beneficial owner" tests under the Circular of the STA on Relevant Issues relating to Beneficial Owner under Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》) will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would be subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

Fluctuations in exchange rates could have an adverse effect on our business, financial condition and results of operations.

The **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any 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.

Restrictions on cross-border remittance and conversion between Renminbi and other currencies may limit our ability to pay dividends and meet our financial obligations and affect the value of your investment.

The Renminbi is not currently a freely convertible currency, and the convertibility of Renminbi into and from foreign currencies, as well as the cross-border remittance of Renminbi and other currencies, are subject to certain restrictions. A substantial majority of our future revenue is expected to be denominated in Renminbi. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currencies may restrict our ability to remit sufficient foreign currencies to pay dividends or make other payments, or otherwise satisfy our foreign currency denomination obligations, which may affect our business and financial condition.

Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Since 2015, in response to China's declining foreign currency reserves, the PRC government has placed increasingly stringent restrictions on the convertibility of the Renminbi into foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders. 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 Renminbi into or out of China.

It may be difficult to effect service of process, enforce foreign judgments and arbitral awards against us or our Directors and senior management.

Substantially all of our assets and majority of our Directors and senior management are located in China. It may not be possible for investors to effect service of process upon us or those persons in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administration 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》) ("**Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the

dispute did not agree to enter into a choice of court agreement in writing. In January, 2019, Hong Kong and China entered into another arrangement on court judgment recognition and enforcement — the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《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》) ("**2019 Arrangement**") which will replace the Arrangement from its effective date and will no longer limit recognizable judgments to those granting monetary awards and whose parties have written and exclusive choice of forum agreement. However, substantial uncertainties exist with respect to the approval schedule of the 2019 Arrangement. As a result, it may be difficult or impossible for investors to effect service of process against certain of or assets or Directors in China in order to seek recognition and enforcement of foreign judgments China.

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

In February 2012, the SAFE promulgated the Circular on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (《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》) ("**Stock Option Rules**"). In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. Our PRC subsidiaries and PRC Consolidated Affiliated Entities and our employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who participate in our stock incentive plan will be subject to such regulation. We plan to assist our employees in registering their share options or shares. However, any failure of our PRC individual beneficial owners and holders of share options or shares to comply with the SAFE registration requirements may subject them to fines and legal sanctions and may limit the ability of our PRC subsidiaries to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our Directors and employees under PRC law.

Failure to make adequate contributions to various government-sponsored employee benefit plans as required by PRC laws and regulations may subject us to penalties.

Companies operating in China are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing provident funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the PRC local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the PRC local governments given the different levels of economic development in different locations. The relevant governmental authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties.

During the Track Record Period, we did not pay social insurance and housing provident fund in full for our employees. As a result, we may be required by competent authorities to pay the outstanding amount, and may be subject to late payment penalties or enforcement application made to the court. As of the Latest Practicable Date, no competent government authorities imposed administrative action, fine or penalty to us with respect to this non-compliance incident or required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. For the years ended December 31, 2020, 2021 and 2022, we made a provision in the amount of RMB2.2 million, RMB3.1 million and RMB3.9 million, respectively. We cannot guarantee you that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us. Such action will have a material and adverse impact on our financial position and results of operations.

In addition, we engaged third-party human resources agencies to pay social insurance premium and housing provident funds for certain of our employees during the Track Record Period. However, pursuant to PRC laws and regulations, we are required to pay social insurance premium and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts. The contributions to social insurance premium and housing provident funds made through third-party accounts may not be viewed as contributions made by us, and as a result, we may be required by government authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. Pursuant to the agreements entered into between such third-party human resources agencies and us, the third-party human resources agencies have the obligation to pay social insurance premium and housing provident funds for our relevant employees. Certain third-party human resources agencies have confirmed in writing that they paid such contributions in compliance with applicable laws and regulations. As of the Latest Practicable Date, we did not receive any administrative penalty or labor arbitration application from employees for its arrangement with third-party human resources agencies. In addition, if such human resources agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required by applicable PRC laws and regulations, we may also be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance premium and housing provident funds as an employer or be ordered to rectify. This in turn may adversely affect our financial condition and results of operations.

Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, we did not own any properties and we leased 28 properties with an aggregate gross floor area of approximately 19,745 square meters from independent third parties in China. Some of these leases do not meet certain property-related requirements under applicable PRC laws and regulations.

For example, as of the Latest Practicable Date, 21 of our lease agreements with an aggregate GFA of approximately 13,379 square meters had not been registered with the relevant regulatory authorities. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisors have advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in the imposition of fines up to RMB10,000 for each leased property agreement that is unregistered if we fail to rectify the noncompliance within the time frame prescribed by the relevant authorities.

In addition, as of the Latest Practicable Date, the actual use for approximately 37.4% of the leased properties were inconsistent with the approved use as specified in the certificates. We were not able to ask the lessor to change the designated use of the property within a short period of time. As advised by our PRC Legal Advisors, pursuant to the Land Administration Law of the People's Republic of China and other relevant PRC laws and regulations and as confirmed during the regulatory interview with the competent authority, the owner of the property may be ordered to return the property and fined by relevant authorities, and as the lessee, the risks of us being punished are relatively low. If the owner of this property is required by government authorities to rectify such land use, we may have to relocate and bear relocation costs and other additional expenses. As of the Latest Practicable Date, we were not aware of any such rectification request by government authorities.

We may be subject to fines and penalties by relevant governmental authorities in respect of our construction projects.

During the Track Record Period, we commenced construction projects of Ganzhou Lab and Tianjin Lab without obtaining the construction work commencement permits, and completed construction projects of Ganzhou Lab without going through the construction completion filing procedures with the competent departments for housing and urban-rural development. According to the Measures for the Administration of Construction Permits for Construction Projects (《建築工程施工許可管理辦法》), where the construction work has commenced without the construction work commencement permit, the license-issuing authority can impose a fine on the project construction entity at not less than 1% but not exceeding 2% of the contract value. As for construction project that is delivered for use without passing the construction completion filing procedures, the construction entity may be ordered to rectify, subject to a fine of not less than RMB200,000 but not more than RMB500,000, and may also be required to pay compensation where any damage has been caused, according to Regulation for Quality Management of Construction Projects (《建設工程質量管理條例》).

We cannot assure you that we will be able to obtain all the outstanding permit and registration for the buildings we occupied in a timely manner. Although as of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to such non-compliance incidents, we may be subject to fines and other administrative penalties imposed by those government authorities, which may have a negative impact on our business operations.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in the development and application of technologies for diagnosis and treatment of human stem cells and genes. We are a company incorporated under the laws of the Cayman Islands. Our Group is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we provide genetic testing services through our PRC Consolidated Affiliated Entities based on the Contractual Arrangements which enable us to (i) exercise effective control over our PRC Consolidated Affiliated Entities; (ii) receive substantially all of the economic benefits from our PRC Consolidated Affiliated Entities in consideration for the services provided by HaploX Life in return; and (iii) hold an exclusive option to purchase all or part of the equity interests in PRC Consolidated Affiliated Entities when and to the extent permitted by PRC law, or request that any existing shareholder of PRC Consolidated Affiliated Entities to transfer any or part of the equity interest in PRC Consolidated Affiliated Entities to another PRC person or entity designated by us at any time at our discretion according to the relevant law. Because of the Contractual Arrangements, we are the primary beneficiary of our PRC Consolidated Affiliated Entities and hence consolidate their results of operations into ours under the HKFRSs. For details, see "Contractual Arrangements."

Our PRC Legal Advisors have advised us that our Contractual Arrangements with PRC Consolidated Affiliated Entities constitute valid and binding obligations enforceable against each party of such agreements in accordance with the terms thereof, subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally, the discretion of relevant Government Agencies. However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations. For details, see "— Risks Relating to Doing Business in China — Uncertainties with respect to the PRC legal system and changes in laws, regulations and policies in China could materially and adversely affect us." As such, the PRC governmental authorities may take a view contrary to the opinion of our PRC Legal Advisors. If the ownership structure, Contractual Arrangements, and businesses of our PRC subsidiaries or our PRC Consolidated Affiliated Entities are found to be in violation of any existing or future PRC laws or regulations, or our PRC subsidiaries or our PRC Consolidated Affiliated Entities 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:

- Revoking our business and operating licenses;
- Discontinuing or restricting our operations;
- Imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- Imposing conditions or requirements with which we or our PRC subsidiaries and PRC Consolidated Affiliated Entities may not be able to comply;

- Requiring us or our PRC subsidiaries and PRC Consolidated Affiliated Entities to restructure the relevant ownership structure or operations;

- Restricting or prohibiting our use of the **[REDACTED]** from the **[REDACTED]** or other of our financing activities to finance the business and operations of our PRC Consolidated Affiliated Entities; or

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

Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. If any of these actions results in our inability to direct the activities of our PRC Consolidated Affiliated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from our PRC Consolidated Affiliated Entities, we may not be able to consolidate the financial results of our PRC Consolidated Affiliated Entities into our combined financial statements. It is uncertain whether any new PRC laws or regulations relating to Contractual Arrangements will be adopted or if adopted, what they would provide.

The Contractual Arrangements may not be as effective in providing operational control as direct ownership. Our PRC Consolidated Affiliated Entities or their Registered Shareholders may fail to perform their obligations under the Contractual Arrangements. Our ability to enforce our rights under the Contractual Arrangements may be limited under PRC laws.

We conduct our business operations in China through our PRC Consolidated Affiliated Entities, in which we have no direct ownership interest. We rely on a series of Contractual Arrangements with our PRC Consolidated Affiliated Entities and their Registered Shareholders to conduct our business operations in China. For details, see "Contractual Arrangements — Our Contractual Arrangements." The Contractual Arrangements may not be as effective as direct ownership in providing us with control over our PRC Consolidated Affiliated Entities. If our PRC Consolidated Affiliated Entities or their Registered Shareholders fail or refuse to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights, without any guarantee of success in doing so.

The Contractual Arrangements are governed by PRC law and disputes arising from the Contractual Arrangements are to be resolved through arbitration or litigation in China. However, there are very few precedents and little official guidance as to how contractual arrangements, such as those we rely on, will be interpreted or enforced under PRC law. The resultant uncertainty significantly limits our ability to enforce our rights under the Contractual Arrangements. See "— Risks Relating to Doing Business in China — Uncertainties with respect to the PRC legal system and changes in laws, regulations and policies in China could materially and adversely affect us." In the event we are unable to enforce the Contractual Arrangements or if we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over our affiliated entities and may lose control over the assets owned by our PRC Consolidated Affiliated Entities. As a result, we may be unable to consolidate our PRC Consolidated Affiliated Entities in our combined financial statements, which could materially and adversely affect our financial condition and results of operations.

We may lose the ability to use or otherwise benefit from licenses, approvals and assets held by our PRC Consolidated Affiliated Entities that are essential to our business operations if our PRC Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

As part of our Contractual Arrangements, our PRC Consolidated Affiliated Entities are holding, or in the future may hold, certain licenses, approvals and assets that are essential to the operation of our business, such as medical device registration certificate, medical devices manufacturing certificate and medical devices operation certificate. If any of our PRC Consolidated Affiliated Entities becomes bankrupt or undergo liquidation, all or part of their assets may become subject to liens or rights of third-party creditors, in which case our ability to operate our business may be materially and adversely affected to the extent that such operations rely on the use of such assets held by the relevant PRC Consolidated Affiliated Entity.

Moreover, if the Registered Shareholders of our PRC Consolidated Affiliated Entities attempt to voluntarily liquidate our PRC Consolidated Affiliated Entities without our prior consent, we may not be able to prevent such unauthorized voluntary liquidation by exercising our right to request the Registered Shareholders of our PRC Consolidated Affiliated Entities to transfer all of their respective equity ownership interests to a PRC entity or individual designated by us pursuant to our exclusive call option agreement with the Registered Shareholders of our PRC Consolidated Affiliated Entities. Instead, 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.

In the event of the liquidation of any of our PRC Consolidated Affiliated Entities, we may not have priority over third-party creditors on their assets, and may have to take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and claim any outstanding liabilities owed by such PRC Consolidated Affiliated Entity to the third-party creditors under the Contractual Arrangements.

The Registered Shareholders of our PRC Consolidated Affiliated Entities may have conflicts of interest with us, which may materially and adversely affect our business and prospects.

The Registered Shareholders of our PRC Consolidated Affiliated Entities may have actual or potential conflicts of interest with us. We cannot assure you that when such conflicts of interest arise, the Registered Shareholders of our PRC Consolidated Affiliated Entities will act in our interests or that the conflicts of interest will be resolved in our favor. As a result, they may breach or cause our PRC Consolidated Affiliated Entities to breach our Contractual Arrangements, which would have a material and adverse effect on our ability to control our PRC Consolidated Affiliated Entities and receive economic benefit from them. If we cannot resolve such conflicts of interest or any disputes with then, we may have to rely on legal proceedings, which may significantly disrupt our operations, subject us to uncertainty as to the outcome of such proceedings and generate negative publicity.

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

Pursuant to our Contractual Arrangements, HaploX Life or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in our PRC Consolidated Affiliated Entities from their Registered Shareholders for such amounts of consideration as shall be permitted under PRC laws and regulations. The equity transfer may be subject to the approvals from, or filings with, the SAMR and other competent governmental authorities and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The amount to be received by PRC Consolidated Affiliated Entities may be subject to enterprise income tax, which could be substantial.

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

The Foreign Investment Law (《外商投資法》) came into effect on January 1, 2020. For further details, see "Regulatory Overview — Regulation of Foreign Investment — Foreign Investment Law and Regulations."

The Foreign Investment Law does not explicitly stipulate contractual arrangements, such as those we rely on, as a form of foreign investment. However, it contains a catch-all provision under the definition of "foreign investment" which includes investments made by made by foreign investors in China through any other means stipulated under laws, administrative regulations or provisions prescribed by the State Council. Since the Foreign Investment Law is relatively new, uncertainties exist in relation to its interpretation and implementation. It is also possible that future laws, administrative regulations or provisions of the State Council may expressly stipulate certain contractual arrangements to be a form of foreign investment. Until then, it remains uncertain whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements, and if so, how our Contractual Arrangements should be dealt with.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. Depending on future developments under the Foreign Investment Law, we may be required to take measures or restructure our business operations to ensure compliance with applicable laws, rules and regulations. In an extreme scenario, we may be required to unwind our Contractual Arrangements and/or dispose of our PRC Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. If we fail or refuse to comply with the requisite unwinding or disposal, or if we no longer have a sustainable business after the requisite unwinding or disposal, the Stock Exchange may take regulatory actions against us which may have a material and adverse effect on the trading of our Shares or even result in the delisting of our Company.

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

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

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the Shares; an active trading [REDACTED] may not develop and the [REDACTED] of our Shares may decline or become volatile.

Prior to completion of the **[REDACTED]**, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the **[REDACTED]**. The **[REDACTED]** is the result of negotiations among our Company, and the **[REDACTED]**, which may not be indicative of or may differ significantly from the price at which our Shares will be traded following completion of the **[REDACTED]**. We have applied to the Stock Exchange for the **[REDACTED]** of, and permission to **[REDACTED]**, the Shares. A **[REDACTED]** on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, that it will be sustained following the **[REDACTED]**, or that the **[REDACTED]** of the Shares will not decline following the **[REDACTED]**.

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

The **[REDACTED]** and **[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 business, performance and **[REDACTED]** of the shares of other companies with similar businesses may affect the volatility in the **[REDACTED]** and **[REDACTED]** of our Shares. Shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced volatility in the past. 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 trading performance of our Shares. These broad market and industry factors may significantly affect the **[REDACTED]** and volatility of our Shares, regardless of our actual operating performance, and may result in losses on your investment in our Shares. The **[REDACTED]** and **[REDACTED]** of our Shares may also be highly volatile for specific business reasons, such as regulatory developments affecting our operations or the healthcare industry in general, fluctuations in our results of operations, or actions taken by our competitors.

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

Our Controlling Shareholders may have significant influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised, our Controlling Shareholders are expected to be entitled to collectively exercise the voting rights attached to approximately **[REDACTED]** of the total issued Shares of our Company. For details, see "Relationship With the Controlling Shareholders — Controlling Shareholders." Our Controlling Shareholders will, through their voting power at shareholders' meetings and their delegates on the Board, have substantial influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. This concentration of ownership may discourage, delay or prevent a change in control of our Company that could otherwise benefit our other shareholders. The interests of our Controlling Shareholders may also differ from the interests of our other shareholders, and our Controlling Shareholders may not act in the best interests of our minority shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other shareholders, in spite of their opposition.

There will be a gap of several days between pricing and trading of the [REDACTED], and the price of the [REDACTED] when [REDACTED] begins could be lower than the initial [REDACTED].

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

Future [REDACTED] or perceived [REDACTED] of our Shares in the public market in a substantial amount or by major shareholders following the [REDACTED] could materially and adversely affect the [REDACTED] of our [REDACTED] and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

Prior to the **[REDACTED]**, there was no public market for our **[REDACTED]**. Future **[REDACTED]** or perceived **[REDACTED]** by our existing shareholders of our Shares in a substantial amount or by our major shareholders after the **[REDACTED]** could result in a significant decrease in the prevailing market **[REDACTED]** of our **[REDACTED]**. Only a limited number of the **[REDACTED]** that are currently outstanding will be available for sale or issuance immediately after the **[REDACTED]** due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our **[REDACTED]** in the public market or the perception that these sales may occur could significantly decrease the prevailing **[REDACTED]** of our **[REDACTED]** and our ability to raise equity capital in the future.

Sales of substantial amounts of Shares in the public market after the completion of the **[REDACTED]**, or the perception that these sales could occur, could adversely affect the market price of our Shares. Although our Controlling Shareholders are subject to restrictions on their sales of Shares within six months from the **[REDACTED]** as described in **[REDACTED]** in this document, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the **[REDACTED]**, or the perception that these sales could occur, could cause the **[REDACTED]** of our Shares to decline and could materially impair our future ability to raise capital through **[REDACTED]** of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix IV — Statutory and General Information" or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by our Company may have on the **[REDACTED]** of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

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

As the **[REDACTED]** of the **[REDACTED]** is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**, purchasers of the **[REDACTED]** in the **[REDACTED]** will experience an immediate dilution in **[REDACTED]** net tangible asset value. In order to expand our business, we may consider issuing additional Shares in the future. Purchasers of the **[REDACTED]** may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to the share incentive schemes, which would further dilute shareholders' interests in our Company.

We may not declare and distribute dividends in the foreseeable future after the [REDACTED], and you may have to rely on price appreciation of our Shares for a return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after the **[REDACTED]** to fund extend the breadth and depth of our genetic testing solutions; optimize and enhance our technology platforms; expand our coverage of hospitals, biopharmaceutical companies, research institutes and government agencies; explore strategic investments in emerging markets and acquisition or in-licensing opportunities; recruit, train and retain talent; and fund our working capital and other general corporate purposes. As a result, we cannot assure you that we will declare or distribute any cash dividends in the foreseeable future. Hence, you should not rely on an investment in our Shares as a source for any future dividend income. Moreover, our Board has complete discretion as to whether to distribute dividends, and the mount to be distributed. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by

our Board. Accordingly, the return on your **[REDACTED]** in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the **[REDACTED]** or even maintain the price at which you purchased them. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

We have considerable discretion in the use of the [REDACTED] of the [REDACTED], which may not result in an increase in the [REDACTED] of our Shares.

We plan to use the **[REDACTED]** from the **[REDACTED]** to expand our businesses, enhance our technology platform, expand our business network, and explore potential investments and acquisition or in-licensing opportunities. For details, see "Future Plans and **[REDACTED]** — **[REDACTED]**." However, our management will have considerable discretion in the application of the **[REDACTED]** from the **[REDACTED]** received by us, including in ways in which you may not agree with or that do not yield a favorable return for our shareholders. The **[REDACTED]** may be used for corporate purposes that do not improve our efforts to achieve or maintain profitability or increase the **[REDACTED]** of our Shares. The **[REDACTED]** may also be placed in investments that do not produce income or that lose value. You will not have the opportunity, as part of your investment decision, to assess whether the **[REDACTED]** are being used appropriately. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the **[REDACTED]** from this **[REDACTED]**.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Companies Act and common law of the Cayman Islands. The rights of shareholders to take legal action against our Directors and us, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority shareholders may be located. See "Appendix III — Summary of the Constitution of Our Company and the Cayman Companies Act."

As a result of all of the above, minority shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or substantial shareholders of our Company, which may provide different remedies to minority shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

Facts, forecasts and statistics in this document relating to the genetic testing industry may not be fully reliable.

Facts, forecasts and statistics in this document relating to the genetic testing industry in and outside the PRC are obtained from various sources that we believe to be reliable, including official government publications as well as a report prepared by CIC that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Sponsors, the **[REDACTED]**, the Joint **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the facts, forecasts and statistics in this document relating to the genetic testing industry in and outside the PRC obtained from various sources may be inaccurate, and we make no representation as to their accuracy. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and investors should not place undue reliance on them.

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us or the **[REDACTED]**. Subsequent to the publication of this document but prior to the completion of the **[REDACTED]**, there may be press and media coverage regarding us and the **[REDACTED]**, which may include, among other things, financial information, projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.