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Potential investors should read and consider carefully all the information set out in this document, and, in particular, should evaluate the following risks and uncertainties before deciding to make any investment in our [REDACTED]. You should pay particular attention to the fact that we conduct our operations in China, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties listed below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized into (1) risks relating to our business and industry, (2) risks relating to conducting business in China, and (3) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If we fail to achieve and further promote brand recognition and acceptance of our Angelalign clear aligner system among dental professionals, or if we fail to grow or retain the number of dental professionals who utilize our solutions, our business, results of operations and financial condition may be materially and adversely affected.

We directly deliver our solutions to dental professionals. Our business has depended on, and will continue to significantly depend on, dental professionals and their demand for our solutions. If dental professionals no longer view our solutions as useful and attractive as compared to competing offerings or are not receptive to our solutions, our business, results of operations and financial condition may be materially and adversely affected.

A number of factors could negatively affect the growth, retention and engagement of dental professionals and their acceptance of our solutions, including that:

- we may be unable to identify or meet evolving demands of dental professionals;
- we may not be able to timely develop and provide new products or services in accordance with dental professionals’ requests;
- we may fail to update existing technologies or develop new technologies in time to stay ahead or abreast of market advances;
- our competitors may develop or launch products and services similar to or better than ours, which may result in our loss of existing dental professionals or decline in the number of new dental professionals; and
- patients may not accept our solutions or may find the solutions of our competitors or other orthodontic treatment alternatives more desirable, which in turn affects our relationship with dental professionals.

In addition, we may not be able to uphold and further enhance our “Angelalign” brand and reputation, as well as the market recognition of our Angelalign clear aligner system among dental professionals. We believe that maintaining and enhancing our “Angelalign” brand in the orthodontic industry is critical to the success of our business. Our operational and financial performance is highly dependent on the strength of our brand, which is critical to increasing our customer and user base and forging long-term relationships with them. However, we cannot assure you that we will be able to maintain

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and enhance our brand, and remain our reputation and market leading position in China. Nor can we assure you that we will be able to attain a similar degree of brand recognition, reputation, and market position in the global markets as that of the Chinese market. In addition, if the brands of our competitors or other orthodontic solutions become more well-recognized or preferred among users, including dental professionals and patients, than ours, our customer and user base may shrink, and our business, results of operations and financial condition may be materially and adversely affected.

Demand for clear aligner treatment may not increase as rapidly as we anticipate due to a variety of factors, including weakness in general economic conditions, which would materially and adversely affect our business, results of operations and financial condition.

China's clear aligner market has developed rapidly according to the CIC Report. The future demand of clear aligner treatment may, however, be difficult to anticipate since it depends on a number of variables, most of which are beyond our control. Consumer spending habits are affected by, among other things, prevailing economic conditions, levels of employment, salaries and wage rates, consumer confidence and consumer perception of economic conditions. A general slowdown in economy of China or other overseas markets or an uncertain economic outlook would adversely affect consumer spending habits which may, among other things, result in a decrease in the number of overall orthodontic treatment cases or a reduction in consumer spending on elective or higher value orthodontic solutions, each of which would have a material adverse effect on our results of operations.

The prospect of the clear aligner market is also uncertain and may develop slower than we expect. The market prospect depends on a number of factors, including, among others, the level of market recognition, competing technologies and the industry's own development. Moreover, if any manufacturers in the industry get involved in product liability disputes, then the prospect of the whole industry would be negatively affected, resulting in a decrease in our results of operations. If the demand for clear aligners fails to increase as rapidly as we anticipate, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We face competition in the clear aligner industry with domestic and international competitors. Our failure to compete successfully could materially and adversely affect our prospects, business, financial condition and results of operations.

We operate in a highly concentrated and competitive market. The demand of our solutions can be impacted by factors including effectiveness, safety, ease of use, reliability, aesthetics, and price compared to competing products. For example, in the near future, our competitors may develop some competing products, which can constitute perfect substitutes for clear aligners with lower cost and/or better effect. We face competition from both domestic and international competitors. In general, we face pricing competition from domestic competitors, and competition on product quality and brand recognition from international competitors.

We may be unable to offer products more desirable than those offered by our competitors, and we may not be able to market our products as effectively as our competitors or otherwise respond successfully to competitive pressures. In addition, our competitors may be able to offer discounts on competing products and services to their customers, and we may not be able to profitably match those discounts.

Furthermore, our competitors may develop technologies and products that are more effective than those we currently offer or that render our products obsolete or uncompetitive. In addition, the timing of the introduction of competing products into the market could affect the market acceptance and market share of our products.

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In addition, although our historical business growth, revenue and profitability have largely depended on our ability to penetrate the domestic market, we expect to establish our presence and increase our sales in the global market in the future. As a result, we may face intense and uncertain competition and may not localize and compete successfully or effectively in the overseas markets, which may materially and adversely affect our prospects, business, results of operations and financial condition.

We cannot assure you that our endeavors in developing new products, enhancing scientific and medical capabilities, increasing market recognition or expanding manufacturing capacity will enable us to improve our relative competitive position in the industry. If we fail to compete effectively with existing products or respond effectively to any products developed by new or existing competitors, our business could be harmed. Intensified competition may in the future result in increased pricing pressure, reduced gross margins, increased sales and marketing expenses, reduced profitability and loss of market share, any of which could have a material adverse effect on our prospects, business, financial condition and results of operations.

Our historical business growth, revenue and profitability may not be indicative of future performance, and our success depends in large part on our ability to execute our business strategy.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB488.5 million in 2018 to RMB645.9 million in 2019, and further to RMB816.5 million in 2020. Our net profit increased from RMB58.2 million in 2018 to RMB67.7 million in 2019, and further to RMB150.9 million in 2020. Going forward, we may experience slower than expected growth rate, business stagnation, or even revenue decline. If we fail to increase our revenue at the rate we anticipate or if the increases in our costs and expenses outpace the increase in our revenue, we may fail to improve or achieve profitability. Accordingly, you should not rely on the results of any prior periods as indicative of our future growth or financial results.

Our ability to achieve profitability and positive cash flow will depend in large part on our ability to successfully execute our business strategies, which in turn depends on a number of factors, including our ability to:

- innovate and develop new technologies, services and products;
- develop functionality and features that address market demand and preferences;
- enhance our production capacity and efficiency;
- maintain adequate control of our costs and expenses;
- increase market acceptance of our services and products; and
- improve our brand recognition and reputation among dental professionals and their prospective patients.

We may also encounter unforeseen costs and expenses, difficulties, complications, delays and other unknown events. In addition, our ability to execute our business strategy is subject to various factors beyond our control, such as changes in the macroeconomic and regulatory environment and competitive dynamics. We cannot assure you that we will be able to respond to these changes in a timely and effective matter or at all, failure of which will adversely affect our business, results of operations and financial condition.

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If we fail to implement our expansion plan as planned, our business and prospects could be materially and adversely affected.

We are in the process of constructing our Chuangmei Center which comprises new manufacturing facilities and a research and development center with a gross floor area of approximately 126,000 square meters in Wuxi city. The new manufacturing facilities in our Chuangmei Center, once fully commissioned, are expected to have an annual designed production capacity of approximately 100 million units of clear aligners by 2026. We expect to incur costs primarily relating to construction and renovation of Chuangmei Center, and purchase of automated production machinery, research and development equipment and other equipment. In connection with our expansion plan, we plan to expand our sales team and R&D team. See “Business — Our Intelligent Manufacturing — Expansion Plan” and “Future Plans and Use of [REDACTED]” for details.

However, we cannot assure you that our expansion plan will be successfully implemented without delay or at all. Our ability to successfully implement our expansion plan is subject to a number of risks, including our ability to obtain the requisite permits, licenses and approvals for the construction and operation of the new manufacturing facilities, the risk of construction delays, and our ability to timely recruit sufficient qualified staff for our new facilities and our expanded sales team and R&D team. Any failure or delay in implementing any part of our expansion plan may result in insufficient production capacity to support our growth and market expansion, which in turn could materially and adversely affect our business, financial condition and results of operations. Moreover, our expansion plan requires significant capital investment, which could affect our liquidity if we are unable to generate sufficient cash flow from operations or from financing activities. In addition, the actual costs may exceed our original estimates, which could materially and adversely affect the realization of expected return on our investment. In enhancing our sales and R&D capabilities, we rely on the recruitment of sufficient qualified staff at an appropriate level of compensation, failure of which may delay our expansion plan or further increase our staff costs. Moreover, expanding our production capacity generally results in higher depreciation expenses in future periods. As a result, if we fail to fully utilize the additional production capacity due to any material and adverse changes to the market environment, technologies, relevant policies during the implementation of projects or estimation deviations, or otherwise fail to generate sufficient profit from the expanded production capacity to offset the increased depreciation expenses, our profitability would suffer from the expansion, and our business, financial condition and results of operations could be materially and adversely affected.

Our revenues depend significantly on the sales of our clear aligner treatment solutions and any decline in sales volume or average selling price of such would adversely affect our revenues, gross profit margin and net profit.

We generated substantially all of our revenues from the provision of our clear aligner treatment solutions during the Track Record Period. Revenues generated from the provision of clear aligner treatment solutions were RMB464.9 million, RMB628.1 million and RMB799.0 million in 2018, 2019 and 2020, respectively, representing 95.2%, 97.2% and 97.9% of our total revenues for the same periods, respectively. We expect that revenue contribution of our clear aligner treatment solutions will continue to remain significant for the foreseeable future. As a result, continued and widespread acceptance of our clear aligner treatment solutions by dental professionals and prospective patients is critical to our future success. If dental professionals experience a reduction in demand for orthodontic services, if dental professionals and/or their patients prove unwilling to adopt our clear aligner treatment solutions as rapidly or in the volumes we anticipate and at the prices offered, if dental professionals choose to use alternative solutions or competitive products rather than ours, or if the average selling price of our products and services decline for any reason, such as a shift in product mix towards lower-priced products, promotions, or competition, our operating results and financial prospects would be materially and adversely affected.

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Our robust technologies underpinned by strong research and development capacities are among our core competences. Any failure to retain research and development talent or otherwise refine and improve our research and development capabilities would materially and adversely affect our business, results of operations and financial condition.

Being one of the two largest clear aligner treatment solution providers in China, we expect to lead the industry standards. We must stay abreast of the constantly evolving industry trends and technical standards, and continue to enhance and improve the functionality of our technology platforms. Our success in the future is dependent on our ability to respond to technological advances in the clear aligner industry in a timely and cost-effective manner. We intend to continue to invest significant technical, financial, managerial, talent and other resources to enhance our technical capabilities and step up our research and development efforts. However, we cannot assure you that we will be successful in developing, enhancing or adapting to new technologies in a timely and effective manner, or at all.

Our research and development staff with high credentials in the industry are one of our core competencies, and we rely heavily on them for the success of our business operations. As of December 31, 2020, we had 123 research and development staff who are primarily responsible for maintaining and improving our existing products and technologies, as well as innovating new products based on industry trends and demands. We have adopted non-compete agreements and share incentive schemes to retain our research and development staff. However, as experienced specialists in the clear aligner industry are in high demand yet limited in number, our competitors may through various means solicit the core members of our research and development department to work for them, and we may experience a high turnover of our research and development staff. Finding equivalent and suitable replacements for our research and development staff can be hard and may take an exceptionally long time. During this process, our research and development capacity could be materially and adversely impaired, which would result in a serious loss to our business.

The maintenance and improvement of the competitive edge of our current technology platforms are also subject to several other factors, many of which are beyond our control, such as emergence of new industry standards and practices, amendment of laws and regulations, as well as introduction of new orthodontics solutions embodying new technologies. As a result, we cannot assure you that we will remain successful as our competitors may create or adopt technologies similar to ours and develop these technologies to achieve capabilities that are superior to ours. We may also fail to achieve or maintain the competitive edge of our technology platforms in the overseas markets and/or may incur additional costs and expenses to step up our research and development efforts in support of our overseas expansion. If we are unable to adapt and retain our technical competitive edge in a cost-effective and timely manner, our results of operations and overall business prospects may be materially and adversely affected.

Any failure or underperformance of our treatment planning services would hamper the performance of our clear aligners and materially and adversely affect our business, results of operations and financial condition.

Treatment planning is a key step leading to our manufacturing process. Our ability to attract dental professionals and achieve wide market acceptance of our solutions significantly depends on our ability to help formulate customized and highly-effective clear aligner treatment plans, which in turn depends on our ability to maintain an experienced and professional team of medical designers and well-functioning intelligent planning and optimization systems.

We have made substantial investments to recruit, train and retain our medical designers. We cannot assure you that we will be able to maintain a team of medical designers of high quality, since experienced and professional medical designers specialized in orthodontics in the clear aligner industry are in high demand. We may also encounter difficulties in finding equivalent and suitable replacements for our

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medical designers and maintaining a sufficient number of qualified medical designers in line with our business expansion. In addition, some of our medical designers may conduct errors or get involved in malpractice during treatment planning process unintentionally or negligently, which could impair the effectiveness of our clear aligners and may even subject us to product liability claims.

We have also invested heavily in the development, maintenance, optimization and upgrade of our intelligent planning and optimization systems. We cannot assure you that the technologies and mechanisms embedded in our system will be as effective as expected and continue to generate accurate modeling of our clear aligners. Nor can we assure you that our systems will perform as smoothly or efficiently as we expect or attain satisfying operability and compatibility. Moreover, we cannot assure you that the functionality of our system will not be compromised due to technical errors, security breaches or hacking incidents. Any errors, defects or malfunctions with respect to our intelligent planning and optimization system could greatly reduce the effectiveness of our clear aligners, and our reputation and revenue would be adversely affected. In addition, as we may expand into overseas markets, we may need to further modify, test and enhance our intelligent planning and optimization systems to accommodate the needs and requirements of dental professionals. If we fail to help formulate customized and highly-effective clear aligner treatment plans, our prospects, business, financial condition and results of operations would be materially and adversely affected.

Our business and operations have been and may continue to be materially and adversely affected by the COVID-19 pandemic.

Since December 2019, a novel strain of coronavirus, later named COVID-19, has severely impacted China and many other countries. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Many businesses and social activities in China and other countries and regions have been severely disrupted, particularly in the first quarter of 2020, including us. Government efforts to contain the spread of COVID-19, including city lockdowns or “stay-at-home” orders, suspension of non-emergent dental care services and temporary closures of dental hospitals and clinics, restrictions on travel and other emergency quarantines, have caused significant and unprecedented disruptions to the global economy and normal business operations across sectors and countries. As a result, China’s clear aligner market had been negatively impacted, which in turn materially and adversely affected our business, results of operations and financial condition. For example, we experienced a temporary decrease in the case shipments to approximately 10,900 in the three months ended March 31, 2020, as compared to approximately 24,100 in the three months ended March 31, 2019. The utilization rate of our production facilities also decreased from 2019 to 2020 due to the impact of COVID-19 pandemic. For details of the impact of COVID-19 on our business, results of operations and financial condition, see “Financial Information — COVID-19 Outbreak and Effects on Our Business.”

Although we have experienced a strong rebound of our business volume since April 2020, as the Chinese government has gradually lifted restrictions and quarantine measures in China, we cannot assure you that our business volume and growth rate will fully recover in the near future due to the uncertainties associated with the development of COVID-19. There remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic, considering the severe global situation and the recent regional resurgence of COVID-19 cases in certain areas in China. Should there be an escalation of the spread, China may again take strict emergency measures to combat the spread of the virus, including travel restrictions, mandatory cessations of business operations including dental hospitals and clinics, mandatory quarantines, work-from-home and other alternative working arrangements, and limitations on social and public gatherings and lockdowns of cities or regions, which may impact our business. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook cannot be precisely estimated at this time. We are continuously evaluating its impact on our business, results of operations and financial condition, which we believe will depend on the duration of the pandemic and the government’s responsive measures. The potential downturn brought by

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and the duration of the COVID-19 outbreak may be difficult to assess or predict as the actual effects will depend on many factors beyond our control. If the outbreak persists or escalates, we may be subject to further negative impact on our business operations, results of operations and financial condition.

We have conducted, and will continue to conduct, measures to control the risk of virus spread in our business operations, including purchasing disinfection products, distributing masks for employees, and requiring all employees to declare their recent travel history. However, if any of our employees, especially our manufacturing staff, has contracted or is suspected of having contracted any contagious disease or condition, local governments may require them to be quarantined and the related offices, manufacturing facilities and other premises to be closed and disinfected. As a result, our business operations would be materially and adversely affected.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers (the “Relevant Customer(s)”) settled their payments with us through third-party payors (the “Third-party Payment Arrangement(s)”). In 2018, 2019 and the ten months ended October 31, 2020, the aggregate amount of third-party payments accounted for approximately 10.8%, 2.0% and 0.7% of the total payments we received from all customers, respectively. We have implemented various internal control measures to reduce the proportion of payments received from third-party payors and to mitigate the relevant risks. Since November 2020, we have ceased all Third-party Payment Arrangements. See “Business — Third-Party Payment Arrangements.”

We are subject to various risks relating to such Third-party Payment Arrangements during the Track Record Period, including possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may as a result be adversely affected.

If we are unable to obtain and maintain intellectual property rights protection for our technologies and products, our business, reputation and competitive edge may be materially and adversely affected.

Our success relies largely on our proprietary technologies and products. Therefore, effective protection of our intellectual property, including patents and proprietary know-how, is critical to maintaining our competitive position. Unauthorized use of our intellectual property may adversely affect our business and reputation.

As of the Latest Practicable Date, we had 220 trademarks, 93 patents and 16 software copyrights in China. See “Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights” in Appendix IV to this document for details. We rely on a combination of contractual restrictions, confidentiality procedures and intellectual property registrations to establish and protect our intellectual property rights. Despite our efforts to protect our intellectual property rights, third parties may still attempt to acquire or otherwise misappropriate our intellectual property without authorization, including seeking court declarations that they do not infringe upon our intellectual property rights. Substantial costs and efforts are typically required to implement a mechanism monitoring and detecting unauthorized use of our intellectual property, and this mechanism may be inadequate to fully detect all intellectual property misappropriation. Furthermore, defending ourselves against intellectual property infringements through litigations can be costly, time-consuming and may involve intensive work. The practice of intellectual property rights enforcement actions by the governmental authorities in China is at its early stage of development and is subject to significant

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uncertainty, and we may fail to obtain favorable judgments from these authorities. Even if we manage to obtain such favorable judgments, there is no guarantee that our intellectual property rights will be enforced effectively to prevent any unauthorized use by others.

Moreover, for those proprietary rights not yet protected by intellectual property rights registered with the relevant competent governmental authorities in China and other jurisdictions, third parties may obtain and use these rights, which may harm our business and adversely affect the results of our operations. In addition, we may experience delays in obtaining intellectual property rights, or encounter challenges in filing applications for our intellectual properties for reasons beyond our control. Any failure to protect our intellectual property rights could result in such rights being manipulated by others to develop competing products, and may delay the development, launch and sales process of our products, which will materially and adversely affect our business, reputation and competitive edge.

We may not be able to maintain or renew all the permits, licenses, certificates and other regulatory filings required for the production and commercialization of our products.

We are subject to extensive government regulations for all material aspects of our operations in China and globally. The regulatory approval processes involving the clear aligners industry are generally lengthy and time-consuming and the results of such process may be unpredictable. Any failure by us to obtain the necessary permits, licenses and certificates, or to renew or otherwise maintain all the licenses, permits and certificates required for our business at any time could disrupt our productions and business operations and have a material adverse effect on our business, financial condition and operating results. Moreover, the interpretation or implementation of existing laws and regulations are subject to changes from time to time and the implementation of new laws and regulations is subject to uncertainties. We may be required to obtain additional or different licenses, permits or certificates for our productions and business operations. We cannot assure you that we will be successful in obtaining such licenses, permits or certificates in a timely manner or at all.

For example, companies manufacturing medical devices in China are required to obtain permits and licenses issued by various government authorities, including but not limited to the medical device production permit (醫療器械生產許可證) and the record-filing for operation of Class II medical device (第二類醫療器械經營許可備案) if such manufacturing companies store and sell medical devices in places other than their domiciles and the places of production of medical devices. Such permits, licenses and certificates are subject to periodic reviews and renewals by the relevant government authorities, the standard of which may change from time to time. There can be no assurance that the relevant authorities will approve our applications or renewals in the future.

In addition, we are also required to obtain and renew registrations with the Jiangsu Medical Products Administration (江蘇省藥品監督管理局) for our production and sale of Class II medical devices. To obtain and/or renew such registrations, we must conduct, at our own expense, adequate and well-controlled clinical trials to demonstrate the efficacy and safety of our products if the relevant conditions demanding clinical trials are triggered. Clinical testing can take years and has an uncertain outcome. Our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical and/or non-clinical testing. Our failure to adequately demonstrate the efficacy and safety of any of our products would prevent receipt of regulatory approval and, ultimately, the timely commercialization of such product. Our failure to manufacture and market Class II medical devices with adequate registrations may subject us to fines and further penalties such as confiscating illegal gains and manufacturing materials, or denying our application for medical device registration in the future. We cannot guarantee that the National Medical Products Administration (the “NMPA”) and/or its local counterpart will grant or renew our registration certificates, which would prevent us from producing and marketing our clear aligners and materially and adversely affect our business, financial conditions and results of operations.

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In addition, if we expand into overseas markets, we are required to comply with regulations of other foreign governmental agencies. For example, FDA regulations are wide ranging and govern, among other things, product design, development, manufacture and testing, product labeling, product storage, premarket clearance or approval, advertising and promotion, as well as product sales and distribution. Non-compliance with applicable regulatory requirements can result in enforcement actions which may include recalling products, ceasing product marketing, and paying significant fines and penalties, which could deter market expansion, limit product sales, delay product shipment and adversely affect our profitability.

We have experienced significant increase in the size and capabilities of our organization, and we may experience difficulties in managing our growth.

We experienced increased demand for our products and services as well as rapid growth in the industry over the Track Record Period, which has posed a serious challenge on our management and administrative abilities. We have recruited and may need to continue to recruit additional managerial, operational, manufacturing, sales and marketing, financial, research and development and other personnel, as well as enhance the productivity and capacities of our employees. We also have to manage an increasingly larger and more complex array of internal systems and processes to scale with all aspects of our rapidly growing business. Our growth has imposed, and may continue to impose, significant added responsibilities on our management and administrative personnel, including:

- identifying, recruiting, integrating, maintaining and motivating additional employees;
- managing our internal research and development efforts effectively; and
- improving our operational, financial and management controls, reporting systems and procedures.

Our future results of operations will depend in part on our ability to effectively manage our growth. In addition, in line with our plan to pursue overseas expansion, we may face difficulties in managing our international operations in the future and become subject to foreign operational, organizational and other risks. We cannot assure you that our administrative and management abilities to recruit, train and manage new employees will meet with the requirements of our business growth and our management may have to divert significant amount of attention away from day-to-day activities to managing these growth activities.

We will also need to continue to improve our corporate governance in accordance with our growth, such as our internal control, risk management, financial reporting and employee evaluation systems. We may not be able to successfully implement and maintain these or other improvements to our systems and processes in an efficient or timely manner, and we may discover deficiencies in their capabilities or effectiveness. Furthermore, our systems and processes may not be a perfect guardian against all administrative and management problems. As a result, our resources would not be utilized effectively and efficiently, and potential chaos may occur to adversely impact our ordinary operations.

Failure to effectively expand our sales and marketing capabilities could harm our ability to increase the sales of our products and achieve broader market acceptance.

We directly sell a substantial portion of our products to hospitals and dental clinics. In 2018, 2019 and 2020, we generated 89.0%, 70.1% and 66.4% of our total revenue generated from the provision of clear aligner treatment solutions by direct sales to public hospitals and private clinics. As such, our ability to increase the sales of our products and achieve broader market acceptance will depend to a significant extent on our ability to expand and enhance our in-house sales and marketing operations. In addition, we rely on our sales and marketing team to communicate with our past, current and potential customers, and

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to understand their needs and preferences in order to improve our existing products and introduce new products or enhancements to better address their demands. If we are unable to hire, develop and retain qualified sales and marketing personnel, or if our new sales and marketing personnel are unable to achieve desired performance levels in a reasonable period of time, we may not be able to increase the sales of our products and achieve broader market acceptance, and our business operations and financial results may be adversely affected.

We have limited control over the operations and actions of our distributors, and our efforts to manage them may not be effective. Our distributors may take actions that could have a material adverse effect on our business, prospects and reputation.

During the Track Record Period, we engaged distributors to increase sales and market share by leveraging their channel resources and, as a result, reduce our marketing cost. In 2018, 2019 and 2020, we generated 11.0%, 29.9% and 33.6% of our total revenue generated from the provision of clear aligner treatment solutions by direct sales to distributors, respectively. We enter into distribution agreements with our distributors, most of which are independent third parties, and mainly rely on these distribution agreements to govern our relationships with them, including their compliance with laws, rules, regulations and our policies. Therefore, our ability to manage the activities of our distributors or sub-distributors, if any, may be limited. Our distributors and sub-distributors, if any, may take one or more of the following actions, any of which could have a material adverse effect on our business, prospects and reputation:

- breaching our agreements with them, including by selling our services and products to hospitals and clinics outside their designated territories;
- failing to adequately promote our services and products;
- failing to maintain the requisite licenses or otherwise failing to comply with applicable regulatory requirements when selling our services and products; or
- violating laws and regulations of China or other countries where we sell our services and products.

Any violation or alleged violation by distributors of our distribution agreements or any applicable laws and regulations could result in the erosion of our reputation, a decrease in the market value of our brand and an unfavorable public perception about the quality of our services and products, resulting in a material adverse effect on our business, financial condition, results of operations and prospects.

We have engaged a limited number of suppliers for raw materials and manufacturing equipment of our clear aligners, which may render us vulnerable to supply shortages, quality issues and price fluctuations and could materially and adversely affect our business, results of operations, financial condition and prospects.

Our suppliers primarily include suppliers of clear aligner raw materials, vendors of our manufacturing equipment and consumables, logistics service providers, and marketing service and event planning service providers. Purchase from our top five suppliers accounted for 70.9%, 79.0% and 74.2% of our total purchases of such products and services in 2018, 2019 and 2020, respectively, and purchase from our largest supplier accounted for 32.6%, 35.4% and 35.4% of our total purchases in the same periods, respectively. As we have engaged a limited number of suppliers for key raw materials and production equipment, any interruptions or changes in such supply, or our inability to obtain substitute suppliers meeting our quality standards at acceptable prices in a timely manner, may impair our ability to meet the demands of our customers, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Moreover, we expect our demand for such raw materials

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and manufacturing equipment to increase as we continuously expand our business scale, and we cannot guarantee that our current suppliers have the capacity to meet our increasing demand going forward. On the other hand, we enter into minimum purchase commitments with certain suppliers, which could impact our ability to adjust our inventories of raw materials to reflect temporarily declining market demands. If demand for our clear aligners is less than we expect for reasons beyond our control, such as a slowdown in the global or Chinese economy, we may experience additional excess and obsolete inventories and our profitability may suffer.

Although we have entered strategic framework cooperation agreements with certain major suppliers, we cannot assure you that our suppliers will continue their business relationship with us on commercially reasonable terms or at all. Nor can we assure you that we will be able to secure a stable supply of qualified raw materials at all times going forward. In the event that our major suppliers terminate their business relationships with us, or fail to provide us with adequate supply to meet our needs, we may not be able to find suitable alternative suppliers within a short period of time. Therefore, if we cannot retain business relationships with our existing suppliers, or if these suppliers increase prices, delay in delivery, provide unqualified equipment or raw materials, or encounter financial, operating or other difficulties, we may experience manufacturing disruptions, which could materially and adversely affect our business, financial condition and results of operations.

Moreover, prices of certain principal raw materials may increase significantly, in which case we may not be able to increase the prices of our clear aligners to offset the impacts. Therefore, if our suppliers increase prices of or reduce discounts on the raw materials and we fail to secure replacement for such materials at a better price, we may experience a decline of our profits.

In addition, some of our major suppliers are located outside China. As a result, delayed custom clearance procedures, trade tensions or regulatory embargoes imposed by foreign countries or China could result in delays or shortages of our raw materials. If we are unable to identify alternative materials or suppliers in a timely manner to obtain raw materials in the quantities or at the quality or price that we require, our business could be harmed.

If our employees, distributors or sub-distributors, customers, suppliers or other business partners engage in bribery or corrupt practices or other illegal or unethical conduct, we may be subject to liability and our reputation and business could be harmed. Additionally, any challenges to or investigations into our practices under these laws could generate negative publicity and could be costly to respond to, and thus could harm our business.

We could be liable for actions taken by our employees, distributors or sub-distributors, customers, suppliers or other business partners that violate anti-bribery, anti-corruption and other related laws and regulations in China or other countries, over which we may not have full control. The government authorities may seize the products involved in any illegal or improper conduct engaged in by our employees and other third parties. We may be subject to claims, fines or suspension of our operations. Our brand and reputation, our sales activities or the price of our Shares could be adversely affected if our Company is associated with any negative publicity as a result of illegal or improper actions, or allegations of illegal or improper actions, taken by our employees and other third parties.

It is also possible that the Chinese government or other government authorities in countries where we sell our products could adopt new or different regulations affecting the way in which medical devices are sold to address bribery, corruption or other concerns. Although we are not aware of any such new or different regulations in this regard being adopted in China or any other markets where we have operations, any such new or different regulations could possibly increase the costs incurred by us, our distributors and their sub-distributors in selling our products or impose restrictions on sales and marketing activities, which could in turn increase our compliance costs. Any of the circumstances could have a material adverse impact on our business, financial condition and results of operations.

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We are subject to credit risk arising from some of our customers, and our failure to collect on trade receivables from our customers may have a material adverse effect on our business operations and financial condition.

We directly sell a substantial portion of our products to hospitals and dental clinics. In line with market practice, we may grant certain hospital and clinic customers a credit period ranging from 30 to 60 days. We also engage distributors to expand our distribution network, and we may grant certain distributors a credit period of 30 to 60 days. As of December 31, 2018, 2019 and 2020, we had trade receivables of RMB73.7 million, RMB65.5 million and RMB70.4 million, respectively. As a result, we may be exposed to credit risk. We recorded allowance for impairment of trade receivables of RMB5.7 million, RMB8.2 million and RMB18.3 million as of December 31, 2018, 2019 and 2020, respectively. Our sales and marketing employees monitor and manage our distributors to make sure they comply with our distribution agreements, including payment terms, and take efforts to collect the amounts due from our direct sale customers. We cannot assure you that we can properly assess and respond in a timely manner to changes in their credit profile. Our direct sale customers and distributors may experience financial difficulties, which could negatively impact our ability to collect the amount due to us. Such adverse financial conditions may negatively affect the length of time that it will take us to collect associated trade receivables or impact the likelihood of ultimate collection, and the effect on us could be material and have an adverse effect on our business, financial condition and results of operations.

Litigation or third-party claims of intellectual property infringement or challenges to the validity of our patents or other intellectual properties could be expensive, time-consuming and unsuccessful, and may prevent or delay the development, regulatory approval or commercialization of our products and product candidates.

We have been, and may continue to be, involved in litigations or administrative proceedings regarding infringements and invalidation of intellectual property rights, some of which may be raised by other market players as a way of malicious competition. In addition, we may be subject to legal proceedings because of intellectual property infringement committed by our collaborators, or otherwise in connection with our collaborative research and development results. For example, intellectual property rights we obtained through our collaboration with individual dental professionals may be challenged by their employers under a service invention claim.

Defending against intellectual property claims is time-consuming and costly and can impose a significant burden on our ability to develop, launch and sell our products and services. Such claims, even without merits, may still harm our reputation in the industry. If we are the target of claims by third parties asserting that our potential products or intellectual property infringe upon the rights of others, we may be forced to incur substantial expenses or divert substantial managerial resources from our business. An adverse determination in an intellectual property claim to which we may become a party could subject us to significant liabilities, resulting in payments of substantial damages and/or an injunction on us that prevents us from developing relevant potential product candidates or technologies. Further, if a patent infringement claim is brought against us or our collaborators, we or they could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit.

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As of the Latest Practicable Date, we were not involved in any intellectual property infringement actions that would have a material and adverse effect on our business, results of operations and financial condition. However, we were involved in several patent invalidation requests regarding certain patents of our products, which resulted in partial invalidation of our two patents and full invalidation of our three patents, among which four patents were irrelevant to our core products and services. As for the remaining one patent in relation to one type of attachment to our clear aligners, we modified the patent claims in response to the relevant patent invalidation request to the extent that (1) the independent claims of such patent would remain the same, and (2) certain dependent claims would be modified to substitute for the original dependent claims. Independent claims are the most important claims, as one cannot infringe a dependent claim without infringing the independent claim. The relevant governmental authority, while partially invalidating the original claims of the concerned patent, sustained all of our modified claims. The claimant making the relevant patent invalidation request initiated an administrative proceeding against the governmental authority's decision, with the outcome pending as of the Latest Practicable Date. If the claimant were to prevail on the administrative proceeding, the relevant patent invalidation request may be re-examined, which may result in invalidity and/or unenforceability of the relevant patent; as a result, while we are able to continue to use such attachment, we may no longer enjoy an exclusive right over it. We also cannot assure you that we will not experience any IP-related disputes in the future which may adversely affect our business and prospects.

Our existing measures to protect our intellectual property rights, such as confidentiality agreements with employees and other third parties, may not adequately prevent disclosure of trade secrets and other proprietary information.

We consider proprietary information such as patents, copyrights, trade secrets and other operating data to be important to our business and competitive position. However, to maintain the confidentiality of such information can be difficult. To protect such information against unauthorized disclosure or misappropriation by competitors and other parties, we have entered into confidentiality agreements with and/or included confidentiality clauses in our agreements with substantially all of our employees, executives, directors, research and development partners, suppliers and distributors, and we also generally specify in relevant agreements the assignment of ownership of intellectual property rights where applicable. In addition, we have implemented measures to manage and control the data, codes, documents and other confidential information in the ordinary course of our business. Despite such agreements and measures, we cannot assure you that our proprietary information will not be exposed to the risk of leakage, since some of our current or former employees, executives, directors, research and development partners, suppliers and distributors may unintentionally, negligently, or knowingly disclose our confidential information to competitors, and our agreements with them may not provide an adequate remedy in the event of such unauthorized disclosure or misappropriation. Furthermore, our core research and development staff possess the essential information of our technologies and products. If they terminate their employment contracts with us and work for our competitors instead, our core technologies may be exposed to the risk of leakage. Enforcing a claim that a third party illegally obtains and misappropriates confidential information can be expensive, time consuming and unpredictable. If any of our trade secrets were lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

Leakage and other security risks of confidential information may materially and adversely affect our reputation and business.

During the course of our business, we have access to an extensive volume of data of malocclusion cases to provide customized treatment plans and clear aligners. Therefore, it is critical that our facilities and infrastructure remain secure and are also perceived by the marketplace and our customers to be secure. Despite the implementation of security measures, we may nevertheless be vulnerable to security problems

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as a result of third-party actions, employee errors or malfeasances, stolen or fraudulently obtained log-in credentials or otherwise. Furthermore, our business requires the secure transmission of confidential information, and security breaches such as hacking or any other attempt to harm our systems could expose us to a risk of regulatory action, litigation, possible liability and loss, and our reputation and business would be adversely affected by, among other things, loss of customers and potential criminal and civil sanctions. Affected parties could initiate legal or regulatory actions against us, which could cause us to incur significant expense and liability or result in orders forcing us to modify our business practices and alleviate problems caused. Concerns over our privacy practices could adversely affect others' perception of us and dental professionals from adopting our services and products.

We are exposed to potential product liability claims and our insurance coverage may be inadequate to protect us from all the liabilities we may incur.

We may be exposed to product liability claims for the clear aligners we manufacture and market. In China, medical devices are classified by the NMPA as Class I, Class II or Class III based on the risk to the human body. All of our clear aligners are classified as Class II, which represents medium level of risks to the human body and requires relatively high level of supervision to ensure safety and effectiveness.

We may be subject to product liability claims if our clear aligners have latent quality issues. We may be held liable if any clear aligners we develop causes injury or is otherwise found unsuitable. As some of our product lines were developed relatively recently, latent defects or risks may not have been identified at the current stage. We cannot assure you that our clear aligners have no latent quality issues or disadvantages that are not discernible or foreseeable as of the Latest Practicable Date. Our products might prove to be less effective than they currently appear to be or even prove to be defective to a certain extent at a later stage. In addition, even if our products do not have latent defects, claims may arise from different stages of treatment which are beyond our control. Dental professionals using our clear aligners may adopt inappropriate procedures unintentionally or negligently, and their patients may not follow the dental professionals' advice during treatment. In addition, patients may consider that the expected treatment results have not been achieved. In such cases, the patients may initiate legal proceedings against us, and the dental professionals may claim, with or without merit, that our clear aligners have latent defects. We cannot rule out the possibility of incurring liabilities or suffering losses due to similar product liability claims. These proceedings could be time-consuming and expensive to defend and may have a material adverse impact on our business, reputation, financial condition and results of operations.

We have not purchased product liability insurance. Historically, we have not experienced any material product liability claims brought against us. However, if a product liability claim or a series of claims is brought against us and we are ultimately held liable for such claim or series of claims, our reputation, business, results of operations or financial condition will be materially and adversely affected.

In addition, our lack of insurance in aspects other than product liability could expose us to additional costs and business disruption. In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman life insurance or insurance policies covering damages to our technical infrastructure. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured occurrence of business disruption, natural disasters, or significant damages to our uninsured equipment or technology infrastructure could result in substantial costs and diversion of resources for us and adversely affect our financial condition and results of operations.

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Our results of operations are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonality in our business due to the consumption preferences of patients with a need for clear aligner treatment. We typically experienced the highest sales during the summer vacation. As clear aligner treatment involves consultation with dental professionals and regular check-ups along the treatment process, it can be easier for potential patients, especially children and teenage, to make time for starting this new routine during the summer vacation when schedules tend to be a bit more relaxed. We had our second highest sales during winter vacations before and after the Chinese New Year for similar reasons. Other seasonal trends that affect us or China’s clear aligner market may develop, and current seasonal trends may become more extreme, all of which would contribute to fluctuations in our results of operations. As a result, historical patterns of our results of operations may not be indicative of our future performance, and period-to-period comparisons of our results of operations may not be meaningful. Our results of operations in future quarters or years may fluctuate and deviate from the expectations of securities analysts and investors, and any occurrence that disrupts our business during any particular quarter could have a disproportionately material adverse effect on our liquidity and results of operations.

If we fail to perform our contract obligations, our business, results of operations and financial condition may be materially and adversely affected.

As of December 31, 2018, 2019 and 2020, we recorded contract liabilities of RMB155.0 million, RMB304.3 million and RMB418.6 million, respectively, which was generally in line with our business growth. Our contract liabilities primarily arose from the advance payments made by customers before the delivery of underlying services and products. See “Financial Information — Discussion of Major Balance Sheet Items — Contract Liabilities.”

Our contract liabilities are generally not refundable. However, if we fail to fulfill our obligations with respect to our contract liabilities, we may not be able to convert such contract liabilities into revenue as expected, and our customers may even request to cancel their agreements with us or ask for a partial or full refund, which may lead to customer dissatisfaction or even customers’ disputes with us and, accordingly, our potential refund obligation. Furthermore, if we fail to fulfill our obligations with respect to our contract liabilities, customers may request not to prepay us in the future. Any of the circumstances could materially and adversely affect our business, results of operations, cash flow and liquidity condition.

We have incurred and may continue to incur substantial share-based payments.

We have adopted the Pre-[REDACTED] Share Award Schemes that permit the grant of share options as equity-based awards to our Directors, officers and employees. We believe the granting of share-based compensation is important to our ability to attract, retain and motivate our management team and qualified employees. We are required to recognize share-based payments based on the fair value of such granted share options, taking into consideration of the impact of market performance conditions and non-vesting conditions. We recorded share-based payments of RMB23.4 million, RMB61.7 million and RMB66.3 million in 2018, 2019 and 2020, respectively. In addition, we have conditionally approved and adopted the Post-[REDACTED] Share Award Schemes, which will become effective upon [REDACTED]. As a result, any additional grant of share-based awards, including options under the Post-[REDACTED] Share Option Scheme and share awards under the Post-[REDACTED] Share Award Scheme by us, will further increase our share-based compensation expenses and dilute existing shareholders’ shareholding.

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We are exposed to risks associated with the fair value change in financial assets at fair value through profit or loss and valuation uncertainty regarding the use of unobservable inputs.

Our financial assets at fair value through profit or loss primarily represented our investments in wealth management products issued by major and reputable commercial banks. We purchased financial assets at fair value through profit or loss of RMB350.0 million, RMB588.0 million and RMB1,310.0 million in 2018, 2019 and 2020, respectively. We typically redeemed our investments in wealth management products upon their maturities before the year end and thus did not record any asset for such as of December 31, 2018, 2019 and 2020, respectively. See “Financial Information — Discussion of Major Balance Sheet Items — Financial Assets at Fair Value through Profit or Loss.”

Going forward, if we record such financial asset at the end of a reporting period, we will need to measure our financial assets at fair value through profit or loss using unobservable inputs, which are expected rate of return rate and discount rate. See “Financial Information — Discussion of Major Balance Sheet Items — Financial Assets at Fair Value through Profit or Loss — Fair value measurements” and Note 3.3 to the Accountant’s Report in Appendix I to this document. Changes in any of the unobservable inputs could result in changes of the fair value of our equity investment. For example, the banks that issued wealth management products may not perform their contractual obligations. Furthermore, the fair value of wealth management products is subject to the general economic and the overall market conditions, including the capital markets. Any volatility in the market conditions or fluctuations in interest rates may result in changes in any of the unobservable inputs, which could in turn materially and adversely impact our financial position.

Negative publicity about us, our services, operations and our management may adversely affect our reputation and business.

We may from time to time receive negative publicity about our Company, our business, our management or our services. Certain of such negative publicity may be the result of malicious harassment or unfair competition acts by third parties. Such negative coverage in the media of our Company may threaten the perception of our brand, and we cannot assure you that we will be able to defuse negative press coverage about our Company to the satisfaction of our investors, customers and business partners. We may even be subject to government or regulatory investigation as a result of such third-party conduct and may be required to spend significant time and incur substantial costs to defend ourselves against such third-party conduct, and we may not be able to conclusively refute each of the allegations within a reasonable period of time, or at all. If we are unable to defuse negative press coverage about our Company, our brand may suffer and our reputation may be materially and adversely affected, which in turn may cause us to lose market share, customers and business partners.

Any product recall would damage our brand name and could have a material adverse effect on our reputation, business, financial condition and results of operations.

Complex medical devices, such as our clear aligners, sometimes experience problems resulting from the performance of the products, and the way dental professionals apply such products and patients use such products, which in both cases require review and possible corrective action by the manufacturer. Component failures, manufacturing errors or design defects could result in danger or injuries to patients. Any serious failures or defects could cause us to withdraw or recall products, which could result in significant costs. Although historically we have not experienced any product recall, we cannot assure you that there would be no market withdrawals or product recalls of our clear aligners. The occurrence of such market withdrawals or product recalls would damage our brand name and would have a material adverse effect on our business, financial condition and results of operations.

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Our information technology systems are critical to our business. System integration and implementation issues and system security risks could disrupt our operations, which could have a material adverse impact on our business and operating results.

We rely on the efficient and uninterrupted operation of complex information technology systems, such as *iOrtho*, *A-Treat* and the manufacturing execution system, which we use to, among others, provide one-stop service to dental professionals, conduct our treatment planning services, and manufacture our clear aligners. All information technology systems are vulnerable to damage or interruption from a variety of sources. As our business has grown in size and complexity, the growth has placed, and will continue to place, significant demands on our information technology systems. To effectively manage this growth, our information systems and applications require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards and changing customer preferences. We expect to continue to make significant investments to our technology infrastructure.

If the information technology systems we rely upon to run our businesses were to be found to be inaccurate or unreliable, if we fail to properly maintain our information technology systems and data integrity, or if we fail to develop new capabilities to meet our business needs in a timely manner, we could have operational disruptions, have customer disputes, lose our ability to produce timely and accurate reports, have regulatory or other legal problems, have increases in operating and administrative expenses, lose existing customers, have difficulty in attracting new customers or in implementing our growth strategies, or suffer other adverse consequences. In addition, experienced computer programmers and hackers may be able to penetrate our network security or our cloud-based software servers and misappropriate our confidential information or that of third parties, create system disruptions or cause shutdowns. Furthermore, sophisticated hardware and operating system software and applications that we either internally develop or procure from third parties which we depend upon may contain defects in design and manufacture, including "bugs" and other problems that can unexpectedly interfere with the operation of the system. The costs to eliminate or alleviate security problems, viruses and bugs could be significant, and the efforts to address these problems could result in interruptions that may have a material adverse impact on our business, financial condition and results of operations.

System upgrades and enhancements require significant expenditures and allocation of valuable employee resources. Delays in integration or disruptions to our business from implementation of these new or upgraded systems could have a material adverse impact on our financial condition and operating results.

Additionally, we continuously upgrade *iOrtho*, our technology and data platforms, and other operational systems. Every new version could contain errors or defects. The discovery of a defect or error or the incompatibility with the computer operating system and hardware configurations of customers in a new upgraded version or the failure of our primary information systems may result in the following consequences, among others: loss of revenue or delay in market acceptance, damage to our reputation or increased service costs, any of which could have a material adverse effect on our business, financial condition or results of operations.

We cannot assure you that our process of improving existing systems, developing new systems to support our expanding operations, integrating new systems, protecting confidential information, and improving service levels will not be delayed or that additional system issues will not arise in the future. Failure to adequately protect and maintain the integrity of our information systems and data may result in a material adverse effect on our business, financial position and results of operations.

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Delivery delays and poor handling by third-party logistics service providers may adversely affect our business, financial condition and results of operations.

We rely on our third-party logistics service providers for the transportation of our clear aligners to dental professionals. The logistics services provided by these providers may be suspended, in which case the supply of our clear aligners could be interrupted. Delayed or even lost deliveries may occur for various reasons beyond our control, including poor handling by our logistics service providers, labor disputes or strikes, acts of war or terrorism, health epidemics, earthquakes and other natural disasters. In addition, poor handling of our products could also result in product contamination or damage, which may in turn lead to product exchanges, product liability, increased costs and damage to our reputation. Any of the circumstances would materially and adversely affect our business, financial condition and results of operations.

Failure to make adequate social insurances and housing reserve fund contributions for our employees may subject us to fines and other legal or administrative sanctions.

During the Track Record Period, we did not make adequate social insurances and housing reserve fund contributions for certain employees with the relevant social insurance or housing reserve fund authorities. As advised by our PRC legal advisors, if any of the relevant social insurance authorities is of the view that we failed to make full social insurance contributions for our employees in accordance with the relevant laws and regulations, it may order us to pay outstanding amounts within a prescribed time limit, and we may be subject to a late charge at the daily rate of 0.05% on the outstanding amounts from the date on which such amounts are payable. If such payment is not made within the prescribed period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. In addition, if any of the relevant housing reserve fund authorities is of the view that we failed to make full housing reserve fund contributions for our employees in accordance with the relevant laws and regulations, it may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to PRC courts for compulsory enforcement.

As of the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by relevant regulatory authorities with respect to our social insurance or housing reserve fund contributions. As advised by our PRC legal advisors, based on the on-site consultations with, and confirmations obtained from, the competent authorities supervising our principal subsidiaries in Wuxi city, Jiangsu province and Shanghai, the likelihood that we would be required by relevant authorities to pay the late charges for the shortfall of social insurance contributions or subject to material administrative penalties due to failure to make full contributions is relatively low. However, we cannot assure you that the relevant government authorities will not require us to pay outstanding amounts and impose late fees or fines on us, in which case our business, results of operations and financial condition could be adversely affected. See “Business — Legal Proceedings and Compliance — Compliance — Non-compliance with social insurance and housing reserve fund contributions.”

We may be unable to attract and retain our Directors, senior management and qualified employees. Failing to do so would adversely affect our operations and growth.

Our success and future growth depend largely upon the continued services of our Directors, senior management and other qualified employees, such as experienced and skilled research and development, medical design, sales and marketing and production personnel. We cannot assure you that these key personnel will not voluntarily terminate employment with us. The loss of any of our key personnel could be detrimental to our operations. Experienced personnel in the clear aligner industry is in high demand, and competition for relevant talents is intense. Many of the companies with which we compete for experienced personnel have greater resources than we have. In particular, in connection with our

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expansion plan and the implementation of our business strategies, we intend to recruit additional R&D personnel, expand our in-house sales team and attract additional medical talent. See "Future Plans and Use of [REDACTED]" for details. We cannot assure you that we will be able to attract and maintain an adequate skilled labor force necessary for us to execute our expansion plans and growth strategies, nor can we guarantee that staff costs will not increase as a result of a shortage in the supply of skilled personnel. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth could be adversely affected.

If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operation and reputation could be materially and adversely affected.

We will become a public company upon completion of the [REDACTED], and our internal controls will be essential to the integrity of our business and financial results. Our public reporting obligations are expected to place a strain on our management, operational and financial resources and systems in the foreseeable future. In preparation for the [REDACTED], we have implemented various measures to further enhance our internal controls, and plan to take steps to further improve our internal controls. If we encounter difficulties in improving our internal controls and management information systems, we may incur additional costs and management time in meeting our improvement goals. We cannot assure you that the measures taken to improve our financial controls will be effective. If we fail to maintain effective internal controls in the future, our business, financial condition, results of operation and reputation may be materially and adversely affected.

Non-compliance with law on the part of any third parties with which we conduct business could disrupt our business and adversely affect our results of operations and financial condition.

Third parties with which we conduct business, such as dental professionals, distributors and suppliers, may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, disrupt our business. Although we conduct review of legal formalities and certifications before entering into contractual relationships with third parties, and take measures to reduce the risks that we may be exposed to in case of any non-compliance by third parties, we cannot be certain whether such third parties have violated any regulatory requirements. For example, dental professionals and/or hospitals and clinics may cause certain injuries to patients as a result of malpractice. In such events, even though we have related disclaimers, we may be involved in legal proceedings regarding malpractice and may even be held liable and have to pay damages to compensate such patients. Even though we have the contractual right to seek indemnification from the relevant hospitals and clinics, there can be no assurance that we will be able to enforce such right. As a result, our business, results of operations and financial condition could be materially and adversely affected. Similarly, suppliers may also not be in full compliance with applicable laws and regulations, which may have an adverse effect on our business, results of operations and financial condition.

We cannot assure you that we will be able to identify irregularities or non-compliance in the business practices of third parties we conduct business with, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. Any legal liabilities and regulatory actions affecting third parties involved in our business may affect our business activities and reputation, and may in turn affect our results of operations and financial condition.

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

We are subject to various environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of waste. Although we do not operate in a highly polluting industry, the manufacturing process of our clear aligners may generate noise, solid waste, exhaust gas and waste water. We have established an environmental protection department and adopted specific environmental protection policies to make our operations more energy efficient and environmentally friendly and to ensure effective compliance with applicable PRC environmental laws and regulations. However, we may not be able to eliminate the risks of contamination or personal injury from these waste. We maintain workers’ statutory compensation insurance to cover costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials. This insurance may not provide adequate coverage against potential liabilities. We engage professional third-party qualified companies for hazardous waste reclamation and disposal. In the event of contamination or personal injury resulting from our exposure to or third parties’ disposal of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage, use or disposal of biological or hazardous materials. We may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research and development and production activities. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

The discontinuation of any of the preferential tax treatments currently available to us could reduce our profitability.

The modified Enterprise Income Tax Law, effective on December 29, 2018, or the EIT Law, and its implementation rules generally impose a uniform income tax rate of 25% on all enterprises, but grant preferential treatment to “High and New Technology Enterprises” (高新技術企業) (“HNTEs”) to enjoy a reduced enterprise tax rate of 15%. Our subsidiary, Wuxi EA, was recognized as a HNTE in 2017, and successfully renewed the HNTE status in 2020. As a result, Wuxi EA was subject to a preferential tax rate of 15% during the Track Record Period. In addition, our subsidiary, Shanghai EA, was recognized as an HNTE in 2019 and enjoyed a preferential tax rate of 15% in 2019 and 2020. As a result, we recorded an effective tax rate of 22.2%, 19.9% and 21.1% in 2018, 2019 and 2020, respectively, which was below the 25% statutory rate. According to the relevant administrative measures, to qualify as an HNTE, Wuxi EA and Shanghai EA must meet certain financial and non-financial criteria and complete verification procedures with the administrative authorities. Continued qualification as an HNTE is subject to a three-year review by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification. In the event the preferential tax treatment for Wuxi EA and Shanghai EA is discontinued or is not verified by the local tax authorities, and the affected entity fails to obtain preferential income tax treatment based on other qualifications such as Advanced Technology Service Enterprise (技術先進型服務企業), it will become subject to the standard PRC enterprise income tax rate of 25%. There is no assurance that we will continue to be qualified to enjoy such HNTE preferential tax treatments, or such treatments will not change in the future, which may have a negative impact on our business, financial condition and results of operations.

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Future acquisitions of businesses, technologies or know-how could materially and adversely affect our business, financial condition and results of operation if we fail to integrate the acquired businesses or technologies successfully into our existing operations or if we discover previously undisclosed liabilities.

To enhance our growth, we may acquire businesses, technologies or know-how that we believe would benefit us in terms of product development, technology advancement or distribution network. Our ability to grow through acquisitions depends upon our ability to identify, negotiate, complete and integrate suitable acquisitions and to obtain any necessary financing. Even if we complete acquisitions, as we have limited experience with significant acquisitions, we may experience:

- difficulties in integrating any acquired companies, technologies, or personnel into our existing business, particularly integrating different quality management, customer service and other business functions;
- delays or failure in realizing the benefits of the acquired company, technologies or know-how;
- diversion of our management’s time and attention from other business concerns;
- higher costs of integration than we anticipated; or
- difficulties in retaining key employees of the acquired business who are necessary to manage these acquisitions.

If we invest in businesses that operate outside of China, these risks may increase because of our limited experience in operating overseas.

An acquisition could also materially impair our results of operation by causing us to incur debt or requiring us to amortize acquired intangible assets. We may also discover deficiencies in internal controls, data adequacy and integrity, product quality and regulatory compliance, and product liabilities in businesses we acquire which we did not uncover prior to such acquisition. Therefore, we may become subject to penalties, lawsuits or other liabilities. Any difficulties in the integration of acquired businesses or technologies or unexpected penalties, lawsuits or liabilities in connection with such businesses or technologies could have a material adverse effect on our business, financial condition and results of operations.

We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.

We may require additional capital beyond those generated by the [REDACTED] from time to time to grow our business, to better serve our customers, develop and enhance our products, and improve our operating infrastructure. Accordingly, we may need to sell additional equity or debt securities or obtain a credit facility. Future issuances of equity or equity-linked securities could significantly dilute our existing shareholders, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our ordinary shares. The incurrence of debt financing would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

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Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the clear aligner industry;
- our future profitability, overall financial condition, results of operations;
- general market conditions for capital raising activities by companies in the clear aligner industry in China, which in turn depends on the prospect of this industry; and
- economic, political and other conditions in China and globally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our business growth could be significantly impaired, and our business and prospects could be adversely affected.

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

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding 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] and assuming the [REDACTED] is not exercised and without taking into account of any Shares that may be issued under the Share Award Schemes, our ultimate Controlling Shareholders will hold [REDACTED] Shares representing [REDACTED]% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of 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.

Any catastrophe, including outbreaks of health pandemics and other extraordinary events, could have a negative impact on our business operations.

We are vulnerable to natural disasters and other calamities. Fire, floods, typhoons, earthquakes, power loss, telecommunications failures, wars, riots, terrorist attacks or similar events may give rise to server interruptions, breakdowns, system failures or Internet failures, which could cause the loss or corruption of customer data, malfunctions of software, hardware and equipment as well as adversely affect our ability to manufacture our products and provide our services.

Our business could also be adversely affected by the effects of COVID-19, Ebola virus diseases, H1N1 flu, H7N9 flu, avian flu, Severe Acute Respiratory Syndrome (SARS), or other epidemics. Our business operation could be disrupted if any of our employees is suspected of having any of the aforementioned epidemics or another contagious disease or condition, since it could require our employees to be quarantined and/or our offices to be disinfected. In addition, our business, results of operations and financial condition could be adversely affected to the extent that any of these epidemics harms the economy of China and other overseas markets in general.

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There may be corrupt practices in the healthcare and medical device industry in China, which may place us at a competitive disadvantage if our competitors engage in such practices.

There may be corrupt practices in the healthcare and medical device industry in China. For example, in order to secure more orders, our competitors or their respective agents or distributors may influence dental professionals, hospital personnel or other decision-makers in ways that violate anti-corruption laws of China. As competition persists and intensifies in our industry, we may lose potential customers or sales if our competitors engage in such practices or other illegal activities.

Failure to complete property leasing registrations for our lease properties may subject us to penalties.

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had not completed the relevant property leasing registrations for our 16 leased properties in China. While the failure to complete the registration process may not affect the validity of the property lease agreements, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. We cannot assure you that in such cases we will be able to complete the registration on a timely basis or at all, which could expose us to penalties and disputes, cause us to incur significant expenses and have a material adverse effect on our business and results of operations.

Our rights to use certain leased properties could be challenged by property owners or other third parties, which may disrupt our operations and cause us to incur relocation costs.

As of the Latest Practicable Date, the lessor of one of our leased properties in China had not provided us with the valid property ownership certificate or other documents evidencing the authorization from the property owner to sublease the property to us. If the lessor had not been duly authorized by the legal owner, the relevant lease agreement may be deemed invalid and, as a result, we may be challenged by the legal owner of the property or other third parties and may be forced to vacate the relevant property, which could interrupt our business operations and cause us to incur relocation costs. See “Business — Properties — Title Defects.”

A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business, financial condition, results of operations and prospects.

The global macroeconomic environment is facing challenges, including the end of quantitative easing by the U.S. Federal Reserve, the economic slowdown in the Eurozone since 2014 and uncertainties over the impact of Brexit. The Chinese economy has shown slower growth compared to the previous decade since 2012 and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world’s leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in market volatility. There have also been concerns over the relationship between China and other countries, including the surrounding Asian countries. Recent international trade disputes, including tariff actions announced by the United States, China and certain other countries, and the uncertainties created by such disputes may cause disruptions in the international flow of goods and services and may adversely affect the Chinese economy as well as global markets and economic conditions. In addition, the recent market panics over the global outbreak of COVID-19 and the drop of oil price materially and negatively affected the global financial markets in March 2020, which may cause slowdown of the world’s economy. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic

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economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations, financial condition and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

The economic, political and social conditions of China could affect our business, financial condition and results of operations.

As part of our business strategy, we are now targeting China’s clear aligner industry by devoting a large amount of resources. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social conditions in China. The Chinese economy differs from the economies of developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial number of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China’s economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot predict future changes in China’s economic, political and social condition and the effect that new government policies will have on our business and prospects. Any actions and policies adopted by the PRC government or any prolonged slowdown in China’s economy, in particular the clear aligner industry or more broadly the medical devices industry, could have a negative impact on our business, results of operations and financial condition in a number of ways.

Uncertainties with respect to the Chinese legal system could have a material adverse effect on our business and operations.

Our business and operations are primarily conducted in China and are governed by applicable Chinese laws, rules and regulations. China’s legal system is based on written statutes and their interpretation by the Supreme People’s Court. Prior court decisions may be cited for reference, but they have limited weight as precedents. Since the late 1970s, the Chinese government has significantly enhanced China’s legislation and regulations to provide protection to various forms of foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us.

Even if we endeavor to comply with relevant laws and regulations, we may not always be able to do so due to a lack of detailed implementation rules by relevant government authorities. In addition, some government authorities (including local government authorities) may not consistently apply regulatory requirements issued by themselves or other Chinese government authorities, making strict compliance with all regulatory requirements impractical, or in some circumstances, impossible. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since Chinese administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into with our distributors, business partners, customers and suppliers. In addition, such

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uncertainties, including the inability to enforce our contracts, together with any development or interpretation of PRC law adverse to us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in China may not be as effective as in the United States or other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention, which in turn could have a material adverse effect on our financial condition and results of operations.

The Chinese government extensively regulates the clear aligner industry. These laws and regulations are relatively new and rapidly evolving. The interpretation and application of existing PRC laws, regulations and policies and possible new laws relating to the clear aligner industry have created substantial uncertainties regarding the legality of the businesses and activities of related businesses in China, including our business operations. There is no assurance that we have obtained all the licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain any new licenses required under any new laws or regulations. There is also no assurance that the Chinese government will not require us to obtain additional licenses in the future. If new regulations require us to obtain additional licenses, we may be prevented from operating in China if we are unable to obtain the required licenses. Any change in the Chinese laws and regulations may therefore significantly disrupt our operations in China and materially and adversely affect our business, results of operations and financial conditions in China.

Government control of currency conversion and future fluctuations in Renminbi exchange rates could have a material adverse effect on our business, results of operations, financial condition and prospects, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Our revenue and expenses are substantially denominated in Renminbi, which is currently not a freely convertible currency, and the [REDACTED] from the [REDACTED] and any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar or U.S. dollar may affect the relative purchasing power in Renminbi terms of the [REDACTED] from the [REDACTED]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Under China's existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to make current account foreign exchange transactions, including paying dividends in foreign currencies without prior approval from SAFE. However, in the future, the Chinese government may take measures, at its discretion, to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. If such measures are implemented, we may not be able to pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require the SAFE's approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

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The value of the Renminbi against the Hong Kong dollar and the U.S. dollar and other currencies fluctuates. It is subject to changes resulting from government policies (including those of the Chinese government) and depends to a large extent on domestic and international economic and political development as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

Our [REDACTED] from the [REDACTED] will be denominated 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 a decrease in the value of our foreign currency-denominated assets and 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 currencies. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost in China, and we have not utilized, and may not in the future utilize, any such instrument. All of these factors could materially and adversely affect our business, results of operations, financial condition and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

We may rely on dividends and other distributions from our PRC subsidiaries to fund our cash and meet financing requirements, and any limitation on the ability of our subsidiaries to make payments to us could materially and adversely affect our ability to conduct our business.

As an offshore holding company, we may rely in part on dividends from our PRC subsidiaries for our cash requirements, dividends payments and other distributions to our Shareholders, and to service any debt that we may incur and pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. In particular, PRC regulations permit our subsidiaries to pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required each year to set aside at least 10.0% of its annual after-tax profits (as determined under PRC accounting standards) into its statutory reserve fund until the aggregate amount of that reserve reaches 50.0% of such entity’s registered capital. These reserves are not distributable as cash dividends.

If our PRC subsidiaries incur debt on their own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitation on the ability of our subsidiaries to distribute dividends or other payments to us could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends and otherwise fund and conduct our business.

PRC regulations over loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, capital contributions by an offshore holding company to its wholly-owned subsidiary in China shall obtain approvals from or make record filings with the Ministry of Commerce of the PRC (“MOFCOM”) or its local counterpart and register with the SAMR or its local counterpart to make capital contributions to the foreign-invested enterprises. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches, and our PRC subsidiaries may not procure loans exceeding the difference between its registered capital and its total investment amount as approved by or registered with MOFCOM

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or its local branches. We may not obtain these government approvals or complete such registrations on a timely basis, or at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registration, our ability to use the [REDACTED] of the [REDACTED] to fund our operations in China may be negatively affected, which in turn could adversely affect our ability to finance and expand our business.

SAFE issued the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) (the “Circular 19”) which took effect on June 1, 2015 and was amended on June 9, 2016 and December 30, 2019. The Circular 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in the PRC, provided that such usage shall fall into the scope of business of the foreign invested enterprise, which will be regarded as the reinvestment of foreign-invested enterprise. In addition, SAFE promulgated the Circular Regarding Further Promotion of the Facilitation of Cross-Border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知) (“SAFE Circular 28”) on October 23, 2019, pursuant to which all foreign invested enterprises can make equity investments in the PRC with their capital funds in accordance with the law. As SAFE Circular 28 is new and the relevant government authorities have broad discretion in interpreting the regulation, it is unclear whether SAFE will permit such capital funds to be used for equity investments in the PRC in practice. The Circular 19 and SAFE Circular 28 may significantly limit our ability to transfer to and use in China the [REDACTED] from the [REDACTED], which may adversely affect our business, results of operations and financial condition.

Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, may limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, may limit the ability of our PRC subsidiaries to distribute profits to us or may otherwise materially and adversely affect us.

SAFE issued the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicle (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “Circular 37”) on July 4, 2014, which became effective on July 4, 2014. Circular 37 supersedes the Circular on Foreign Exchange Administration of Overseas Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles on (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the “Circular 75”), promulgated by SAFE on October 21, 2005 and effective on November 1, 2005. Circular 37 requires that (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV’s PRC resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division. Additionally, pursuant to the Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “Circular 13”), which was promulgated on February 13, 2015 and became effective on June 1, 2015, and was amended on December 30, 2019, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

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As confirmed by our PRC legal advisors, Ms. LI Huamin (李華敏) and other eighty-one individual shareholders who indirectly hold shares in the Company, being PRC residents as defined under the Circular 37 and Circular 75 have completed the foreign exchange registration under Circular 37 and Circular 75. It remains unclear how Circular 37 and Circular 13 will be interpreted and implemented, and how or whether the relevant Chinese government authorities will apply them to us. Therefore, we cannot predict how they will affect our business operations or future strategies. For example, the ability of our present and prospective PRC subsidiaries to conduct foreign exchange activities, such as the remittance of dividends and foreign currency-denominated borrowings, may be subject to compliance with Circular 37 and Circular 13 by our PRC resident beneficial holders. In addition, as we have little control over either our present or prospective, direct or indirect Shareholders or the outcome of such registration procedures, we cannot assure you that these Shareholders who are PRC residents will amend or update their registration as required under Circular 37 and Circular 13 in a timely manner or at all. Failure of our present or future Shareholders who are PRC residents to comply with Circular 37 and Circular 13 could subject these Shareholders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit the ability of our PRC subsidiaries to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations.

On August 8, 2006, six PRC regulatory authorities, including MOFCOM, the State Assets Supervision and Administration Commission, SAT, the State Administration for Industry and Commerce, the CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”), which became effective on September 8, 2006 and was amended in June 22, 2009. The M&A Rules, governing the approval process by which a PRC company may participate in an acquisition of assets or equity interests by foreign investors, requires the PRC parties to make a series of applications and supplemental applications to the government agencies, depending on the structure of the transaction. In some instances, the application process may require presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Accordingly, due to the M&A Rules, our ability to engage in business combination transactions has become significantly more complicated, time-consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our Shareholders or sufficiently protect their interests in a transaction.

The M&A Rules allow Chinese government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to MOFCOM and other relevant government agencies an appraisal report, an evaluation report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The M&A Rules also prohibit a transaction at an acquisition price obviously lower than the appraised value of the PRC business or assets and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. In addition, the M&A Rules also limit our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Therefore, such regulation may impede our ability to negotiate and complete a business combination transaction on legal and/or financial terms that satisfy our investors and protect our Shareholders’ economic interests.

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

Pursuant to the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC 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) (the “Bulletin 7”), an “indirect transfer” of PRC taxable assets, including a transfer of equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, factors to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly hold PRC taxable assets have real commercial nature, which is evidenced by their actual function and risk exposure; the duration of shareholders, existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be reported on with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements. Late payment of applicable tax will subject the transferor to default interest. Gains derived from the sale of shares by investors through a public stock exchange will not be subject to PRC enterprise income tax pursuant to Bulletin 7 where such shares were acquired in a transaction through a public stock exchange.

There are uncertainties as to the application of Bulletin 7. Bulletin 7 may be determined by the tax authorities to be applicable to sale of the shares of our offshore subsidiaries or investments where PRC taxable assets are involved. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, or the sale of the shares in our offshore subsidiaries or investments. Our Company may be subject to filing obligations or taxes if our Company is the transferor in such transactions, and may be subject to withholding obligations if our Company is the transferee in such transactions, under Bulletin 7. For transfers of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiary may be requested to assist with the filing under Bulletin 7. As a result, we may be required to expend valuable resources to comply with Bulletin 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company should not be taxed under Bulletin 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries or investments, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Bulletin 7, or under Bulletin on Issues Concerning the Withholding of Non-PRC Resident Enterprise Income Tax at Source (關於非居民企業所得稅源泉扣繳有關問題的公告), our income tax costs associated with such potential acquisitions or disposals will increase, which may have an adverse effect on our financial condition and results of operations.

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We may be deemed to be a PRC tax resident under the EIT Law, and as a result, our global income could be subject to PRC withholding tax and enterprise income tax.

We are a holding company incorporated under the laws of the Cayman Islands and hold interests in our PRC subsidiaries. Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “EIT Law”), effective in January 2008, as amended on February 24, 2017 and December 29, 2018, and its implementation rules, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10.0% withholding tax, unless such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The EIT Law and EIT implementation rules also provide that if an enterprise incorporated outside China has its “de facto management bodies” within China, such enterprise may be deemed a “PRC resident enterprise” for tax purposes and be subject to an enterprise income tax rate of 25.0% on its global incomes. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, SAT promulgated a circular, known as Circular 82, and partially amended by Circular 9 promulgated in January 2014, to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises or PRC enterprise groups. Under Circular 82, a foreign enterprise is considered a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are located mainly within China; (2) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, SAT issued a bulletin, known as Bulletin 45, effective in September 2011 and last amended on June 15, 2018 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 provides for, among other matters, procedures for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general.

However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. However, if the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we will be subject to the uniform 25.0% enterprise income tax on our global incomes. In addition, although the EIT Law provides that dividend payments between qualified PRC-resident enterprises are exempt from enterprise income tax, due to the relatively short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

There remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC tax authorities, and the PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our shares may be materially affected.

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Investors of our [REDACTED] may become subject to PRC income tax.

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us or the gains realized upon the sale or other disposition of our [REDACTED]. In general, non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate under the PRC Individual Income Tax Law. We are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdictions in which the foreign individuals reside reduce or provide an exemption for the relevant tax obligations.

For non-PRC resident enterprises that do not have establishments or premises in China, or have establishments or premises in China but their income is not related to such establishments or premises, under the EIT Law, dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of [REDACTED] are ordinarily subject to PRC enterprise income tax at a 10% rate subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

There remains uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including the taxation of capital gains by non-PRC resident enterprises, and individual income tax on gains realized on the sale or other disposition of [REDACTED]. The PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and interpretation or application with respect to such laws, the value of your investment in our [REDACTED] may be materially affected.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits is defined as our profits after taxes as determined under PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable our company to make dividend distributions to its shareholders in the future, including periods for which our company's financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our company may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice-versa. Accordingly, we may not receive sufficient distributions from our PRC subsidiaries. Failure by our operating subsidiaries in the PRC to pay dividends to us could have a negative impact on our cash flow and ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

It may be difficult to enforce a judgment obtained from non-PRC courts against our company or our Directors or senior executive officers residing in China.

Substantially all of our Directors and senior management members reside within China, and substantially all of our assets and the assets of our Directors and senior management members are located within China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or these individuals. Moreover, China does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards.

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On July 14, 2006, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “2006 Arrangement”). Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “2019 Arrangement”), the commencement date of which shall be announced after the Supreme People’s Court promulgates judicial interpretations and relevant procedures are completed in Hong Kong. The 2019 Arrangement will supersede the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a “choice of court agreement in writing” entered into before the 2019 Arrangement taking effect. However, there remains uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in China.

Furthermore, an original action may only be brought in China against us or our Directors and senior management if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether investors will be able to bring an original action in China in this manner.

The performance and reliability of the Internet infrastructure and wireless and landline telecommunications networks in China will affect our operations and growth, including our ability to accommodate prospective customers in the future.

With our principal executive offices located in China, we conduct central management and regulate and monitor our overall manufacturing operations relying on wireless and landline telecommunications networks in China. The national networks in China are connected to the Internet through international gateways controlled by the Chinese government, which are the only channels through which a domestic user can connect to the Internet in China. These international gateways may not support the demand necessary for the continued growth in internet traffic by users in China. We cannot assure you that the development of China’s information infrastructure will be adequate to support our operations and growth. In addition, in the event of any infrastructure disruption or failure, we would have no access to alternative networks and services on a timely basis, if at all, which could have a material adverse effect on our business, results of operations and prospects.

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 or other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (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) (the “Stock Option Rules”), which replaced the earlier rules promulgated by SAFE in March 2007. Under the Stock

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Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with SAFE and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who have been granted stock options will be subject to the Stock Option Rules upon completion of the [REDACTED]. Failure by the PRC resident holders of our share options to complete their SAFE registrations may subject them to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business.

RISKS RELATING TO THE [REDACTED]

There has been no [REDACTED] for our [REDACTED], and the liquidity and market price of our [REDACTED] may be volatile.

Prior to the [REDACTED], there has been no public market for our [REDACTED]. The [REDACTED] range for our [REDACTED] was the result of negotiations between us and the [REDACTED] on behalf of the [REDACTED], and the [REDACTED] may differ significantly from the market price for our [REDACTED] following the [REDACTED]. We have [REDACTED]. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our [REDACTED] will develop, or if it does develop, that it will be sustained following the [REDACTED] or that the market price of our [REDACTED] will not decline following the [REDACTED]. Furthermore, the market price and trading volume of our [REDACTED] may be volatile. The following factors may affect the trading volume and market price of our [REDACTED]:

- actual or anticipated fluctuations in our operating performance and revenue;
- news regarding recruitment or departure of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and industries, and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of Shares by us or other Shareholders.

Moreover, the capital market has from time to time experienced significant price and trading volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our [REDACTED].

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An active and liquid trading market for our [REDACTED] may not develop.

Prior to the [REDACTED], our Shares were not traded on any other market. We cannot assure you that an active and liquid trading market for our Shares will be developed or be maintained after the [REDACTED]. Liquid and active trading markets usually result in less price volatility and more efficiency in carrying out investors' purchase and sale orders. The market price of our Shares could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our Shares, you could lose a substantial part or all of your investment in our Shares.

Since there will be a gap of several days between [REDACTED] and [REDACTED] of our [REDACTED], holders of our [REDACTED] are subject to the risk that the price of our Shares could fall during the period before [REDACTED] of our Shares begins.

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

[REDACTED]

The market price and trading volume of our [REDACTED] may be volatile, which could result in rapid and substantial losses for our Shareholders.

The market price of our Shares may be highly volatile and could be subject to significant fluctuations. In addition, the trading volume of our [REDACTED] may fluctuate, which may cause significant price variations. Some of the factors that could negatively affect the price of our Shares, or result in fluctuations in the price or trading volume of our [REDACTED] following the [REDACTED] include:

- variations in our operating and financial results, such as turnovers, earnings and cash flow;
- our failure to execute our strategies;
- an unexpected business interruptions resulting from operational breakdowns, natural disasters, or major changes in our key personnel or senior management;
- adverse market reaction to any indebtedness that we may incur or securities that we may issue in the future;
- changes in market valuations of similar companies;

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- changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting our ability to obtain or maintain regulatory approval for our products;
- inadequate protection of our intellectual property rights or legal proceedings brought against us for infringement of third parties’ intellectual property rights;
- unexpected costs of litigations and unfavorable outcomes of claims arising out of defective products and safety related governmental investigations and actions; and
- general political, financial, social and economic conditions.

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

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return. For details of our intended [REDACTED], see “Future Plans and Use of [REDACTED].” However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific use we will make of the [REDACTED] from this [REDACTED].

Future sales or perceived sales of substantial amounts of our securities in the public market could have a material and adverse effect on the prevailing market price of our [REDACTED] and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.

Future sales of substantial amounts of our [REDACTED] or other securities relating to our [REDACTED] in the [REDACTED], or the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur could all cause a decline in the market price of our [REDACTED]. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our [REDACTED], including part of any future offerings, could also materially and adversely affect the prevailing market price of our [REDACTED] and our ability to raise capital in the future at a time and at a price which we deem appropriate.

We may not be able to pay any dividends on our Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. For details, see “Financial Information — Dividend.”

[REDACTED]

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Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters.

The words "anticipate," "believe," "could," "potential," "continue," "expect," "intend," "may," "plan," "seek," "will," "would," "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a result, these forward-looking statements should be considered in light of various important factors, including those set out in "Risk Factors" in this document. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

The industry data and forecasts in this document obtained from various government publications and the industry report have not been independently verified.

This document includes industry data and forecasts that we obtained from various government publications and the industry report that we believe are reliable. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot assure you of the accuracy or completeness of information obtained from these sources. We have not independently verified any of the data, forecasts and other statistics from such sources, nor have we ascertained that the underlying economic assumptions relied upon in those sources. Also, these facts, forecasts and other statistics have not been independently verified by the [REDACTED], their respective directors and advisors or any other parties involved in the [REDACTED] and none of them make any representation as to the accuracy or completeness of such information in respect of the CIC Report and the information therein. Moreover, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside China. For these reasons, you should not place undue reliance on such information as a basis for making your investment in our [REDACTED].

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

Prior to the publication of this document, there has been and there may also be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us, our business, our industries and the [REDACTED], which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of such projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.