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Prospective investors should consider carefully all the information set out in this document and, in particular, should consider the following risks and special considerations in connection with an [REDACTED] in our Company before making any [REDACTED] decision in relation to the [REDACTED].

The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial condition and prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your [REDACTED].

This document contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] could decline due to any of these risks, and you may lose all or part of your [REDACTED].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the PRC or elsewhere, including but not limited to the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or the novel coronavirus named COVID-19 by the World Health Organization, could materially disrupt our business and operations.

Since December 2019, a novel strain of 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. The Chinese government’s efforts to contain the spread of COVID-19, including city lockdowns or “stay-at-home” orders, suspension of non-emergency 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 general economy and normal business operations across sectors. As a result, China’s overall dental services market had been negatively impacted.

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Specifically, the COVID-19 pandemic adversely affected our operating and financial performance in fiscal 2020, in particular, during the fourth quarter of fiscal 2020. In response to mandated shutdowns and limited operation orders instituted across China from February to April 2020, the peak of the COVID-19 outbreak in China, we temporarily closed all of our hospitals and clinics in February 2020, partially resuming operations in March 2020 and fully resuming operations in May 2020. As a result, we experienced an immediate and drastic reduction in revenue levels and patient visits, particularly from February 2020 to April 2020, compared to the same periods in 2019. In February 2020, we had patient visits of 600, compared to 67,707 in February 2019. In March 2020, we had patient visits of 21,043, compared to 111,038 in March 2019. In April 2020, we had patient visits of 68,130, compared to 98,446 in April 2019. In May 2020, we had patient visits of 98,448, compared to 102,323 in May 2019. Our revenues decreased by 56.9% from RMB270.7 million in the three months from February 2019 to April 2019, to RMB116.6 million in the same period in 2020. Our revenues increased by 16.5% from RMB104.1 million in May 2019 to RMB121.3 million in May 2020.

COVID-19 had also adversely impacted our gross profit margin. Our gross profit margin decreased from 15.2% in fiscal 2019 to 10.1% in fiscal 2020, primarily due to the combination of: (i) the substantial slowdown in revenue growth due to the effects of the COVID-19 pandemic, with revenues only increasing slightly by 1.8% from RMB1,080.3 million in fiscal 2019 to RMB1,099.9 million in fiscal 2020, and (ii) cost of sales increasing by 7.9% from RMB916.5 million in fiscal 2019 to RMB988.5 million in fiscal 2020 despite the COVID-19 pandemic, as we still had to pay fixed costs such as rent and employee salaries for our hospitals and clinics in spite of temporary closures in February through April 2020. For details of the impact of COVID-19 on our business, results of operations and financial condition, see “Financial Information—Impact of COVID-19 Pandemic on Our Business and Financial Performance.”

Furthermore, since late May 2021, new regional COVID-19 outbreaks have hit certain areas in China, including Guangzhou, Nanjing, and Heilongjiang and Fujian province, which subsequently spread to several other cities. To contain the spread of COVID-19, local governments imposed various restrictions on business and social activities, including travel restrictions and mandate of temporary shutdown of business operations across certain regions. As a result, we had a slowdown in patient visit growth and revenue growth in the affected areas from June to September in 2021, compared to the same periods in 2020. For details of the impact of recent resurgence of regional COVID-19 outbreaks on our business, see “Summary—Recent Developments—Recent Resurgence of Regional COVID-19 Outbreaks.”

We have experienced a strong rebound of our business since May 2020, as the Chinese government gradually lifted restrictions and quarantine measures in China. However, we cannot assure you that our business and its growth rate will not be negatively affected by the pandemic in the future. 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

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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 reasonably 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 COVID-19 and the duration of its 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 to employees, and requiring all employees to report their recent travel history. However, if any of our employees, especially our dentists, 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, dental equipment and other premises to be closed and disinfected. As a result, our business operations would be materially and adversely affected.

We may not be able to achieve and maintain an optimal balance between our business expansion and profitability by effectively managing the number and mix of our hospitals and clinics in different stages.

We were in an operating loss position in fiscal 2019 and 2020, and swung to an operating profit in fiscal 2021 and the six months ended September 30, 2021. Further, we recorded substantial and growing net cash inflows from operating activities during the Track Record Period. We expect our operating cash flows to further improve, see “Financial Information—Working Capital” for more details. As of December 31, 2021, we had RMB1.1 billion in cash and cash equivalents. Although we believe that we are well-positioned to achieve sustainable growth, we had net losses during the Track Record Period and had net liability positions as of March 31, 2019, 2020 and 2021 and September 30, 2021, and had net current liability positions as of March 31, 2019, 2020 and 2021, respectively.

We expect to further improve our financial performance and achieve net profitability in the near future through continuous revenue growth and improved cost efficiency. To grow our revenues, we will further expand our existing dental network and penetrate into new markets across China, see “Future Plans and Use of [REDACTED]” for more details on new hospitals and clinics we plan to open from fiscal 2022 to 2027. At the same time, the maturation of our existing hospitals and clinics into fully-fledged hospitals and clinics can help us achieve better performance in important operating metrics such as visits and revenue per dental chair, driving improvements in key financial metrics such as revenues, gross profit and gross profit margin. Going forward, we expect the percentage of our hospitals and clinics in the fully-fledged stage

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to remain no less than 50%, driving our overall profitability, and the percentage of our ramp-up hospitals and clinics to remain around 30%, taking into account the new hospitals and clinics we plan to open with the net [REDACTED] from the [REDACTED].

By balancing the scale of our network growth through opening new hospitals and clinics and improvements to profitability and cost efficiencies through the continued maturation of our existing hospitals and clinics, we are able to thoughtfully manage our business with an aim of continuously growing our overall revenues, improving our gross profit margin and quickly achieving profitability. For more details on our plans on achieving net profitability, see “Business—Path to Net Profitability”.

However, we may not be able to achieve and maintain an optimal balance between our business expansion and profitability by effectively managing the number and mix of our hospitals and clinics in different stages. Furthermore, hospitals and clinics in any development stage may underperform and thus adversely impact our overall results of operations. Please also refer to other relevant risks set forth in this Risk Factors section, including “—Newly opened or acquired dental hospitals and clinics may not achieve normal operation as anticipated, which could materially and adversely affect our business and results of operations.” and “—Our expansion strategies across the PRC are subject to uncertainties and risks. We may not be able to implement our business strategies on schedule or within our budget or at all.”

In addition, our expected timeframe to achieve net profitability is based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future, and thus involves known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements to be materially different from such estimate. If we are not able to strike a balance between our business expansion and profitability by effectively managing the number of our hospitals and clinics in different stages, our business, results of operation, and financial condition would be materially and adversely impacted.

If we fail to ramp up our dental hospitals and clinics as planned, we may continue to incur operating losses in the future.

In fiscal 2019 and 2020, we had operating losses of RMB84.0 million and RMB133.4 million, respectively. The primary reason for our operating losses in such fiscal years was the continued growth of our business, and in particular, the rapid ramping up of our business scale and the substantial expansion of our dental clinic and hospital network during the Track Record Period, as well as the adverse effects of the COVID-19 pandemic in fiscal 2020. While the increasing number of our hospitals and clinics reaching the fully-fledged stage has driven us toward better operating and financial performance, and we achieved operating profit of RMB124.5 million and RMB43.1 million for fiscal 2021 and the six months ended September 30, 2021, we cannot assure you that our expansion and ramping up plan will be successfully implemented. Our ability to successfully ramp up our hospitals and clinics as planned is subject to a number of risks, including the performance of our existing hospitals and clinics,

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competitive landscape, customer preference, brand recognition and macroeconomic and regulatory environment. Therefore, our revenues may not grow at the rate we expect and it may not increase sufficiently to offset the increase in our costs and expenses. We may continue to incur operating losses in the future.

The establishment of dental hospitals and clinics in the PRC require various permits, licenses, certificates and government approvals. There can be no assurance that we can obtain or renew any of them in a timely manner or at all.

In expanding our operations in the PRC, we are required to obtain various permits, licenses, certificates and other approvals from various government authorities in the PRC, including the relevant healthcare administrative authorities. For details, see the section headed “Regulatory Overview—Applicable Laws and Regulations to Our Business in the PRC” in this document. Obtaining each of such permits, licenses, certificates and approvals may be subject to fulfillment of certain conditions, some of which may be beyond our control. We may also be affected for regulatory reasons as we are generally required to undergo certain regulatory reviews and approval processes from various government agencies and departments in the PRC, including relevant healthcare administrative authorities. Any changes in laws and regulations or material delay in the approval process of any government authorities could cause our failure or delay in obtaining the required permits, licenses, certificates and other approvals. There is no assurance that we will be able to obtain all necessary permits, licenses, certificates and approvals for opening or acquiring dental hospitals and clinics in the PRC in a timely manner or at all. There is also no assurance that we will not encounter problems in fulfilling any or all of the conditions imposed in respect of the granting of such permits, licenses, certificates and approvals, or that we will be able to expeditiously adapt to new laws, regulations or policies that may come into effect from time to time.

We lease properties in various place as premises for our dental hospitals and clinics and office space. Any non-renewal of leases, substantial increase in rent, or any failure to comply with applicable laws and regulations may affect our business and financial performance.

As all our dental hospitals and clinics are currently located at leased properties, our operations are particularly susceptible to fluctuations in the property rental market. Before the expiry of each of our leases, we have to negotiate the terms of renewal with our respective lessors. The term of the lease agreements for our dental hospitals typically varies from 10 years to 15 years, and the term for our dental clinics typically varies from 3 years to 5 years. For details of the expiry date of each lease, please refer to the section headed “Business—Properties” in this document. There is no assurance that our existing leases would be renewed on similar or favorable terms or at all, in particular with respect to the amount of rent and the term of the lease. Any substantial increase in the rent of our leased properties may increase our property rental and related expenses, which could materially and adversely affect our profitability.

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There is also no assurance that our existing leases will not be terminated early by the lessors before the expiry of the relevant term. In the event that we are required to relocate our dental hospitals and clinics, there is no assurance that we will be able to identify comparable locations in a timely manner or at all or that we will secure a lease on comparable terms. We may also incur substantial reinstatement, relocation and renovation costs. In addition, it typically takes new dental hospitals or clinics a period of time to achieve a utilization rate comparable to the existing ones, due to factors such as the time needed to find suitable locations, build patient awareness in the local community, renovate new hospitals and clinics, and integrate the operations of such hospitals and clinics into our existing dental network. Any non-renewal of lease of either of our dental hospitals and clinics may have a material adverse effect on our business, results of operations and financial condition.

In addition, some of these leased properties do not meet certain property-related requirements under PRC laws and regulations. For example, as of the date of this document, 155 of our lease agreements had not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisers, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. Please refer to the section headed “Business—Licenses, Permits and Approvals” in this document for more details.

Further, we have entered into certain lease agreements with parties who have not provided us with evidence of proper legal title to the leased premises. If such parties are not the legal owners or they failed to obtain the proper authorization from the legal owners of the premises, and the actual owners successfully challenge the validity of the relevant lease, we would be forced to relocate.

Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our business operations occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. We cannot assure you that we will be able to relocate such operations to suitable alternative premises, and any such relocation may result in disruption to our business operations and thereby result in loss of earnings. There is also no assurance that we will be able to effectively mitigate the possible adverse effects that may be caused by such disruption, including loss and costs. Any of such disruption, loss or costs could materially and adversely affect our financial condition and results of operations.

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Newly opened or acquired dental hospitals and clinics may not achieve normal operation as anticipated, which could materially and adversely affect our business and results of operations.

To achieve operating results comparable to our existing dental hospitals and clinics, it typically takes the newly opened or acquired dental hospitals and clinics a period of time, due to factors such as the time needed to build patient awareness in the local community and to integrate new hospitals and clinics into our existing dental network. Furthermore, the opening and acquisition of the new dental institutions involve regulatory approvals and reviews by various authorities in the PRC, including relevant health authorities. We may not be able to obtain all the required approvals, permits or licenses for the opening and acquisition of dental hospitals and clinics in a timely manner or at all. Meanwhile, as they ramp up their businesses, the operating results generated from the newly opened and acquired dental hospitals and clinics may not be comparable to those generated from any of our existing dental hospitals and clinics. The newly opened and acquired entities may not eventually generate our expected financial returns, which could adversely affect our operating results.

In addition, our operating results could be influenced by the timing of opening new dental hospitals and clinics and the number of newly opened dental hospitals and clinics. New dental hospitals and clinics generally have lower income and higher operating costs during the initial stages of their operations. In addition, newly opened dental hospitals and clinics typically require a large amount of investments for construction, decoration and/or renovation of the property, recruitment of suitable staff, and purchase of dental and other equipment. As a result, relevant costs and expenses, such as depreciation of property, plant and equipment, staff expenses and rental expenses, begin to accrue at this early, ramp-up stage. Accordingly, the number and timing of new dental hospital and clinic openings have, and may continue to have, an impact on our profitability, in particular on our short-term financial performance. As a result, our results of operations may fluctuate from period to period, and the period-to-period comparisons of our operating results during the Track Record Period may not be indicative of the future performance of our operating results.

We conduct our business in a heavily regulated industry and incur on-going compliance costs as well as face penalties for non-compliance.

We conduct our business in a heavily regulated industry, therefore, incur on-going compliance costs, and face potential penalties for non-compliance. The laws and regulations mainly relate to the requirements for medical institutions and equipment, licensing and filings for conducting sales of medical device and the licensing, qualifications and number of medical professionals. Please refer to the section headed “Regulatory Overview” in this document for more details. Accordingly, our dental hospitals and clinics and our dentists are subject to periodic licensing renewal requirements and inspections by various government agencies and departments.

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In addition, any changes in laws and regulations, or any change of interpretation thereof, could require us to obtain additional licenses, permits, approvals or certificates, result in the invalidation of our currently owned licenses, permits, approvals or certificates, or result in us being regarded as not in compliance with the relevant laws and regulations thereby subjecting us to penalties and/or other legal consequences.

Furthermore, we are subject to various environmental, health and safety laws and regulations, including those governing water discharge licenses and fire safety filings. If we fail to comply with these laws and regulations, we could face penalties which could adversely affect our brand, reputation, business, results of operation and prospects.

If we fail to obtain or renew any necessary licenses, permits, approvals and certificates, or if our medical professionals become unlicensed at any time during their practices at our dental hospitals and clinics, or if we are found to be non-compliant with any of these laws, regulations or rules, we may face penalties, suspension of operations or even revocation of operating licenses, permits, approvals or certificates, depending on the nature of the findings. Any such event could adversely affect our business, financial condition, results of operations and prospects.

In addition, there is no assurance that the government authorities of the PRC will not impose more stringent laws, rules, regulations or industry standards in connection with the provision of dental services. There is also no assurance that we will be able to adapt to such changes in a timely manner. Even if we are able to be compliant with such new laws, rules, regulations or industry standards and the regular audit of the same, it may significantly increase our operating costs, which may in turn lower our profit margins. Any of the abovementioned circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

Our professional indemnity insurance coverage and other insurance coverage may not be sufficient to cover the risks related to our business and operations.

We are exposed to potential liabilities that are inherent to the provision of dental services. We currently do not maintain any form of medical liability insurance for our dental hospitals and clinics or our dentists. Therefore, we may be subject to losses and liabilities for any future claims against us. As advised by our PRC Legal Advisers, our dental hospitals and clinics are not required by any applicable laws or regulations of the PRC to maintain medical liability insurance or product liability insurance. According to Frost & Sullivan, there are no legal or regulatory requirements in China that require dental services providers to maintain medical liability insurance nor product liability insurance, and therefore our lack of medical liability insurance and product liability insurance is in line with industry practice. While we have obtained property insurance to cover properties damage that are generally associated with our business operations and public liability insurance to cover third party bodily injury in our premises, the insured amount may not be sufficient to cover damages or losses or to restore our operations when insured event occurs. Therefore, there is no assurance that our existing insurance coverage will be able to cover all types of risks involved in our business operations

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or be sufficient to cover the full extent of losses, damages or liabilities arising therefrom. In addition, there are certain types of risks, such as acts of god, for which insurance coverage is generally not available on commercially acceptable terms or at all. If we suffer any losses, damages or liabilities in the course of our business operations, we will have to bear all of such losses, damages or liabilities. Further, even if we have maintained insurance coverage for a specific area of business operations, there is no assurance that we will be able to successfully claim for compensation under the relevant insurance policy or that the claim will be fully insured within the maximum amount of our insurance coverage. In such circumstances, our business operations, financial condition and results of operations may be materially and adversely affected.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our bond and warrants.

During the Track Record Period, we issued a bond to a bond investor and warrants as an upfront payment of issuing a bond, both of which are designated as financial liabilities at fair value profit or loss. For fiscal 2021 and the six months ended September 30, 2021, we realized net fair value losses from the bond of RMB16.7 million and RMB22.7 million, and net fair value losses from the warrants of RMB26.8 million and RMB13.7 million. The fair value changes in our bond and warrants represent the changes in fair value of the outstanding bond and warrants and relate to the changes in our valuation. While we do not expect to record any further fair value changes of warrants with respect to the Warrants after the [REDACTED], since the Warrants were terminated on June 29, 2021, we may issue new warrants after the [REDACTED] and may incur losses from the fair value changes in the newly issued warrants. In addition, we cannot assure you that we will not incur any losses from the fair value changes in our existing or any newly issued bond securities in the future. If we continue to incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. For further details, see Notes 29, 29.1, 29.2 and 39 to the Accountant’s Report in Appendix I to this document.

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

We have invested in, and intend to continue to selectively invest in bank structured deposits issued by reputable commercial banks. We had financial assets at fair value through profit or loss of RMB12.3 million, RMB77.1 million, RMB81.0 million and RMB36.0 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively. The fair value changes of our investments measured at fair value through profit or loss may negatively affect our financial performance.

The valuation of our investments requires significant unobservable inputs, including expected volatility and expected rate of return, in valuing certain of our financial assets at fair value through profit or loss. The fair value changes of financial assets measured at fair value through profit or loss may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be

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subject to material changes, and therefore inherently involves a certain degree of uncertainty. For instance, we had net fair value gains on financial assets at fair value through profit or loss of RMB0.6 million, RMB 0.7 million, RMB6.1 million and RMB0.3 million for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets. These factors include changes in general economic condition, market interest rates and stability of the capital markets. Any of these factors could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition.

We are dependent on our dentists. Our financial results may be affected if we are not able to retain our existing dentists or attract suitable professionals to join us.

Our future success depends on our ability to retain, attract and motivate a sufficient number of qualified and experienced dentists, who are essential in supporting our expanding dental network and providing superior dental services and patient experience.

As we recruit new dentists on a continuous basis, the recruitment of qualified candidates can be highly competitive. We compete with both public and private dental services providers, and the supply of qualified and seasoned dentists is limited. Our ability to attract and retain competent personnel is dependent on several factors, such as our reputation, financial remuneration and job satisfaction. To compete with other dental services providers for such dentists, we have experienced and expect to continue to experience pressure to offer more competitive compensation to our dentists due to the current shortage of dentists. We cannot guarantee that we will win the competition for these qualified and experienced dentists.

We may also be subject to the constant risks that our competitors will poach our experienced dentists with attractive incentives. Failure to retain, attract or motivate qualified and experienced dentists and other professionals could adversely affect our operations in the existing dental hospitals and clinics.

We may be subject to complaints, investigations or legal proceedings relating to alleged malpractice or misconduct in the services provided by our employees, which could harm our reputation, brand image and results of operations.

The treatment performance of our employees as well as their communication and relationship with our patients are vital to our business, particularly due to our front-line staff who have high degree of interactions with our patients.

We rely on our employees in our dental hospitals and clinics to make proper decisions regarding the services provided to our patients. Any incorrect decisions on the part of our employees, or any failure by us to properly manage the activities of our dental hospitals and clinics may result in undesirable or unexpected outcomes, including complications, injuries

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and even deaths in extreme cases. We may be subject to complaints, claims or legal proceedings initiated by our patients as a result of any negative physical reaction to our services. We have been and will continue to be susceptible to complaints associated with our services from time to time.

Furthermore, our employees represent our image and reputation. As such, the unsatisfied performance of treatment and operation of equipment by our employees could affect our reputation. As a result we may lose existing clients and be unable to attract new clients, which could decrease our sales and may be materially and adversely affect our business, results of operations and financial condition.

During the Track Record Period, we had a customer complaint rate of 0.016%. Our Directors confirm that all of those complaints were properly addressed as at the Latest Practicable Date. During the Track Record Period, no member of our Group was involved in any litigation or arbitration related to those complaints. However, we cannot guarantee we will not be subject to such patient complaints or that we can successfully prevent or address all patient complaints in the future.

Our expansion strategies across the PRC are subject to uncertainties and risks. We may not be able to implement our business strategies on schedule or within our budget or at all.

The growth of our business depends to a significant extent on the successful implementation of our expansion strategies. We plan to continuously expand our dental network across the PRC through both organic growth and strategic acquisition. The execution of our expansion plans is expected to require management attention and efforts and incur additional expenditures. Our ability to successfully expand into new markets depends on many factors including, among others, our ability to:

- identify suitable geographic markets for the type of services we offer;
- identify local consumer preferences;
- identify, capture or execute acquisition opportunities;
- address local market competition;
- hire, train and retain a growing team of qualified dentists and other personnel; and
- secure financing or maintain sufficient capital to invest in new dental hospitals and clinics or making acquisitions.

Any factors listed above, either individually or in aggregate, may delay or hinder our plan to increase the number of hospitals and clinics in desirable locations at manageable cost levels. Furthermore, customer demands for our services may not be as strong as we expect to support

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our rapid business growth, which may result in over-expansion of our dental network. Although our expansion plan, which we believe will allow us to increase market shares while achieving sustainable profitability in the long term, was determined by our management based on thorough market analyses, there can be no assurance that actual market demands may meet our expectation. If our expansion plan turns out to be aggressive, our business, results of operation, liquidity and financial condition would be materially adversely impacted.

In 2017, we identified four clinics that satisfied our criteria for acquisition. However, because these clinics were incorporated in the form of sole proprietorships, we were unable to acquire them and therefore entered into exclusive consultation and service agreements with them in exchange for annual service fees. Under these exclusive consultation and service agreements, we are engaged by each of the four clinics to provide exclusive operational management services and are entitled to receive a service fee equal to the amount of net profits of each of the four clinics after deducting operating expenses and applicable taxes. If any of the four clinics suffers financial or operational difficulties or their respective performance is otherwise inconsistent with prior performance, the service fee we receive will be reduced or delayed. The agreements can also be terminated as a result of our gross negligence or fraudulent conduct, and we cannot guarantee that any of the four clinics would not intentionally terminate or attempt to terminate the agreements in breach of contract. For more details on these agreements, please refer to the section headed “Business—Our Services—Our Hospitals and Clinics” in this document. Our control over the four clinics is limited and they may have business or economic interests that are different from us, may dispute the agreements, may refuse to pay the full amount of service fee in a timely manner or at all, or may take action inconsistent with our interests or objectives. In addition, if any of these clinics fails to obtain, maintain or renew the approvals, permits, licenses or certificates that are requisite for their operations, or is otherwise found to be non-compliant with any applicable laws and regulations, it may be subject to administrative penalties, increased compliance costs, or even temporary or permanent closure of all or part of their business, which will in turn impact the service fee we are entitled to receive. To the extent any of these clinics suffers negative publicity or harm to their reputation, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such clinic. Furthermore, although our PRC Legal Advisers have advised us that these agreements are valid, legally binding and enforceable under the PRC laws, we cannot assure you that government policy will not change to prohibit such arrangements, making it unlawful for us to continue to perform the agreements. If any of these events were to occur, the service fee we receive may be materially and adversely affected, which may adversely affect our business, financial condition and results of operations.

In addition, to manage our growth and expansion and to attain and maintain profitability, we will continue to place demands on our management team, dentists, other medical professionals, and our administrative, operational and financial personnel and infrastructure. To accommodate our growth, we need to continuously manage our relationships with suppliers and patients. We cannot assure you that we will be able to implement our expansion plans or manage any future growth effectively and efficiently. Any failure to do so may adversely affect our ability to capitalize on new business opportunities, which in turn may have an adverse effect on our business and financial results.

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We may not be able to protect our patient information from leakage or improper use, which could expose our Group and our staff to claims or litigation.

We acknowledge that the personal information and privacy of our patients is particularly essential to dental hospitals and clinics and that they expect us to keep their information strictly confidential. Our dentists are required by the relevant professional code of conducts not to disclose any medical information of our patients to any third party without their consent other than in certain special circumstances. We are also subject to, among others, regulations on personal information protection in the PRC which limit the use of personal information of our patients collected by us for such purposes for which they were collected or for a directly related purpose. In addition, we have implemented our own policies to safeguard our patient personal information. We believe our current usage of patient medical information is in compliance with applicable laws and regulations governing the use of such information. However, any change in relevant laws and regulations could impose more stringent data protection requirements and, thus, affect our ability to use medical data. Such changes may also incur additional costs and labors.

In addition, we cannot guarantee that our information protection and privacy policies and measures can completely prevent our patient information from leakage or unauthorized use. Our information technology systems could be breached through hacking activities. Personal information we maintain could be leaked because of any theft or misuse of personal information due to misconduct or negligence. Any breach of our confidentiality obligations to our patients could expose our business and/or our staff to potential liabilities, such as claims, regulatory actions or litigations, and disciplinary actions. Such liabilities may have a material adverse effect on our brand image and reputation, business, results of operations, financial condition and prospects.

Any disruption, malfunction or breakdown of our business management system and network security may interrupt our business operations and materially and adversely affect our business.

Our business operations depend on the satisfactory performance, stability and reliability of our business management system and related software programs, which are critical to our storage of patient records and appointments, management of inventory as well as computation of operational and sales data. However, our business management system may experience disruption, malfunction, breakdown or other performance problems due to reasons such as (i) increasing pressure on our servers and network capacities as a result of growing patient base and expanding operations; (ii) undetected programming errors, bugs, flaws, corrupted data or other defects; (iii) hacking or other attacks on our network infrastructure and system programs; and (iv) floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses or similar events. Any disruption, malfunction breakdown or other performance problems of our business management system may significantly disrupt our business operations and reduce our work efficiency. Such disruptions may have a negative impact on the quality of our services.

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

We maintain limited control over the quality of our dental devices, medical consumables and pharmaceuticals and may be subject to product liability claims. Any failures or defects of the dental equipment in our hospitals and clinics or any failure of our staff to properly operate such equipment could subject us to liability claims.

Even though we are selective in choosing our suppliers, we cannot assure you that the dental devices, medical consumables and pharmaceuticals we procure from our suppliers during the course of our business operations are safe and free of defects or can meet the relevant quality standards. We depend on the quality control procedures of our suppliers. In the event of any quality issues, we could be subject to complaints and product liability claims of our patients. We may not be able to seek indemnification from our suppliers. If we engage in legal proceedings against our suppliers, such proceedings may be time consuming and costly regardless of the outcomes. Any quality issues with our treatment devices, treatment consumables and medications may have a material adverse effect on our reputation, brand image, financial performance and lead to negative publicity.

Furthermore, we may also need to find alternative suppliers and suitable replacement products, which may result in delay in the provision of our services or the delivery of our products. If we are unable to find alternative suppliers or suitable replacement products in a timely manner, our business operations may be disrupted.

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

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We have incurred net losses in the past, and may not be able to achieve or maintain profitability in the future. In addition, our financial performance may be adversely affected by fair value changes in our convertible redeemable preferred shares.

We had net losses of RMB304.2 million, RMB325.8 million, RMB597.8 million in fiscal 2019, 2020 and 2021, respectively, partially because we incurred significant fair value losses of convertible redeemable preferred shares. We had a net loss of RMB464.2 million in the six months ended September 30, 2021, compared to a net loss of RMB187.9 million in the same period in 2020, primarily due to the impact of the losses from changes in fair value of our convertible redeemable preferred shares, bond, and warrants and certain one-off expenses we incurred during such periods. We had fair value losses of convertible redeemable preferred shares of RMB192.8 million, RMB146.0 million, RMB424.3 million and RMB428.1 million in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021. The convertible redeemable preferred shares are designated as financial liabilities at fair value through profit or loss on the consolidated balance sheets; they are initially recognized at fair value and the increases in fair value are recognized as fair value loss on the consolidated income statement.

The determination of the fair value changes requires the use of estimates that are based on unobservable inputs. We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate and discount rate, in valuing certain of our liabilities, including convertible redeemable preferred shares, bond, warrants and derivative liabilities. The fair value changes of convertible redeemable preferred shares, bond, warrants and derivative liabilities may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition.

The fair value loss of convertible redeemable preferred shares is a non-cash item that will not recur in financial years after the [REDACTED] of our Shares on the Stock Exchange, as the convertible redeemable preferred shares issued by us will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED]. However, we may still retain accumulated losses due to the fair value loss of our convertible redeemable preferred shares prior to and upon the [REDACTED], which may adversely affect our financial performance.

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

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other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected. We may not be able to achieve or maintain profitability.

In addition, we have adopted the RSU Scheme for the purpose of granting share-based compensation awards to our Directors, employees and other participants as a means of compensation for their contribution to our growth and profits. We believe the granting of share-based compensation is important to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future.

As of the date of this document, we have not incurred any share-based compensation expenses relating to awards granted under our RSU Scheme. Pursuant to our RSU Scheme, we may grant RSUs at any time and from time to time as determined by the Board during the period commencing on the adoption date until the tenth anniversary of the adoption date. As a result, as expect our expenses associated with share-based compensation may increase, which may have a material adverse effect on our results of operation.

Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected. We may not be able to achieve or maintain profitability.

We generally enter into short-term agreements with our major suppliers, which may render us vulnerable to price fluctuations, quality issues and supply shortages, and could materially and adversely affect our business.

We generally enter into agreements with our major suppliers on a short-term and non-exclusive basis. Any interruptions or changes in the supply of dental devices, medical consumables and pharmaceuticals, 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. Any such event could have a material adverse effect on our business, results of operations, financial condition and prospects.

During the Track Record, we have engaged a limited number of suppliers for dental equipment, consumable and dental supplies to provide dental healthcare services. The profitability of the dental hospitals and clinics we own or manage is influenced by fluctuations in the costs of these supplies. The availability and prices of pharmaceuticals, dental devices and medical consumables can fluctuate and are subject to factors beyond our control, including supply, demand, general economic conditions and governmental regulations, each of which may affect the costs or cause a disruption in the supply. Our dental hospitals and clinics may not be able to anticipate and react to changes in medical supply costs by changing service offerings or adjusting service fees in the future, or the dental hospitals and clinics may be unable to pass these cost increases onto patients. These uncertainties could materially and

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adversely affect our margins and results of operations. Moreover, we expect our demand for such supplies to increase as we continuously expand our business scale. We cannot guarantee that our current suppliers have the capacity to meet our increasing demand going forward.

In addition, we cannot assure you that our suppliers will continue their business relationships with us on commercially reasonable terms or at all. We also cannot assure you that we will be able to secure a stable supply of dental devices, medical consumables and pharmaceuticals 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 substandard dental devices, medical consumables and pharmaceuticals, or encounter financial, operating or other difficulties, our business, financial condition and results of operations could be materially and adversely affected.

Any downtime for maintenance and repair of our dental equipment and any disruption to supply of utilities could lead to business interruptions that could be expensive and harmful to our reputation and business.

Significant downtime associated with the maintenance and repair of dental equipment used in our operations would result in the inability of the dental hospitals and clinics to provide diagnostic treatment or services to patients in a timely manner. We primarily rely on equipment manufacturers or third-party service companies for maintenance and repair services. The failure of manufacturers or third-party service companies to provide timely repairs on our equipment could interrupt the operation of hospitals and clinics in our network for extended periods of time. Such extended downtime could result in lost revenues for us.

In addition, our dental hospitals and clinics require essential utilities such as water and electricity to conduct dental treatments and other operating activities. We rely upon the government or other third parties for the utility supply for our operations. In fact, we have experienced water and electricity outages in the past. In case the supply of utilities to our hospitals and clinics is cut off for an extended period, our business, financial condition and results of operations could be materially and adversely affected.

We have recognized a large amount of goodwill. If our goodwill was determined to be impaired, it would adversely affect our results of operations and financial position.

We recorded goodwill of RMB89.4 million, RMB96.1 million, RMB98.5 million and RMB98.5 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, accounting for 4.8%, 5.0%, 4.2% and 3.4% of our total assets as of the same respective dates. Such goodwill represents the excess of the consideration over the fair value of the net identifiable assets we acquired.

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We do not amortize goodwill, but we conduct impairment reviews at least annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, we allocate goodwill acquired in a business acquisition to cash-generating units. We compare the carrying value of the cash-generating units containing the goodwill to the recoverable amount, which is the higher of the value-in-use of the operating segments and fair value less costs of disposal. We did not recognize impairment losses in respect of goodwill during the Track Record Period. Please refer to Note 17 in Appendix I to this document for further details of our accounting policies for goodwill and goodwill impairment, the estimates and assumptions involved therein, and the components of our goodwill during the Track Record Period.

Our business may be affected by intensifying competition arising from an increasing number of market participants in the dental services market.

The dental services market in China is still relatively underpenetrated and fragmented compared to developed nations. With the growing dental services market, dental services providers continue to compete fiercely for market shares. We have formulated a dual-brand strategy with our Arrail and Rytime brands to offer clear and distinctive value propositions to patients of different economic and geographic background. Arrail Dental competes primarily with other private dental service providers that provide premium dental services targeting affluent patients with high purchasing power and greater lifetime value, primarily in Tier-1 cities in China. Rytime Dental’s competitors are mainly private dental hospitals and clinics providing treatments to middle-class consumers primarily in Tier-1 and key Tier-2 cities across a broader geographic reach. Both Arrail Dental and Rytime Dental brands will also compete with future market entrants as the rapid growth of the dental services industry in the PRC may attract more market participants to enter. Our patients are constantly looking for quality dental services and superior patient experience at reasonable prices. As a result, we are constantly compete with other dental services providers in aspects such as quality and scope of services, comprehensiveness and diversity of medical devices, as well as pricing. Some of our competitors may be able to foresee the upcoming market trends more accurately or may be more responsive to new technologies or evolving patient preferences. They may also have greater financial and other resources than we do, thus, allowing them to provide similar services at a lower price. Apart from market share, we also compete for the relatively limited talent pool of dentists. Failure to compete and differentiate our operations against these competitors will result in lower market share or fewer dentists joining us to meet the needs of our patients. These will adversely and materially affect our revenue and hence our profitability. We cannot assure you that we will be able to successfully compete against new or existing competitors. If we are unable to compete successfully with our competitors, we may experience a reduction of market share and experience a slowdown in growth or a decline of our operations. Such event may in turn adversely affect our business, results of operations, financial condition and prospects.

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If we fail to provide superior dental healthcare services to our customers or our dental treatments are, or are perceived to be, ineffective, our business and reputation may be materially and adversely affected.

The success of our business hinges on our ability to provide superior customer experience, which depends on our ability to continue to offer quality dental healthcare services to our customers, to maintain the quality and effectiveness of our dental services, to deliver services and products that are responsive to customer demands, and to provide flexible payment options and superior after-sales services. Such ability, in turn, depends on a variety of factors beyond our control. If we fail to provide superior dental healthcare services to our customers, or our dental treatments are perceived to be ineffective, we may from time to time receive complaints or negative publicity about our dental hospitals and clinics. Such complaints and negative publicity may threaten the perception of our brand, and we cannot assure you that we will be able to defuse negative remarks to the satisfaction of our investors, customers and business partners. We may even be subject to government or regulatory investigation and may be required to spend significant time and incur substantial costs to deal with such allegations.

We rely on our reputation within the dental services market and our brand image which may be adversely affected by negative publicity.

Our success depends to a significant extent on the recognition of our brand and reputation in the dental services market as a reliable service provider. Any litigation claims or complaints from the patients in relation to the quality of services provided by us may adversely affect the reputation and image of our business and may in turn materially and adversely affect the demand for our services.

Where undesirable complications or harms are caused by our services or where the relevant treatment or medication does not fully meet the expectation of a customer, the customer may express negative comments through media such as the internet, newspaper or lodge complaints with relevant consumer councils or may pursue a claim against our employees and us. These complaints may result in reviews, investigations or disciplinary actions by regulatory and professional bodies and may affect the reputation of the relevant employee as well as our business. Should the provision of our dental services reduce an undesirable outcome for a customer or if we receive a complaint from a customer, we may need to divert a significant amount of resources and incur extra expenses to handle such outcome or complaint which could affect our corporate image and reputation in the industry if it is widely published by the media. Where a member of our professional team is involved in medical disputes and/or are subject to complaints, professional investigations, or convicted of professional misconduct, it is possible that he or she may have to allocate resources to respond to these disputes. The employee may even be restricted from practicing in our dental hospitals or clinics. This may have a material adverse effect on our operations and profitability if we are not able to find replacement promptly. In the event that any complaint results in disciplinary

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actions or legal proceedings against our business and/or our employees, we may need to allocate resources in order to claim an indemnity against relevant members of our professional team. Thus, there may be an adverse effect on our reputation and hence financial performance.

We may not be able to conduct our marketing activities cost-effectively and we are subject to limitations in promoting our business.

We have incurred significant expenses on a variety of different marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our services and products. However, our brand promotion and marketing activities may not be well received by customers and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the PRC healthcare market are evolving. This trend may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share and materially and adversely affect our financial condition, results of operations and profitability.

We face possible infringement of our intellectual property rights, which could weaken our competitive position and affect our operations.

Our principal intellectual property rights are our patents, trademarks, copyrights and domain names in our business operations. We are susceptible to infringement of our intellectual property rights by third parties, especially unauthorized use of our trademarks. We rely on a combination of intellectual property protection laws, rules and regulations as well as confidentiality procedures and agreements including confidentiality provisions to protect our intellectual properties and brand. However, there is no assurance that third parties will not copy or otherwise obtain and use our trademarks and other intellectual property rights without our prior authorization. Infringement of our intellectual property rights could adversely affect the perception that our customers have of us as to our credibility, creditworthiness and abilities. Such effect may in turn have a material adverse effect on our business, financial condition, results of operations and prospects. If we were to enforce our intellectual property rights through litigation, such litigation, whether successful or unsuccessful, could result in the incurrence of substantial costs and the diversion of resources. In the event that we are unable to adequately protect or safeguard our intellectual property rights, our reputation, business, financial condition and results of operations and prospects may be materially and adversely affected.

We have registered intellectual properties, including patents, trademarks, copyright, and registered domain names, that are material to our business in China. Details of all of the above mentioned properties are set out in the section headed “Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights” in Appendix IV to this document. It is possible that we may be unable to register trademarks in future markets in

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which we operate or may be unable to renew the registrations of our trademarks. Further, there is no guarantee that the registration of our trademarks can completely protect us against any infringement or keep us away from any potential challenges raised by our competitors or other third parties.

As we focus on providing mid- to high-end dental services, our business, financial condition and results of operations are subject to developments in customer preference and spending power, consumer demand and sentiment and general economic conditions in our respective markets.

We focus on providing mid- to high-end dental services to our customers at higher prices compared with most public hospitals and certain other private hospitals and clinics that provide similar services in our respective markets. We mainly target customers who are willing to pay a premium for high-quality dental healthcare services. Our business may be materially and adversely affected if any economic downturn were to result in customers cutting back on the spending on mid- to high-end dental healthcare services and becoming less willing to pay for premium services. We are more susceptible to changes in customer preference and spending power, consumer demand and sentiment, and general economic conditions in our respective markets than some of our competitors who provide similar services at lower prices. The demand for our dental services may decrease due to competition, industry or market changes, distrust to the domestic medical services and other factors. Customers may also choose not to undertake some of our treatments, procedures or services that are not considered medically necessary. As a result, any adverse change in customer preference, consumer spending power and economic conditions in one or more of our respective markets may materially and adversely affect our business, financial condition and results of operations.

We had net current liabilities and net liabilities during the Track Record Period. We cannot assure you that we will not experience net current liabilities or net liabilities in the future, which could expose us to liquidity risks.

We had net current liabilities of RMB153.5 million, RMB2.8 billion and RMB3.2 billion as of March 31, 2019, 2020 and 2021, respectively.

Our net current liabilities position as of March 31, 2019 was primarily attributable to (i) trade and other payables, (ii) borrowings, (iii) contract liabilities, and (iv) lease liabilities, partially offset by (i) trade and other receivables, (ii) time deposits, and (iii) cash and cash equivalents.

Our net current liabilities position as of March 31, 2020 and 2021 was primarily due to our convertible redeemable preferred shares. Under the shareholder agreement in effect as of March 31, 2020, a holder of such preferred shares may request that the Company redeem the outstanding preferred shares held by such holder if, *inter alia*, no qualified initial public offering occurs by December 31, 2020, or the redemption date. The redemption date was extended to December 31, 2021 pursuant to the amended and restated shareholder agreement dated January 29, 2021. These outstanding convertible redeemable preferred shares were

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classified as our current liabilities in an amount of RMB2.5 billion and RMB3.2 billion as of each date, respectively, as the holders of these preferred shares can demand us to redeem these preferred shares within one year from each date. See “Financial Information—Discussion of Certain Key Consolidated Balance Sheets Items—Right-of-use assets—Net current liabilities” for more detailed analysis.

In addition, we had net liabilities of RMB1.6 billion, RMB2.0 billion, RMB2.5 billion and RMB2.9 billion as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively, primarily because our convertible redeemable preferred shares were recorded as financial liabilities of RMB2.2 billion (classified as non-current liabilities), RMB2.5 billion, RMB3.2 billion and RMB4.1 billion (classified as non-current liabilities), as of the same dates.

We cannot assure you that we will not experience liquidity problems in the future. If we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

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

In line with market practice, we may grant certain customers a credit period ranging from 10 to 60 days. As of March 31, 2019, 2020 and 2021 and September 30, 2021, we had trade and other receivables of RMB291.1 million, RMB293.9 million, RMB341.0 million and RMB341.8 million, respectively. As a result, we may be exposed to credit risk. We recorded impairment losses on trade and other receivables of RMB14.8 million, RMB16.7 million, RMB5.5 million and RMB2.1 million for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020, respectively, and a reversal of impairment loss of RMB4.5 million for the six months ended September 30, 2021. Our customers may experience financial difficulties, which could negatively impact our ability to collect the amount due to us. Such adverse financial condition may negatively affect the length of time that it will take us to collect the associated trade receivables or impact the likelihood of ultimate collection, which could result in an adverse effect on our business, financial condition and results of operations.

In addition, we may be subject to credit risk associated with the collection of other receivables during the Track Record Period. As of March 31, 2019, 2020 and 2021 and September 30, 2021, we had (i) loans to employees included in non-current assets of RMB30.0 million, RMB42.6 million, RMB41.9 million and RMB39.5 million, (ii) amounts due from related parties included in current assets of RMB32.1 million, RMB34.0 million, RMB53.2 million and RMB70.2 million, and (iii) loan to an ordinary shareholder of RMB89.3 million, RMB94.0 million, RMB87.2 million and RMB86.0 million, respectively. In order to minimize the credit risk of other receivables and amounts due from related parties with non-trade nature, we continuously monitor the settlement status and the level of exposure to ensure that follow-up action be taken to recover overdue debts. However, there is no assurance that all outstanding receivables due to us will be settled on time, or at all. Accordingly, we face credit

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risk associated with the outstanding receivables. If we fail to collect such other receivables in full amounts or in a timely manner, or at all, our liquidity position could be worsened, and our business and financial performance could be adversely affected.

See “Financial Information—Discussion of Certain Key Consolidated Balance Sheets Items—Trade receivables” and “Financial Information—Discussion of Certain Key Consolidated Balance Sheets Items—Other receivables” for more details on our trade and other receivables.

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

We had deferred tax assets of RMB30.8 million, RMB34.3 million, RMB28.6 million and RMB30.0 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively. We recognize deferred tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset against the deductible losses. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Accordingly, if our profitability in the future is significantly lower than the estimates of our management when our deferred tax assets were recognized, our ability to recover such deferred tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations.

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

As of March 31, 2019, 2020 and 2021 and September 30, 2021, we had current contract liabilities of RMB164.0 million, RMB236.3 million, RMB209.5 million and RMB193.3 million, respectively, which were generally in line with our business growth. Our contract liabilities primarily arose from the advance payments made by patients before the delivery of underlying dental services.

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 revenues as expected, and our customers may even request to cancel their agreements with us, which may lead to customer dissatisfaction or even disputes with us.

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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.

A portion of our revenues was settled through contractual arrangements with corporate customers, and our business may be adversely affected if we fail to maintain our cooperation with them or there is any default or delayed settlement by these corporate customers.

A portion of our customers have commercial health insurance coverage. We also have various contractual arrangements with such commercial insurance institutions on direct billing settlement and packaged services for insured customers. During the Track Record Period, a portion of our revenues was settled through cooperation arrangements with corporate customers, such as insurance institutions and other corporations, which settle dental care payments for their policy holders or employees. We may not be able to maintain or renew cooperation arrangements with the existing corporate customers in the future. Any such event may adversely affect our revenue and cash flows. Any default or delayed settlement by these customers may also materially and adversely affect our financial condition, operation results and business.

There are restrictions in the advertisement and promotion of some of our services.

We are subject to certain PRC laws and regulations related to the advertisement and promotion of our services, including the Advertisement Law of the PRC (2021 Revision). Please refer to the section headed “Regulatory Overview—Applicable Laws and Regulations to Our Business in the PRC—Regulations on Medical Advertising in the PRC” in this document for further details. In addition, under the Administrative Measures on Medical Advertisement, medical advertisements shall be reviewed by relevant health authorities and shall obtain the Medical Advertisement Review Certificate (醫療廣告審查證明) before they may be released by a medical institution. Further, medical advertisements can only be released within the validity period of the Medical Advertisement Review Certificate and its contents must be within the scope as approved. Such restrictions may hinder our ability to further enhance our brand awareness in the industry. Furthermore, if the content of the published advertisement is tampered from what is approved and documented in the medical advertisement examination certificate, the competent authority may revoke the medical advertisement examination certificate and suspend any application for advertisement examination for one year. In addition, any change in such laws, regulations and professional codes as well as their interpretation may render us in breach of the relevant laws, regulations. We may be subject to substantial liabilities and other legal consequences. All such circumstances may have a material adverse impact on our reputation, business, results of operations and financial condition.

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

We experienced increased demand for our services as well as rapid growth in the industry over the Track Record Period. Such growth 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.

In addition, our future expansion may require significant time commitments from our management, as well as substantial operational, financial and other resources. Such expansion could also result in a diversion of resources from our existing dental hospitals and clinics, which in turn could have an adverse effect on our business operations. We cannot assure you that our growth strategy will be successful or implemented successfully. Any failure to manage our growth strategy effectively may materially and adversely affect our ability to capitalize on new business opportunities, place us at a competitive disadvantage and limit our growth. Such changes which may in turn have a material adverse effect on our business, results of operations and prospects.

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

Prior to and immediately following the completion of the [REDACTED], our Controlling Shareholders will remain in substantial control of our Company. Subject to the Articles of Association, the Companies Ordinance and the Cayman Companies Act, the Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholders may differ from the interests of other Shareholders, and they are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

If we are unable to retain the key members of our management, our growth and future success may be impaired and our business, operational results and financial condition could suffer.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team and other key employees, some of whom have been with us since our inception. In particular, we rely on the expertise, experience and leadership of our Executive Director, Chairman of the Board and Chief Executive Officer, Mr. ZOU Qifang. For details of their biographies, please refer to the section headed “Directors and Senior Management” in this document. We do not maintain key person insurance.

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Competition for competent candidates in the industry is intense, while the pool of competent candidates is limited. If one or more of our senior management team were unable to continue in their present positions or were to terminate their employment with us, we might not be able to replace them in a timely manner, at acceptable costs or at all. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations could be materially and adversely affected. In addition, if any member of our senior management team or key employees joins a competitor or forms a competing business, we may lose know-how, patients and key professionals and staff.

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

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

If we fail to comply with labor related laws and regulations, we may face fines or penalties for non-compliance.

During the Track Record Period, we failed to make payment of social insurance and housing provident fund contributions in full for certain of our employees. Accordingly, we made a provision of RMB2.8 million, RMB3.7 million, RMB2.4 million and RMB2.2 million for the outstanding social insurance and housing provident fund contributions, respectively, for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021.

As advised by our PRC legal advisers, 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. As a result, 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 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

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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.

Furthermore, we use employment agencies that provide labor dispatch services to us. If we are found not in compliance with relevant laws and regulations, we may face fines or penalties which could adversely affect our business, financial condition and results of operations.

If we are unable to obtain adequate or timely financing on commercially acceptable terms, our ability to grow our business may be limited.

We may require additional capital beyond those generated by the [REDACTED] from time to time to grow our business, to better serve our customers, to develop and enhance our services or products, and to 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. In addition, 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.

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

- our market position and competitiveness in the dental services industry;
- our future profitability, overall financial condition, results of operations;
- general market conditions for capital raising activities by companies in dental services 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, 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.

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Our historical business growth, revenues and profitability may not be indicative of future performance.

Historically, our operations have largely depended on our ability to treat patients effectively and leveraging our success and reputation to attract new patients. To maintain our growth and profitability, we must continue to strengthen our reputation, attract quality talent, adopt innovative technologies and treatment processes, increase the awareness of our brand through effective marketing, promotional activities and word-of-mouth, and utilize any growth in demand or shortage of supply in the markets in which we operate or intend to operate. We will also need to successfully expand our footprint into new geographical locations where we have limited experience. We cannot assure you that we will achieve any of the above. In addition, our revenue, cost, expenses, and operating results may vary from period to period as they could be affected by various factors beyond our control. Such factors may include, but are not limited to, changes in the general economic conditions, new trends in the PRC dental services market, and our ability to control costs and operating expenses. As a result, we believe that period-to-period comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on such comparisons to predict the future performance of our operating results or the Shares.

We may be liable for bribery, corrupt practices, and other illegal or unethical conduct committed by our employees, customers, suppliers or other business partners.

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

It is also possible that the PRC government or other government authorities in countries where we may operate our business adopt new or different regulations affecting the way in which medical services are provided 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 the PRC or any other markets where we may have operations, any such new or different regulations could possibly increase the costs incurred by us. Any of the circumstances could have a material adverse impact on our business, financial condition and results of operations.

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If we are unable to keep abreast of the latest technological developments or market trends in the dental services industry, we will not be able to compete effectively, which may adversely affect our business, financial condition and results of operations.

In order to keep up with the latest developments and trends in the dental services industry and respond to the changing needs and preferences of our patients, we are required to upgrade our existing service devices, invest in new service devices and introduce new services and products from time to time.

If we are unable to anticipate or adapt to the latest technological developments or market trends in the dental services industry, we may not be able to meet the expectations of our patients. The demand for our services may decline. Furthermore, if our competitors are more sensitive to changes in patient preferences or more responsive to emerging technology in the industry, our dental services may become less competitive. We may lose our existing patients and be unable to attract new patients. Such result could have an adverse impact on our business. In addition, there is also no assurance that we will be able to recover the expenditures associated with the purchase of new service devices. Any of these circumstances may adversely affect our results of operations, financial condition and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

Our business and operations are primarily conducted in the PRC and are governed by applicable PRC laws, rules and regulations. PRC 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 PRC government has significantly enhanced PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. 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.

In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to our industry, including the promulgation of new laws, regulations, rules and policies as well as changes to existing laws, regulations, rules and policies or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation involving us may be protracted and result in substantial costs and diversion of resources and management attention.

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We have been closely monitoring the rule-making process of cybersecurity related laws and regulations. The Cyber Security Law (網絡安全法), which came into effect on June 1, 2017, sets high requirements for the operational security of facilities deemed to be part of the PRC’s “critical information infrastructure.” While the exact scope of “critical information infrastructure operators” under the Cyber Security Law is not defined, Article 31 of the Cyber Security Law provides that “critical information infrastructure” refers to critical information infrastructure, that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people’s livelihoods, or the public interest. Specific reference is made to key industries including, but not limited to, public communications and information services, energy, transportation, irrigation, finance, public services and e-government. Since our business does not fall into any of the foregoing industries, we believe that we should not be deemed as an operator of “critical information infrastructure.” On December 28, 2021, thirteen government departments including the Cyberspace Administration of China (國家互聯網信息辦公室, the “CAC”) jointly issued the revised Cybersecurity Review Measures (the “Revision Measures”) which will come into effect on February 15, 2022. The Revision Measures provide that, to ensure the security of the supply chain of critical information infrastructure and safeguard national security, a cybersecurity review is required when national security has been or may be affected where critical information infrastructure operators (關鍵信息基礎設施運營者) purchase network product or service and network platform operators (網絡平台運營者) process data. When an operator in possession of personal information of over one million users applies for a listing overseas (國外), it must apply to the CAC for a cybersecurity review. On July 30, 2021, State Council promulgated the Security Protection Regulations for Critical Information Infrastructure (關鍵信息基礎設施安全保護條例) (the “CII Regulation”), which became effective on September 1, 2021. Pursuant to the CII Regulations, “critical information infrastructures” refers to important network facilities and information systems of key industries such as, among others, public communications and information services, energy, transportation, irrigation, finance, public services, e-government and science, technology and industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizen’s livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Such regulation further supports our view that we should not be recognized as an operator of “critical information infrastructure.” The CII Regulation also stipulates the procedures for determining critical information infrastructure. It provides that competent authorities shall promulgate detailed rules in designating critical information infrastructure, identify critical information infrastructure in the relevant industries, and notify operators of such critical information infrastructure in a timely manner. As of the date of this document, the responsible authorities had not promulgated any implementation provisions or identification rules, neither had dental services been included in the relevant scope of “critical information infrastructure operators”. In addition, as of the date of this document, we had not been notified by any authorities of being classified as a critical information infrastructure operator, involved in any cybersecurity review or received any investigation, inquiry, notice, warning or sanctions made by the CAC on such basis. Based on the foregoing, we are of the view that we should not be identified as an operator of “critical information infrastructure.”

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On November 14, 2021, the CAC released the Network Data Security Management Regulations (Draft for Comment) (the “**Draft Regulations**”) (《網絡數據安全管理條例(徵求意見稿)》). The Draft Regulations, among other things, stipulates that data processors seeking a public listing in Hong Kong that influence or may influence national security must apply to the CAC for a cybersecurity review. However, the Draft Regulations provides no further explanation or interpretation of “influence or may influence national security”. As advised by our PRC Legal Advisers, the PRC government authorities may have wide discretion in the interpretation of “influence or may influence national security”. The Draft Regulations had been released for consultation purposes, and as such there still remain uncertainties as to its final content, anticipated adoption or effective date, final interpretation and implementation, and other aspects. Considering the nature of our business, and based on the literal interpretation of the Draft Regulations, our Directors and our PRC Legal Advisers are of the view that, if the Draft Regulations remains in its current form after its promulgation, the data collected, stored, used and processed during the course of our business operations does not have a bearing on national security and hence it is unlikely that we would be required to undergo a cybersecurity review for the proposed [REDACTED].

We made the [REDACTED] application with the Stock Exchange on June 30, 2021. Our [REDACTED] application has been widely covered by media and the draft document in the form of the application proof is publicly accessible. As advised by our PRC Legal Advisers, we are not required to notify the CAC of the proposed [REDACTED] under PRC laws as of the Latest Practicable Date. As of the date of this document, we had not been notified by any authorities of being classified as a data processor carrying out data processing activities that influence or may influence national security, neither had we been subject to any cybersecurity review, enquiry, investigation or notice by the CAC or any other authorities in connection with the proposed [REDACTED]. Based on the foregoing as well as the confirmation of our PRC Legal Advisers, our Directors and the Joint Sponsors currently do not expect the Cyber Security Law, the Revision Draft Measures, the CII Regulation, the Draft Regulations or the other regulations recently released by the CAC will have a material adverse impact on our business, results of operations, or the proposed [REDACTED]. Our Directors believe that we are compliant with the regulations and policies in effect issued by the CAC to date. Nevertheless, there remain uncertainties with respect to any future development of the relevant regulatory regime. There can be no assurance that the relevant authorities will not take a view that is contrary to or otherwise different from that of our Directors and our PRC Legal Advisers above, and it is also possible that the PRC government authorities may require us to apply for the cybersecurity review for other reasons. We will continue to closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review when and once the Amended Draft is formally promulgated.

On December 24, 2021, the CSRC released the Administrative Provisions of the State Council on the Overseas Offering and Listing of Securities by Domestic Companies (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)》) and the Administrative Measures for the Overseas Offering and Listing of Securities Record-filings by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) for public comments. Pursuant to these drafts, PRC domestic companies, including (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, that directly or

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indirectly offer or list their securities in an overseas market are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. There are uncertainties regarding the final form of these regulations as well as the interpretation and implementation thereof after promulgation.

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 PRC government authorities, making strict compliance with all regulatory requirements impractical, or in some circumstances, impossible. These uncertainties may impede our ability to enforce the contracts we have entered into with our distributors, business partners, customers and suppliers.

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

Depending on the priorities of the PRC government, the political climate and the regulatory regime with respect to foreign investment control at any given time, and the development of the Chinese dental service system, future regulatory changes may affect public hospital reform, limit private or foreign investments in dental services industry or implement additional price control on pharmaceutical products or medical services. Any of these events could have a material and adverse impact on our business, financial condition, results of operations, prospects and future growth.

Changes in political, social and economic policies in the PRC may materially and adversely affect our business, financial condition, results of operations and prospects.

We conduct substantially all of our business and devote a large amount of resources in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social conditions in the PRC. 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

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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 dental services industry or more broadly the healthcare service industry, could have a negative impact on our business, results of operations and financial condition in a number of ways.

PRC government control of currency conversion and fluctuation in the exchange rates of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.

Substantially all of our revenue and operating costs are denominated in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. For fiscal 2019 and 2020, we had currency translation losses of RMB107.7 million and RMB101.3 million, respectively. For fiscal 2021 and the six months ended September 30, 2020 and 2021, we had currency translation gains of RMB179.7 million, RMB89.2 million and RMB32.0 million, respectively. Such currency translation differences represent the differences arising from the translation of the financial statements of some of our entities that have a functional currency different from the reporting currency of Renminbi for our financial statements, and are recognized as other comprehensive income/(loss) in our consolidated statements of comprehensive loss. See “Financial Information—Financial Risk Disclosure—Market risk” for more details.

Under existing Chinese foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, registration with the banks entrusted by SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. The PRC government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our Chinese subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our Chinese subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies.

The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in the PRC’s political and economic conditions. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from this [REDACTED] into Renminbi for our operations, appreciation of Renminbi

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against the Hong Kong dollar would have an adverse effect on the Renminbi amount that we will receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making dividend payments on our Shares or for other business purposes appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

Failure by our Shareholders or beneficial owners who are PRC residents to make required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing dividends and could expose us and our Shareholders who are PRC residents to liability under PRC laws.

Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (國家外匯管理局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) (“SAFE Circular No. 37”), which was promulgated by SAFE and became effective on 4 July 2014, and the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (“Circular 13”), issued on 13 February 2015 requires a PRC individual resident (“PRC Resident”) to register with qualified local banks before he or she contributes assets or equity interests in an overseas special purpose vehicle (“Offshore SPV”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local banks for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s Chinese subsidiary to distribute dividends to its overseas parent.

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

Substantially all of our assets and a substantial portion of the assets of our Directors are located in the PRC. It may not be possible for investors to effect service of process upon us or those persons in the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement

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of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商案件判決的安排) (the “New Arrangement”). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction need to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as of the Latest Practicable Date, the New Arrangement has not become effective and no specific date has been determined as its effective date. The Arrangement continues to apply and, as such, it may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

On January 9, 2021 MOFCOM promulgated Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures (阻斷外國法律與措施不當域外適用辦法) with immediate effect, or Order No. 1, pursuant to which, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third State (or region) or its citizens, legal persons or other organizations, he or she/it shall truthfully report such matters to MOFCOM within 30 days. Upon assessment and being confirmed that there exists unjustified extra-territorial application of foreign legislation and other measures, MOFCOM shall issue a prohibition order to the effect that, the relevant foreign legislation and other measures are not accepted, executed, or observed, but such a citizen, legal person or other organization of China may apply to MOFCOM for an exemption from compliance with such prohibition order. However, since the Order No. 1 is relatively new, the enforcement of it involves uncertainty in practice.

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

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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 rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.

As a holding company, we conduct substantially all of our business through our consolidated subsidiaries incorporated in the PRC. We rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividend and other cash distributions to our Shareholders, to service any foreign currency debt we may incur and to make any offshore acquisition. The payment of dividends by PRC-incorporated entities in the PRC is subject to limitations. Current PRC regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends, loans or advances. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilize such funds.

We may be deemed to be a PRC tax resident under the EIT Law and our income may 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 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

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shareholder meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, 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.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the [REDACTED] of this [REDACTED] to make loans to our PRC subsidiaries, or to make additional capital contributions to our PRC subsidiaries.

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of shareholder loans or capital contributions after completion of this [REDACTED]. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, cannot exceed a statutory limit, and shall be filed with the SAFE or its local counterparts through the online filing system of SAFE after the loan agreement is signed and at least three business days before the borrower withdraws any amount from the foreign loan. In addition, any such loans with a term of at least one year are also subject to filing requirement with the NDRC or its local branches.

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Furthermore, if we provide our PRC subsidiaries with capital contributions, such PRC subsidiaries are required to apply for registrations with the SAMR or its local branches, submit a change report to the MOCOM or its local counterpart through the online enterprise registration system, and complete the exchange registration with qualified banks. We may not be able to obtain these government registrations or approvals, or complete these government filings on a timely basis, if at all. If we fail to receive such registrations or approvals or complete such filings, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated 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資本金結匯管理方式的通知》), or SAFE Circular 19. SAFE Circular 19, however, allows foreign invested enterprises in China to use their registered capital settled in RMB converted from foreign currencies to make equity investments, but the registered capital of a foreign invested company settled in RMB converted from foreign currencies remains not allowed to be used, among other things, for investment in the security markets, or offering entrustment loans, unless otherwise regulated by other laws and regulations. On June 9, 2016, SAFE further issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規資本項目結匯管理政策的通知》), or SAFE Circular 16, which, among other things, amended certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign invested company is regulated such that Renminbi capital may not be used for purposes beyond its business scope or to provide loans to non-affiliates unless otherwise permitted under its business scope. On October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, which removes the restrictions on domestic equity investments by non-investment foreign-invested enterprises with their capital funds, provided that certain conditions are met. If our VIE requires financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our VIE’s operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net [REDACTED] from this [REDACTED] to our PRC subsidiaries and convert the net [REDACTED] into RMB, which may adversely affect our business, financial condition, and results of operations.

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RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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

Foreign ownership of certain business in the PRC is subject to restrictions under current PRC laws and regulations. For example, except for qualified service providers from Hong Kong, Macao Special Administrative Region and Taiwan, foreign investors are not allowed to own 100% of the equity interests in a medical institution. Although foreign investors are allowed to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture, the establishment of equity joint venture or cooperative joint venture shall meet certain requirements and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. The aforementioned requirements and equity percentage and establishment criteria may be relaxed where the foreign-invested medical institution is to be established in Sichuan Province where foreign investors are allowed to hold up to 90% equity interests of medical institution. For further details of the restrictions of foreign investments, please refer to the section headed “Regulatory Overview—Applicable Laws and Regulations to Our Business in the PRC—Domestic Regulations on Establishment of Foreign Invested Medical Institutions” in this document.

Because we are an exempted company incorporated in the Cayman Islands, we are classified as a foreign enterprise under PRC laws and regulations, and our wholly-owned PRC subsidiary, Beijing Ruier, is a foreign-invested enterprise. On August 20, 2020, a series of contractual arrangements have been entered into by Beijing Ruier, the Registered Shareholder, Shenzhen Ruijian and subsidiaries directly held by Shenzhen Ruijian. For a detailed description of the Contractual Arrangements, please refer to the section headed “Contractual Arrangements” in this document. Through our shareholdings and the Contractual Arrangements, Beijing Ruier has acquired effective control over the financial and operational policies of VIE Entities through Shenzhen Ruijian and has become entitled to all the economic benefits from their operations.

As advised by our PRC Legal Advisers, except as otherwise disclosed our Group’s current Contractual Arrangements are legal, valid and binding upon the parties thereto under the current laws and regulations. For more details, please refer to the section headed “Contractual Arrangements—Legality of the Contractual Arrangements.” However, our PRC Legal Advisers have also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC Legal Advisers. Accordingly, we cannot assure you that some of the PRC regulatory authorities will not ultimately take a view which is contrary to that of our PRC Legal Advisers. If we are

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found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities may exercise its discretion to deal with such violations, including possibly:

- levying fines on us;
- confiscating our income or the income of our PRC subsidiaries, variable interest entities or their subsidiaries;
- revoking the business and operating licenses held by the VIE Entities;
- ruling the agreements under the Contractual Arrangements as unlawful, invalid or unenforceable;
- imposing economic penalties;
- restricting our right to collect revenues;
- discontinuing or restricting the operations of the VIE Entities or our Group;
- imposing conditions or requirements with which we or the VIE Entities may not be able to comply;
- restricting or prohibiting our Group from this [REDACTED] to finance our business and operations in the PRC;
- requiring us or the VIE Entities to restructure our ownership or operations; or
- taking other regulatory or enforcement actions that may be prejudicial to our business.

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

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and Contractual Arrangements.

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Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would result in us failing to receive a portion of the economic benefits from our variable interest entities and their subsidiaries, which in turn may materially and adversely affect our business, financial condition and results of operations.

We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見) (“**Opinions on Securities Activities**”), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications and detailed rules and regulations, there were still uncertainties regarding the interpretation and implementation of the Opinions on Securities Activities, including on China-based companies with a VIE structure. In addition, we cannot guarantee that new rules or regulations promulgated in the future pursuant to the Opinions on Securities Activities will not impose any additional requirements on us. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for future capital raising activities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial conditions.

The shareholder of Shenzhen Ruijian may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

In connection with our operations in the PRC, we rely on the shareholder of Shenzhen Ruijian, to abide by the obligations under the Contractual Arrangements. The Registered Shareholder may potentially have conflict of interest with us and breach any of the Registered Shareholder contracts or undertakings with us if the Registered Shareholder otherwise acts in bad faith, if the Registered Shareholder believes the Contractual Arrangements would adversely affect her own interests. We cannot assure you that when conflict of interest arise between our Company and the Registered Shareholder, the Registered Shareholder will act completely in our interest or that the conflict of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we may have to rely on legal proceedings which may disrupt our business operations and subject us to uncertainties as to the outcome of such legal proceedings. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

We rely on the Contractual Arrangements to operate our dental medical services in the PRC in which foreign investment is restricted. For a description of these Contractual Arrangements, please refer to the section headed “Contractual Arrangements” in this document. These Contractual Arrangements may not be as effective as direct ownership in providing us with control over Shenzhen Ruijian. If we had direct ownership of Shenzhen Ruijian, we would be able to exercise our rights as an equity holder directly to effect changes in the boards of directors of Shenzhen Ruijian, which could effect changes at the management and operational level. Under the Contractual Arrangements, we may not be able to directly change the members of the boards of directors of Shenzhen Ruijian and would have to rely on Registered Shareholder to perform her obligations in order to exercise our control over Shenzhen Ruijian. If there is any dispute relating to the Contractual Arrangements, we will have to enforce our rights under the Contractual Arrangements through the operations of PRC law and arbitral or judicial agencies, which may be costly and time-consuming and will be subject to uncertainties in the PRC legal system. Consequently, the Contractual Arrangements may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership.

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

Pursuant to the Contractual Arrangements, Beijing Ruier or its designated person(s) has the exclusive option to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in Shenzhen Ruijian from the Registered Shareholder, or all or any part of the assets from Shenzhen Ruijian. The transfer price of the relevant equity interest and/or assets shall be the minimum purchase price permitted under PRC law, and the Registered Shareholder and Shenzhen Ruijian undertake that it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interest and/or assets to Beijing Ruier, in the event that Beijing Ruier exercises the options under the Exclusive Option Agreements to acquire the equity interests and/or assets in Shenzhen Ruijian. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The amount to be received by Beijing Ruier may also be subject to enterprise income tax. Such tax amounts could be substantial and our financial condition may be adversely affected as a result.

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

Our Contractual Arrangements provide for the resolution of disputes through arbitration in accordance with the arbitration rules of the Beijing Arbitration Commission (北京仲裁委員會). Our Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interest and property interest and other assets of Shenzhen Ruijian, injunctive relief or order the winding up of Shenzhen Ruijian or our VIE Entities. In addition, our Contractual Arrangements contain provisions to the effect that courts in Hong

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Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisers that the abovementioned provisions may not be enforceable. Under PRC laws, a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Shenzhen Ruijian or our VIE Entities and in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong, BVI and Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in our Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in China in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures.

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

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to scrutiny by the PRC tax authorities and could result in additional taxes and interest imposed by the tax authorities. We would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the Contractual Arrangements among our Group, Shenzhen Ruijian, and the registered shareholder of Shenzhen Ruijian were not conducted on an arm’s length basis, given that the PRC tax authorities have the authority to make special tax adjustments on the tax position of Shenzhen Ruijian. Such adjustments may result in an increase in the tax expenses of Shenzhen Ruijian, which would be subject Shenzhen Ruijian to late payment fees and other penalties for underpayment of taxes. Our consolidated results of operations may be adversely affected if the tax liabilities of Shenzhen Ruijian increase or if it is subject to late payment fees or other penalties.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and an active trading market for our Shares may not develop.

Prior to the [REDACTED], there has been no public market for our Shares. The [REDACTED] range for our Shares was the result of negotiations between our Company and the [REDACTED] on behalf of the [REDACTED], and the final [REDACTED] may not be indicative of the price at which our Shares will be traded following the [REDACTED].

We have applied for the [REDACTED] of and permission to [REDACTED] in our Share on the Hong Kong Stock Exchange. A [REDACTED] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] for our Shares will develop, or, if it does develop, that it will be sustained following the [REDACTED].

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

The market [REDACTED] of our Shares may be highly volatile. In addition, the [REDACTED] volume of our Shares may fluctuate, which may cause significant [REDACTED] variations. Some of the factors that could cause significant fluctuations in the [REDACTED] or [REDACTED] volume of our shares following the [REDACTED] include but do not limit to the following:

- actual or anticipated variations in our operating and financial results, such as revenue, earnings, and cash flow;
- changes in competitive landscapes of our industries, including strategic alliances, acquisitions or joint ventures by us or our competitors;
- changes in estimates of our financial performance by analysts;
- changes in perception of our Company by investors and the investment environment;
- news regarding recruitment or departure of key personnel in our Company;
- regulatory developments, and our inability to obtain or renew necessary licenses and permits;
- material litigation or regulatory investigations affecting us or our senior management; and
- general political, financial, social and economic conditions.

There will be a time gap of several business days between [REDACTED] and [REDACTED] of our Shares offered under the [REDACTED]. The market [REDACTED] of the Shares after [REDACTED] begins could be lower than the [REDACTED].

The [REDACTED] of our [REDACTED] will be determined on the [REDACTED] Date. However, our [REDACTED] will not commence [REDACTED] on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the [REDACTED] Date. Investors are unlikely to be able to sell or otherwise deal in our Shares before they commence trading. Accordingly, holders of our [REDACTED] are subject to the risk that the price of our [REDACTED] after trading begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse development that may occur between the [REDACTED] Date and the time trading begins.

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Potential investors will experience immediate and substantial dilution as a result of the [REDACTED].

Potential investors will pay a price per Share in the [REDACTED] that substantially exceeds the per Share value of our net tangible assets as of September 30, 2021. Therefore, [REDACTED] of our Shares in the [REDACTED] will experience immediate dilution based on our pro forma net tangible assets per Share as of September 30, 2021. See “Appendix II—Unaudited Pro Forma Financial Information.” In addition, holders of our Shares may experience a further dilution of their interest if the [REDACTED] (on behalf of the [REDACTED]) exercise the [REDACTED].

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the [REDACTED] could materially and adversely affect the prevailing market [REDACTED] of our Shares and our ability to raise capital in the future.

The market [REDACTED] of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the [REDACTED], including by our Controlling Shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a [REDACTED] favorable to us, and our Shareholders may experience dilution in their holdings upon the issuance or sale of additional securities in the future.

Control by our Controlling Shareholders of a substantial percentage of our Company’s share capital after the completion of the [REDACTED] may limit your ability to influence the outcome of decisions requiring the approval of Shareholders and the interests of our Controlling Shareholders may not be aligned with those of our other Shareholders.

Upon the completion of the [REDACTED], Mr. Zou will be interested in approximately [REDACTED]% of our total issued share capital, assuming that the [REDACTED] is not exercised. Mr. Zou, who will remain as the Controlling Shareholder upon completion of the [REDACTED], will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between the interests of our Controlling Shareholders and your interests. Control by our Controlling Shareholders of a substantial percentage of our Shares may have the effect of delaying, discouraging or preventing a change in control of us, which may deprive you of opportunities to receive premiums for your Shares and may reduce the [REDACTED] of the Shares. If our Controlling Shareholders cause us to pursue strategic objectives that would conflict with your interests, you may also be left in a disadvantaged position.

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

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

You may face difficulties in protecting your interests because we were incorporated under Cayman Islands laws, and the laws of the Cayman Islands for the protection of minority shareholders may be different from those under the laws of Hong Kong or other jurisdictions.

Our corporate affairs are governed by our Memorandum and Articles of Association as well as the Cayman Companies Act and the common law of the Cayman Islands. The rights of shareholders to take action against the Directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. These differences may mean that the remedies available to the Company’s minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. See “Appendix III—Summary of the Constitution of Our Company and the Company Laws of the Cayman Islands” for further information.

You will have limited ability to access our corporate records.

Shareholders of Cayman Islands exempted companies, such as our Company, have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders of these companies except accounts that we are required to make available to our Shareholders periodically as a listed company. Save with respect to our Company’s register of members, which, in accordance with our Articles of Association, will be made available to our Shareholders for inspection, our Directors have discretion under our Articles of Association to determine whether, and under what conditions, our accounts and books may be inspected by our Shareholders, and are not obligated to make them available to our Shareholders. This may make it more difficult for Shareholders to obtain the information needed to establish any facts necessary for a shareholder motion or derivative action.

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This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This document contains certain future plans and forward-looking statements about us that are made based on the information currently available to our management. The forward-looking information contained in this document is subject to certain risk and uncertainties. Whether we implement those plans, or whether we can achieve the objectives described in this document, will depend on various factors including the market conditions, our business prospects, actions by our competitors and the global financial situations.

There can be no guarantee as to the accuracy of facts and other statistics contained in this document with respect to the economies and the dental care industry.

In this document, certain facts, forecasts and other statistics concerning China, its economic conditions and the industries are derived from publications of PRC Government agencies or industry associations, or an industry report prepared by Frost & Sullivan and commissioned by us. We believe that the sources of the information are appropriate for such information and have taken reasonable care in extracting those facts, forecasts and statistics. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], any of the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED]. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. You should consider carefully how much weight you should place on those facts, forecasts and statistics.

Investors should read the entire document carefully and should not place any reliance on any information contained in press articles or other media in making their investment decision.

Prior or subsequent to the publication of this document, there may have been press and media coverage regarding us and the [REDACTED], which includes certain information about us that does not appear in, or is different from what is contained in, this document. We have not authorized the disclosure of any such information in the press or media. The financial information, financial projection, valuation and other information about us contained in such unauthorized press or media coverage may not truly reflect what is disclosed in the document or the actual circumstances. We do not accept any responsibility for such unauthorized press and media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent that any information appearing in the press and media is inconsistent or conflicts with the information contained in this document, we disclaim it. [REDACTED] should rely only on the information contained in this document in making [REDACTED] decisions.