



麥迪衛康健康醫療管理科技股份有限公司

MEDIWELCOME HEALTHCARE MANAGEMENT & TECHNOLOGY INC.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2159

GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.



Mediwelcome Healthcare Management & Technology Inc. 麥迪衛康健康醫療管理科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 50,000,000 Shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 5,000,000 Shares (subject to adjustment)
Number of International Offer Shares	: 45,000,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	: Not more than HK\$4.00 per Offer Share and expected to be not less than HK\$3.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	: HK\$0.00001 per Share
Stock Code	: 2159

Sole Sponsor and Sole Global Coordinator



Joint Bookrunners



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection," has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, January 8, 2021 and, in any event, not later than Monday, January 11, 2021. The Offer Price will be not more than HK\$4.00 and is currently expected to be not less than HK\$3.00. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$4.00 for each Hong Kong Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$4.00. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on or before Monday, January 11, 2021, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (for itself and on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative Offer Price range stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published at the website of the Stock Exchange at www.hkexnews.hk and our website at www.mediwelcome.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Please refer to "Structure of the Global Offering — The Hong Kong Public Offering" and "How to Apply for Hong Kong Offer Shares" for further details. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in "Risk Factors."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange. Such grounds are set out in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

December 31, 2020

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.mediwelcome.com.

Date⁽¹⁾

Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, January 8, 2021
Application lists of the Hong Kong Public Offering open ⁽³⁾	11:45 a.m. on Friday, January 8, 2021
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, January 8, 2021
Latest time to give electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, January 8, 2021
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Friday, January 8, 2021
Application lists of the Hong Kong Public Offering close	12:00 noon on Friday, January 8, 2021
Expected Price Determination Date ⁽⁵⁾	Friday, January 8, 2021
Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.mediwelcome.com on or before	Monday, January 18, 2021

EXPECTED TIMETABLE

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company at www.mediwelcome.com (See "How to Apply for Hong Kong Offer Shares — 11. Publication of results" for further details) from Monday, January 18, 2021

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID Number/Business Registration Number" function Monday, January 18, 2021

Despatch/Collection of **White Form** e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before^(Notes 6 to 8) Monday, January 18, 2021

Despatch/Collection of Share certificates or deposit of Share certificates into CCASS on or before Monday, January 18, 2021

Dealings in the Shares on the Stock Exchange expected to commence on 9:00 a.m. on Tuesday, January 19, 2021

The application for the Hong Kong Public Offering will commence on Thursday, December 31, 2020 until Friday, January 8, 2021. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be on Tuesday, January 19, 2021. Such time period is longer than the normal market practice. The application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Monday, January 18, 2021. In addition, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be longer than the normal market practice but in any event not more than seven business days after the Price Determination Date. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Tuesday, January 19, 2021.

Notes:

- (1) All times and dates refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

EXPECTED TIMETABLE

- (3) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, January 8, 2021, the application lists will not open on that day. Please refer to “How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists” for further details.
- (4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to “How to Apply for Hong Kong Offer Shares — 6. Applying by giving Electronic Application Instructions to HKSCC via CCASS” for further details.
- (5) The Price Determination Date is expected to be on or around Friday, January 8, 2021. If, for any reason, the Offer Price is not agreed by 12:00 noon on Monday, January 11, 2021 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.
- (6) Share certificates for the Offer Shares are expected to be issued on or before Monday, January 18, 2021 but will only become valid certificates of title at 8:00 a.m. on Tuesday, January 19, 2021 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
- (7) Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms who have provided all information required by their Application Forms may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, January 18, 2021 or any other day that we publish as the date of despatch of Share certificates/e-Refund payment instructions/refund cheques.

Individuals who are eligible for personal collection must not authorize any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorized representative(s) bearing a letter of authorization from such corporation(s) stamped with the corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply through the **White Form eIPO** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Refund payment instructions; Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. Please refer to “How to Apply for Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and refund monies” for further details.

- (8) Refund cheques/e-Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$4.00 per Offer Share.

You should read carefully “Underwriting,” “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the despatch of refund monies and share certificates.

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IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering. Information contained in our website, located at www.mediwelcome.com, does not form part of this Prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in “Risk Factors.” You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest provider in the Integrated Healthcare Marketing Solutions Market, which primarily include medical conference services, patient education and screening services and marketing strategy and consulting services, for cardio-cerebral-vascular diseases, or CCVDs, in China in terms of revenue in 2019, with a market share of 4.9% in the highly fragmented integrated healthcare marketing solutions industry for CCVDs, according to the CIC Report⁽¹⁾. The Integrated Healthcare Marketing Solutions Market for CCVDs in China was a RMB5.6 billion market in 2019, accounting for approximately 10.6% of the overall Integrated Healthcare Marketing Solutions Market in China. Founded in 2000, we primarily provide (i) medical conference services, (ii) patient education and screening services, and (iii) marketing strategy and consulting services with the goal to address the unmet needs of each key constituent of the CCVD healthcare ecosystem, including physicians, patients, pharmaceutical companies, medical non-governmental organizations, or NGOs, and hospitals, and to bridge the gaps among these constituents. In addition to providing integrated healthcare marketing solutions, we also began to offer CRO services in late 2019 which primarily consist of patients’ recruitment and clinical data collection services, and internet hospital services which mainly provide online follow up consultation to the physicians’ existing patients and e-prescription service. We focus on CCVDs though our disease coverage has been extended to other chronic diseases, such as diabetes and respiratory diseases. We have been committed to enabling better medical service and patient experience, improved disease control and lower the burden on the healthcare system in the long run through our services.

We benefit from a high quality base of well-known customers and a physicians network, which have been crucial to our historical success. We have collaborated with some of China’s most esteemed medical NGOs, including the only medical association for CCVDs recognized by the China Association for Science and Technology (中國科學技術協會), or CAST, which is the official organization for national professional societies in relation to science and technology in China. According to the CIC Report, among the global top ten pharmaceutical companies in terms of revenue in 2019, five were our customers during the Track Record Period. Moreover, we have developed a network of approximately 24,000 CCVD physicians as of June 30, 2020, among which over 70% worked for Grade 3 hospitals in China. All these physicians have participated in our provision of integrated healthcare marketing solutions. We

(1) CIC Report refers to the independent report on China’s integrated healthcare marketing solutions industry prepared by China Insights Industry Consultancy Limited.

SUMMARY

have also established a medical advisory panel comprising four influential and well-recognized CCVD physicians to advise us on our strategic direction and business expansion, including the development of internet hospital services and CRO services.

We have built various technology platforms to enhance our integrated healthcare marketing solutions. To strengthen our conference management capabilities, we have launched the Conference+ App (醫會+) for users, i.e. medical NGOs and pharmaceutical companies, to submit onsite conference requests and monitor conference implementation. We have also acquired Weiliandong, the owner of the Giraffe Platform which is a video conferencing and online education tool that enables hospitals to host or attend online medical conferences and access training videos recorded by physicians. To boost our patient education and screening capabilities, we developed and launched the Online Conference Assistant (線上會議助手), a WeChat mini-program that assists physicians in organizing and managing onsite patient education classes, as well as various WeChat public accounts where patients can find self-management support through watching educational videos, reading disease-related educational articles and conducting disease risk screening. We developed a mobile platform which offers online consultation and e-prescription services under our internet hospital segment as of the Latest Practicable Date.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue was RMB258.9 million, RMB299.0 million, RMB427.2 million, RMB161.9 million and RMB138.7 million, respectively. For the corresponding periods, our net profit/(loss) was RMB30.2 million, RMB39.7 million, RMB22.1 million, RMB2.1 million and RMB(4.0) million, respectively. Our adjusted profit (which is a non-HKFRS measure and adjusted by excluding the effect of Listing expenses) for the year ended December 31, 2019 and the six months ended June 30, 2020 was RMB35.7 million and RMB(0.5) million, respectively. Please refer to “— Non-HKFRS Measures” for details.

OUR INDUSTRY

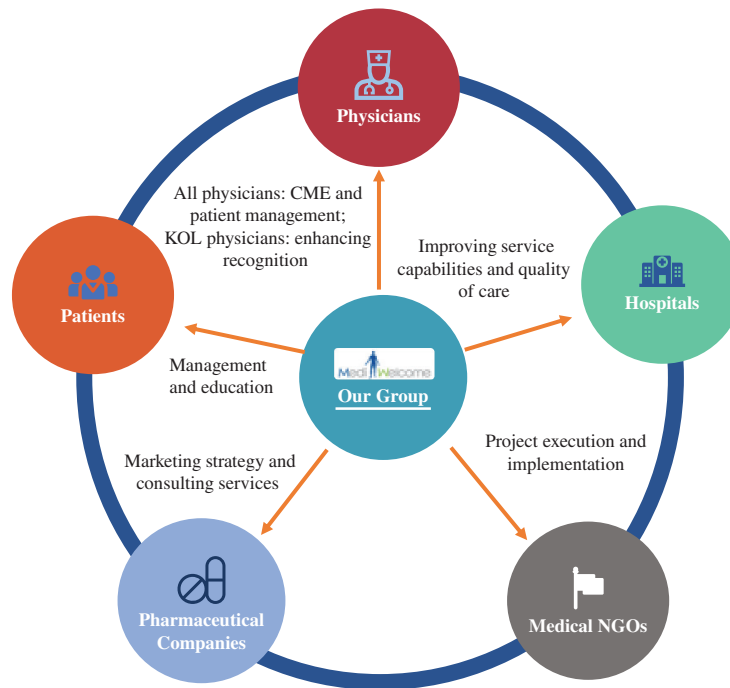
We believe the growing CCVD patient population in China will lead to an increasing demand for integrated healthcare marketing solutions. According to the CIC Report, CCVDs are one of the most prevalent diseases in China which one in four Chinese adults afflicted. Due to low diagnosis and treatment rates, aging population and increasing risk of CCVD in young generation due to unhealthy lifestyle, CCVDs are emerging as an epidemic and a major public health concern in China. In 2019, there were approximately 380.9 million CCVD patients in China, representing approximately 26.8% of the total population in China, and the number of CCVD patients in China is expected to further increase to approximately 428.6 million in 2024. In view of this, the PRC Government is progressively implementing policies to lower the burden on the healthcare system in the long run by increasing diagnosis rates and enhancing disease awareness. The PRC Government has also introduced numerous policies with the overarching objective of addressing uneven distribution of medical resources in China. These

SUMMARY

will drive China’s integrated healthcare marketing solutions industry with a focus on identifying CCVD patients through disease risk screening, physicians training and disease education, particularly in lower-tier cities and rural areas. Please refer to “Industry Overview” for details.

OUR MARKET POSITIONING AND BUSINESS MODEL

Our Group was founded in 2000 as our founders recognized the inefficiencies and limitations often associated with the PRC healthcare system, one that is characterized by uneven distribution of medical resources. Since our inception, our goal has been to address the unmet needs of each key constituent of CCVD healthcare ecosystem. We focus on CCVDs though our disease coverage has been extended to other chronic diseases, such as diabetes and respiratory diseases. We have been able to bridge the gaps among these constituents through our services, which translates into better medical service and patient experience, improved disease control and lower the burden on the healthcare system in the long run. The following diagram illustrates our market positioning and business model.



Please refer to “Business — Market Positioning and Business Model” for details.

OUR SERVICES

Our integrated healthcare marketing solutions consist of (i) medical conference services; (ii) patient education and screening services; and (iii) marketing strategy and consulting services. As advised by CIC, our Company’s medical conference services, patient education and screening services, and marketing strategy and consulting services provided in the “integrated healthcare marketing solutions market” are integrated and correlated. Through

SUMMARY

organizing medical conferences and providing patient education and screening services, physicians and patients resources can be accumulated which are useful when our Company provides marketing strategy and consulting services to pharmaceutical companies.

Our focus in terms of disease area was initially in stroke, and has since expanded to other CCVDs as well as other chronic diseases, such as diabetes and respiratory diseases. In addition to providing integrated healthcare marketing solutions, we also began in late 2019 to offer CRO services which primarily consist of patients' recruitment and clinical data collection services, and internet hospital services which mainly provide online follow up consultations to the physicians' existing patients and e-prescription service. The following table sets forth a breakdown of the revenue generated from each business segment by online and offline services for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
<i>(in thousands of RMB, except for percentages)</i>										
- Medical conference services										
Medical conventions	43,533	16.8%	42,313	14.2%	60,059	14.1%	30,050	18.5%	4,373	3.2%
- Offline Services	43,533	16.8	42,313	14.2	60,059	14.1	30,050	18.5	2,864	2.1
- Online Services	-	-	-	-	-	-	-	-	1,509	1.1
Medical seminars	93,615	36.2	130,981	43.8	222,203	52.0	85,760	53.0	70,714	51.0
- Offline Services	91,215	35.3	94,881	31.7	175,551	41.1	77,786	48.0	33,185	23.9
- Online Services	2,400	0.9	36,100 ⁽²⁾	12.1	46,652 ⁽²⁾	10.9	7,974	5.0	37,529	27.1
- Patient education and screening services										
Patient education services	77,538	30.0	74,115	24.8	60,529	14.2	18,649	11.5	26,951	19.4
- Offline Services	19,941	7.7	44,074	14.8	38,940	9.1	11,410	7.0	3,600	2.6
- Online Services	57,597 ⁽¹⁾	22.3	30,041	10.0	21,589	5.1	7,239	4.5	23,351	16.8
Screening services	1,114	0.4	3,719	1.2	12,253	2.9	-	-	502	0.4
- Offline Services	1,114	0.4	3,719	1.2	12,253	2.9	-	-	502	0.4
- Marketing strategy and consulting services										
consulting services	43,080	16.6	47,840	16.0	67,622	15.8	27,486	17.0	33,151	23.9
- Offline Services	43,080	16.6	47,840	16.0	67,622	15.8	27,486	17.0	33,151	23.9
- CRO services										
- Offline Services	-	-	-	-	4,482	1.0	-	-	2,920	2.1
- Online Services	-	-	-	-	4,482	1.0	-	-	2,920	2.1
- Internet hospital services										
services	-	-	-	-	11	0.0	-	-	70	-
- Online Services	-	-	-	-	11	0.0	-	-	70	-
Total	258,880	100.0%	298,968	100.0%	427,159	100.0%	161,945	100.0%	138,681	100.0%

SUMMARY

- (1) We recorded higher revenue from online services for patient education and screening services in 2017 than in 2018 and 2019 because we organized “Chronic Diseases Distance Education – Atherosclerotic Cardiovascular Disease Patient Management Project” (中國慢病遠程教育-動脈硬化性心血管疾病全程管理項目), an online patient education program run by physicians for their patients, which contributed RMB26.0 million of revenue in 2017.
- (2) In order to assist medical NGOs in providing CME to physicians in lower-tier cities and rural areas in China, we began to increasingly offer online medical seminars since 2018.

The following table sets forth our gross profit and gross profit margin by service type for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>(in thousands of RMB, except percentages)</i>									
Medical conference services	37,742	27.5%	47,805	27.6%	65,995	23.4%	25,473	22.0%	12,853	17.1%
Patient education and screening services	16,138	20.5	18,453	23.7	11,421	15.7	2,079	11.1	4,455	16.2
Marketing strategy and consulting services	17,494	40.6	18,338	38.3	16,110	23.8	8,064	29.3	11,118	33.5
CRO services	-	-	-	-	1,418	31.6	-	-	(8)	N/A
Internet hospital services	-	-	-	-	(76)	N/A	-	-	(286)	N/A
Total gross profit/Overall gross profit margin	<u>71,374</u>	<u>27.6%</u>	<u>84,596</u>	<u>28.3%</u>	<u>94,868</u>	<u>22.2%</u>	<u>35,616</u>	<u>22.0%</u>	<u>28,132</u>	<u>20.3%</u>

- *Medical conference services.* Medical conference services primarily represent the medical conventions and seminars we organize, which are generally hosted by medical NGOs and sponsored primarily by pharmaceutical companies in the healthcare industry. Medical conventions are typically held once a year while medical seminars are held as multiple sessions across various cities. Attendees of medical conferences consist of physicians, medical NGOs and pharmaceutical companies. Our online medical seminars are primarily delivered through the Giraffe Platform. Through our provision of medical conference services, our Group can accumulate sufficient physicians resource and establish physicians network; and gain better understanding on the physicians’ demands, which facilitate our Group in providing better marketing strategy and consulting services to pharmaceutical companies. Medical conference services can also help our Group to understand the severity of disease and its cutting-edge treatments, which is necessary for our Company’s patient education and screening services.

SUMMARY

- *Patient education and screening services.* We are generally engaged by medical NGOs to provide patient education and screening services on a project-by-project basis. During the Track Record Period, our patient education and screening services primarily consisted of onsite patient education classes, online patient education services and disease risk screening services. Our onsite patient education classes refer to disease education classes organized for patients in hospitals. Our online patient education services refer to educational videos recorded by physicians, which patients can access through our WeChat public accounts or a leading online video platform in the PRC. To provide high-quality educational videos and better serve the needs of patients, we provide patients and physicians with separate gateways for our online patient education services. Our disease risk screening services refer to the examination and testing services we provide to test patients' susceptibility to CCVDs. Through our provision of patient education and screening services, our Group can accumulate sufficient patients resource including the patients characteristics and their medical demands, which facilitate our Group in its provision of marketing strategy and consulting services to pharmaceutical companies.
- *Marketing strategy and consulting services.* We have provided marketing strategy and consulting services to pharmaceutical companies since 2000. Leveraging (i) the physicians network we established over almost 20 years; (ii) our own medical advisory panel and professional medical team; and (iii) the abundant market information we collected in medical conference services and patient education and screening services, such as patients' analysis and medical experts' opinions; we provide marketing strategy and consulting services to assist pharmaceutical companies in formulating and implementing effective business strategies in enhancing their brand and product awareness among physicians. We have established business relationships with pharmaceutical companies through our provision of marketing strategy and consulting services, who may then participate in sponsoring our medical conferences.
- *CRO services.* We currently provide CRO services to pharmaceutical companies and medical NGOs by assisting our customers to collect and record patient data from customers' clinical trials, monitor the integrity and accuracy of data recorded, review and organize data records and conduct follow-up visits with patients. We intend to continue to develop and expand our CRO Services. Please refer to "Business — Business Strategies — Further Expand Our CRO Services" for details.
- *Internet hospital services.* We developed a mobile platform, including a WeChat public account and a mobile app, to provide internet hospital services. Currently, physicians' existing patients can schedule online follow up consultations, obtain e-prescriptions and purchase medicine through the platform. We intend to continue to develop and expand our internet hospital services. Please refer to "Business — Business Strategies — Complementing our service capabilities through the development of internet hospital services" for details.

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CUSTOMERS

Medical NGOs in China primarily consist of medical associations and foundations, which are registered and regulated under the Ministry of Civil Affairs (中華人民共和國民政部) or administration of civil affairs at or above the county level, and are required to submit annual report to the competent local administration of civil affairs or the Ministry of Civil Affairs. As advised by our PRC Legal Advisers, PRC medical NGOs shall (i) comply with the Regulations on the Registration of Social Organizations (《社會團體登記管理條例》), the Regulations for the Management of Foundations (《基金會管理條例》) and other relevant PRC laws and regulations; and (ii) receive their membership fees and/or donations according to the relevant PRC laws and regulations. China's medical associations are responsible for setting and encouraging the adoption of guidelines, standards of care and clinical pathways in medical practice. The mission of China's medical foundations is to raise funds for public healthcare projects. Promoting official healthcare policies is the core value of medical NGOs in China, according to relevant PRC regulations. Please refer to "Regulatory Overview — Laws and Regulations Applicable to NGO" for details. The funding of medical NGOs in China primarily comes from membership dues mainly from physicians, donations, funds from corporate sponsors for medical research projects and services provided to pharmaceutical companies, according to the CIC Report. As advised by our PRC Legal Advisers, the management and usage of the medical NGOs' assets are under the supervision of competent audit authorities of PRC governments (審計機關). We assist medical NGOs in organizing (i) large-scale medical conferences with an average number of attendees of over 300 in general; and (ii) patient education and screening projects which typically need substantial manpower. Our patient education and screening services allow patients to administer better self-care and disease control, which will lower the burden on the healthcare system in the long run.

Our integrated healthcare marketing solutions are principally provided to China's esteemed medical NGOs and well-known pharmaceutical companies, we also serve medical device companies, healthcare and pharmaceutical publications and hospitals. As a service provider operating in a highly fragmented and intensely competitive industry, building a high quality customer base is crucial to our business growth. According to the CIC Report, among the global top ten pharmaceutical companies in terms of revenue in 2019, five were our customers during the Track Record Period. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, we generated an aggregate revenue of RMB44.7 million, RMB33.6 million, RMB52.9 million and RMB16.7 million, respectively, from these five customers.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue generated from our five largest customers amounted to RMB184.0 million, RMB165.7 million, RMB240.2 million and RMB66.4 million, respectively, contributing 71.1%, 55.4%, 56.2% and 47.8% to our total revenue for the corresponding periods, respectively, while revenue generated from our largest customer amounted to RMB86.1 million, RMB108.9 million, RMB131.1 million and RMB21.8 million, contributing 33.3%, 36.4%, 30.7% and 15.7% to our total revenue for the same periods, respectively.

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SUPPLIERS

During the Track Record Period, we primarily procured travel and lodging services, presentation materials, venue set-up and rental services, video production services and IT services from our suppliers.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, procurement from our five largest suppliers amounted to RMB34.7 million, RMB40.5 million, RMB71.8 million and RMB32.4 million, respectively, accounting for 18.5%, 18.9%, 21.6% and 29.3% of our total cost of sales for the corresponding periods, respectively, while procurement from our largest supplier amounted to RMB12.4 million, RMB13.8 million, RMB40.3 million and RMB18.7 million, respectively, accounting for 6.6%, 6.4%, 12.1% and 17.0% of our total cost of sales for the same periods, respectively.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe the following strengths differentiate us from our competitors, have contributed to our historical success and will drive our future growth: (i) we are China's largest provider in the Integrated Healthcare Marketing Solutions Market for CCVDs; (ii) our unique and comprehensive service portfolio to serve key constituents in the CCVD healthcare ecosystem; (iii) our high quality customer base and physicians network; (iv) our various technology platforms that support our service portfolio; and (v) we have a visionary and stable management team.

In the next phase of our development, we plan to continue to expand and strengthen our integrated healthcare marketing solutions by broadening our customer base, disease area coverage and patient base. Moreover, we plan to better serve the key constituents of the healthcare ecosystem in China by consolidating the physician resources and expertise, pharmaceutical company resources and patient base that we have accumulated over almost 20 years and providing a comprehensive portfolio of value-added services by growing our internet hospital platform and further expanding our CRO services.

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SUMMARY OF KEY FINANCIAL INFORMATION

Summary Data from Consolidated Statements of Comprehensive Income

The following table sets forth summary data from our consolidated statements of comprehensive income for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	<i>(in thousands of RMB, except for percentages)</i>									
Revenue	258,880	100.0%	298,968	100.0%	427,159	100.0%	161,945	100.0%	138,681	100.0%
Cost of sales	(187,506)	(72.4)	(214,372)	(71.7)	(332,291)	(77.8)	(126,329)	(78.0)	(110,549)	(79.7)
Gross profit	71,374	27.6	84,596	28.3	94,868	22.2	35,616	22.0	28,132	20.3
Profit/(loss) before taxation	38,118	14.7	49,152	16.5	25,972	6.1	4,158	2.6	(4,568)	(3.3)
Income tax (expense)/credit	(7,902)	(3.0)	(9,475)	(3.2)	(3,915)	(0.9)	(2,083)	(1.3)	561	0.4
Profit/(loss) for the year/period	<u>30,216</u>	<u>11.7%</u>	<u>39,677</u>	<u>13.3%</u>	<u>22,057</u>	<u>5.2%</u>	<u>2,075</u>	<u>1.3%</u>	<u>(4,007)</u>	<u>(2.9)</u>
Profit/(loss) for the year/period attributable to:										
– Owners of the Company	29,657	11.5	38,041	12.7	20,852	4.9	2,538	1.6	(2,278)	(1.6)
– Non-controlling interests	559	0.2	1,636	0.6	1,205	0.3	(463)	(0.3)	(1,729)	(1.3)
	<u>30,216</u>	<u>11.7</u>	<u>39,677</u>	<u>13.3</u>	<u>22,057</u>	<u>5.2</u>	<u>2,075</u>	<u>1.3</u>	<u>(4,007)</u>	<u>(2.9)</u>

Our revenue increased continuously throughout 2017 to 2019 primarily due to the continued increase in the number of (i) medical conventions and medical seminars we organized and (ii) marketing strategy and consulting projects we implemented. Our revenue in the first half of 2020 experienced temporary decline primarily due to the significant decrease in the revenue generated from medical conventions amid the COVID-19 outbreak. For example, our flagship medical convention, the 2020 TISC, originally scheduled in the first half of 2020, was postponed to and completed in October 2020, and generated a total revenue of

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around RMB13.0 million; while the 2019 TISC contributed a revenue of RMB19.6 million in the first half of 2019. As the scale of the 2020 TISC diminished amid the COVID-19 outbreak, there was reduction in both the number of onsite attendees and the designated areas for sponsoring enterprises to set up booths and host seminars. As a result, there was a corresponding decrease in service fees from medical NGOs and sponsorship fees from sponsoring enterprises.

Our gross profit continued to increase generally in line with revenue growth from 2017 to 2019. Our overall gross profit margin remained relatively stable at 27.6% and 28.3% in 2017 and 2018. Our overall gross profit margin decreased to 22.2% for the year ended December 31, 2019, which was primarily attributable to a decrease in the gross profit margin of patient education and screening services from 23.7% to 15.7% and marketing strategy and consulting services from 38.3% to 23.8%. The decrease in gross profit margin for patient education and screening services reflected the lower gross profit margin of three large-scale projects in 2019, together accounting for approximately 45% of the total revenue generated from patient education and screening services during the same year, for which we reduced our price in order to capture more market share. The decrease in gross profit margin for marketing strategy and consulting services was due to two large-scale annual conferences for a global pharmaceutical company, for which we strategically charged a lower price in order to capture potential business opportunities for its future product launches and other marketing and consulting matters.

Our overall gross profit margin decreased from 22.0% for the six months ended June 30, 2019 to 20.3% for the six months ended June 30, 2020, which was principally attributable to the decrease in revenue from medical conventions organized amid the COVID-19 outbreak, which used to have higher gross profit margins than medical seminars as there are sponsorship fees from sponsoring enterprises for medical conventions. The gross profit margin of medical conference services dropped from 22.0% to 17.1% due to the reduction in sponsorship fee as the scale of medical conventions diminished amid the COVID-19 outbreak. Gross profit margin for patient education and screening services increased from 11.1% for the six months ended June 30, 2019 to 16.2% for the six months ended June 30, 2020 because we had three large-scale projects with relatively lower gross profit margins in 2019. Gross profit margin for marketing strategy and consulting services increased from 29.3% for the six months ended June 30, 2019 to 33.5% for the six months ended June 30, 2020 primarily because two large-scale annual conference for a global pharmaceutical company we strategically charged a lower price in order to capture potential business opportunities for its future product launches and other marketing and consulting matters were delivered in 2019 drove down the gross profit margin.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our net profit/(loss) was RMB30.2 million, RMB39.7 million, RMB22.1 million, RMB2.1 million and RMB(4.0) million. The decrease in our net profit from 2018 to 2019 was primarily due to a decrease in net profit margin, mainly caused by (i) a decrease in gross profit margin of patient education and screening services which we reduced our price for three large-scale projects in 2019 in order to capture more market share; (ii) a decrease in gross profit margin of marketing strategy and consulting services as we strategically charged a lower

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price for future business opportunities; and (iii) Listing expenses we incurred. We recorded net loss of RMB4.0 million during the six months ended June 30, 2020 primarily due to the significant decrease in the revenue generated from medical conventions amid the COVID-19 outbreak. Our adjusted net profit/(loss) (which is a non-HKFRS measure and adjusted by excluding the effect of Listing expenses) for the year ended December 31, 2019 and the six months ended June 30, 2020 was RMB35.7 million and RMB(0.5) million. Please refer to “Financial Information — Period-to-Period Comparison of Results of Operations” for details.

Non-HKFRS Measures

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we also use a non-HKFRS measure, adjusted profit for the year or period, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of the Listing expenses that our management do not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

The following table sets forth our profit and normalized profit, which is adjusted by adding back Listing expenses, for the period indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>(in thousands of RMB)</i>				
Profit/(loss) for the year/period	30,216	39,677	22,057	2,075	(4,007)
Add back: Listing expenses	—	—	13,605	8,085	3,503
Non-HKFRS Measure					
Adjusted profit/(loss) for the year/period	30,216	39,677	35,662	10,160	(504)

* Adjusted profit/(loss) for the year/period is defined as profit/(loss) for the year/period excluding Listing expenses.

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Summary Data from Consolidated Statements of Financial Position

The following table sets forth summary data from our consolidated statements of financial position as of the date indicated.

	As of December 31,			As of June 30,	As of October 31,
	2017	2018	2019	2020	2020
	<i>(in thousands of RMB)</i>				<i>(unaudited)</i>
Non-current assets	10,908	60,889	49,585	93,532	83,991
<i>Right-of-use</i>					
<i>assets</i>	2,940	8,037	4,023	37,070	33,063
Current assets	129,348	142,284	179,896	157,019	163,643
<i>Trade</i>					
<i>receivables</i>	27,530	30,665	71,719	50,309	78,026
Current liabilities	40,955	73,621	83,491	76,913	56,875
<i>Contract</i>					
<i>liabilities</i>	14,506	36,152	30,346	31,184	17,001
Net current assets	88,393	68,663	96,405	80,106	106,768
Non-current					
liabilities	566	2,966	1,185	27,819	25,214
Net assets	98,735	126,586	144,805	145,819	165,545
Non-controlling					
interests	4,796	7,679	8,884	7,155	5,503

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Summary Data from Our Consolidated Statements of Cash Flows

The following table sets forth summary data from our consolidated statements of cash flows for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>(in thousands of RMB)</i>				
Operating cash flows before movements in working capital	47,675	58,029	42,028	10,448	1,905
Change in working capital	(43,192)	6,196	(29,222)	(40,971)	4,943
Income tax paid	(6,124)	(5,386)	(8,291)	(7,542)	(3,921)
Net cash (used in)/from operating activities	(1,641)	58,839	4,515	(38,065)	2,927
Net cash from/(used in) investing activities	2,460	(30,383)	(24,523)	264	(7,627)
Net cash from/(used in) financing activities	31,179	(19,470)	(5,555)	(2,994)	(3,408)
Net increase/(decrease) in cash and cash equivalents	31,998	8,986	(25,563)	(40,795)	(8,108)
Cash and cash equivalents at beginning of the year/period	58,221	90,219	99,205	99,205	73,642
Cash and cash equivalents at end of the year/period	90,219	99,205	73,642	58,410	65,534

We recorded net cash from operating activities of RMB2.9 million for the six months ended June 30, 2020 primarily due to the decrease of RMB22.8 million in trade receivables. We recorded net cash used in operating activities of RMB38.1 million for the six months ended June 30, 2019 primarily due to the decrease of RMB20.6 million in contract liabilities. Our net cash from operating activities decreased from RMB58.8 million for the year ended December 31, 2018 to RMB4.5 million for the year ended December 31, 2019 primarily due to the increase of RMB47.0 million in trade receivables in 2019. Please refer to “Financial Information — Liquidity and Capital Resources — Cash Flows — Net Cash From/(Used in) Operating Activities” for details. We recorded net cash used in operating activities of RMB1.6

SUMMARY

million for the year ended December 31, 2017 primarily due to (i) a decrease of RMB28.8 million in contract liabilities as we began to implement certain projects in 2017 and relevant deposits received in 2016 were then recognized as revenue in 2017; and (ii) an increase of RMB16.5 million in trade receivables in line with our revenue growth.

Key Financial Ratios⁽¹⁾

The following table sets forth our key financial ratios as of the date or for the period indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2017	2018	2019	2020
	Gross profit margin	27.6%	28.3%	22.2%
Net profit margin	11.7%	13.3%	5.2% ⁽²⁾	N/A ⁽⁴⁾
Return on average equity	47.8%	35.2%	16.3%	N/A ⁽⁵⁾
Return on average assets	25.7%	23.1%	10.2%	N/A ⁽⁵⁾
Current ratio/quick ratio ⁽³⁾	3.16	1.93	2.15	2.04

(1) Please refer to “Financial Information — Key Financial Ratios” for the calculation methods.

(2) Our adjusted net profit margin for the year ended December 31, 2019 would have been 8.3%, which is a non-HKFRS measure and is adjusted by excluding the effect of Listing expenses.

(3) During the Track Record Period, we did not have any inventory and therefore our current ratio equals our quick ratio.

(4) Not applicable because we recorded net loss.

(5) Not applicable because demand for our services is subject to seasonality, and therefore our interim results may not be comparable or representative of our full year financial performance.

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PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2020

We have prepared the following profit forecast for the year ending December 31, 2020.

Forecast consolidated profit attributable to owners of the Company ⁽¹⁾	Not less than RMB21.0 million (equivalent to HK\$24.8 million) ⁽³⁾
Unaudited pro forma forecast earnings per Share ⁽²⁾	Not less than RMB0.11 (equivalent to HK\$0.13) ⁽³⁾

Notes:

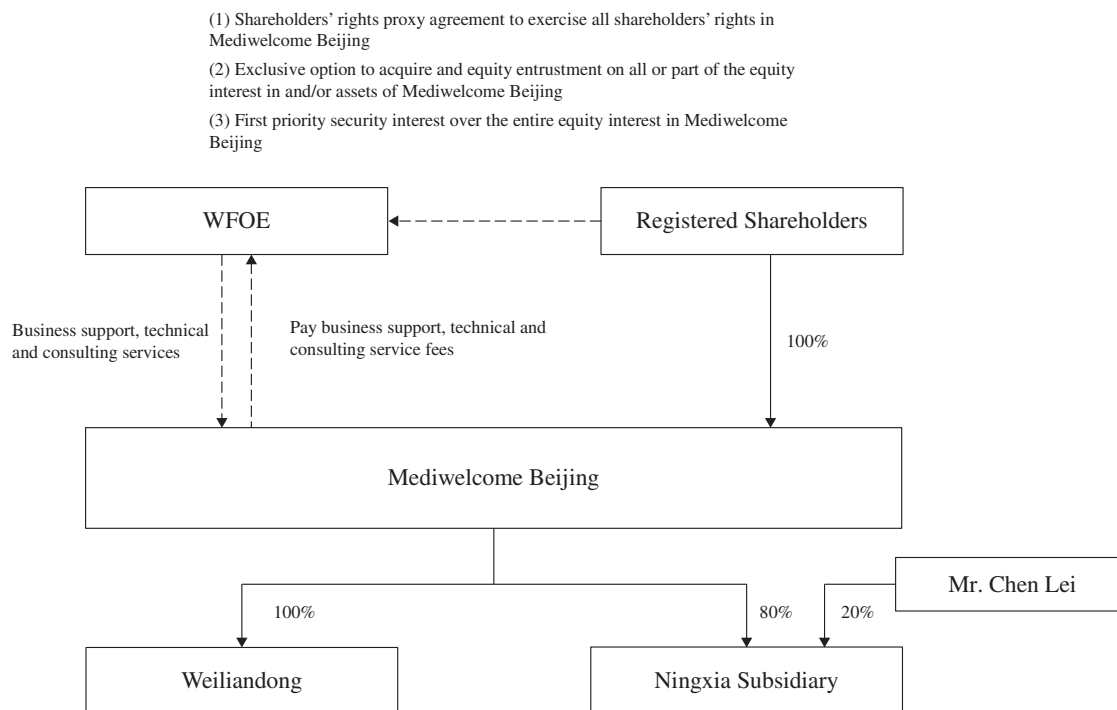
- (1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2020 has been prepared are summarized in “Profit Forecast” in Appendix IIB to this prospectus. Our forecast consolidated profit attributable to owners of the Company for the year ending December 31, 2020 prepared by our Directors is based on (i) the audited consolidated financial information of our Group for the six months ended June 30, 2020; (ii) the unaudited consolidated results based on management accounts of our Group for the five months ended November 30, 2020; and (iii) a forecast of the consolidated results of our Group for the remaining one month ending December 31, 2020, in the absence of unforeseen circumstances. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarized in “Accountants’ Report” as set out in Appendix I to this prospectus.
- (2) The calculation of the unaudited pro forma forecast earnings per Share for the year ending December 31, 2020 is based on the forecast consolidated profit attributable to owners of the Company for the year ending December 31, 2020, assuming the Global Offering had been completed on January 1, 2020 and a total of 200,000,000 Shares were in issue during the entire year, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.
- (3) The forecast consolidated profit attributable to owners of the Company and unaudited pro forma forecast earnings per Share in RMB are converted to Hong Kong dollars at the rate of RMB0.8456 to HK\$1. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.

CONTRACTUAL ARRANGEMENTS

We have launched our internet hospital services and plan to start, video production services and value-added telecommunications services through the Consolidated Affiliated Entities. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting video production services and are restricted from conducting internet hospital services and value-added telecommunications services. Please refer to “Regulatory Overview” for further details of the limitations under applicable PRC laws and regulations on foreign ownership in PRC companies conducting the said services. Due to these restrictions, we conduct part of our operations in the PRC through the Contractual Arrangements with Mediwelcome Beijing and its shareholders, namely the Registered Shareholders. The Contractual Arrangements allow the financials and results of operations of the Consolidated Affiliated Entities to be consolidated into our financial statement as if they were wholly-owned subsidiaries of our Group.

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The following simplified diagram illustrates the flow of all economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Note: Please refer to “Contractual Arrangements” for details.

In addition, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to the Contractual Arrangement. Please refer to “Connected Transaction” for details.

LISTING ON AND DE-LISTING FROM THE NEEQ

In order to improve Mediwelcome Beijing’s management, corporate governance and brand awareness as well as to obtain alternative financing, Mediwelcome Beijing listed on the NEEQ in September 2016. Nonetheless, having considered our future business strategy and opportunities that can be offered by the Hong Kong capital market, we applied for the de-listing of Mediwelcome Beijing’s shares from the NEEQ and Mediwelcome Beijing was de-listed from the NEEQ on February 13, 2019.

PRE-IPO INVESTMENTS

We undertook the Pre-IPO Investments in October 2017 for the development of our PRC Operating Entities. The existing Pre-IPO Investors of our Company are Ningbo Yurongsheng, Mr. Luo Shuai and Tongling Lizhi, which subscribed for new shares of Mediwelcome Beijing. Please refer to “History and Reorganization — Pre-IPO Investments” for details.

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OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), our ultimate Controlling Shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, were acting in concert with each other, will be entitled to exercise voting rights of approximately 51.76% of the issued share capital of our Company through the investment holding companies controlled by them. Accordingly, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, and the investment holding companies controlled by them, namely Ji Ze Investment, Shun Jia Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment, which constitute a group of controlling shareholders of our Company, will remain our Controlling Shareholders upon the Listing.

THE IMPACT OF THE COVID-19 OUTBREAK

In response to the outbreak of a novel coronavirus named COVID-19 in China and overseas, the PRC Government implemented widespread disease containment and treatment measures, including but not limited to extending Chinese New Year holidays in 2020, restricting onsite office work, traffic control, travel bans, mobilizing medical resources nationwide to support treatment in the disease epicenter of Wuhan, and requiring hospitals to manage and control staff and services to avoid patient crowding and cross-infections.

With the effective COVID-19 control in mainland China, the COVID-19 outbreak gradually calmed down after its peak during February to April 2020 in mainland China and daily life in mainland China has returned to normal. As confirmed by our PRC Legal Advisers, as of the Latest Practicable Date, there is no longer any policies that limit number of participants to conferences, including conventions and seminars in mainland China.

To contain the COVID-19 outbreak, we extended the Chinese New Year holiday according to government policy and encouraged the employees to work from home in February 2020. We resumed normal office operations since March 2, 2020. As the COVID-19 is highly contagious, for safety reasons, we postponed various onsite services planned for February, March and April 2020, such as our medical conventions, onsite medical seminars, onsite patient education and screening services and CRO services (collectively, the “**Offline Services**”). The impact of COVID-19 outbreak on our Offline Services are detailed as below:

- **Medical conventions.** As our medical conventions are typically large-scale onsite meetings involving physicians across the country and require a safety-assured environment, we had temporarily postponed medical conventions and did not hold medical conventions during February to April 2020. As of the Latest Practicable Date, we had 25 medical convention projects scheduled for 2020 and 2021, two of which were delayed due to the COVID-19 outbreak and three of which will be held online to avoid face-to-face gathering. Of our two delayed medical conventions, one is the 2020 TISC, the flagship medical convention of our Company, which has

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officially completed in October 2020; while the other one was rescheduled for December 2020. Revenue generated from medical conventions accounted for approximately 15% of our total revenue during the Track Record Period, as such, in the worst case scenario that medical conventions are postponed for a long period, the impact of COVID-19 on our medical conventions is unlikely to cause a material adverse impact on our financial and business performance in 2020, although we may experience temporary limited level of operating loss due to the decrease in our revenue generated from medical conventions.

- ***Onsite medical seminars.*** We provide onsite medical seminars as well as online medical seminars through our technology platform. As of the Latest Practicable Date, we had approximately 334 medical seminar projects scheduled for 2020 and 2021, 15 of which were delayed due to the COVID-19 outbreak. Of those delayed medical seminar projects, during March 2020 to November 2020, 14 were kick-start and seven of these medical seminar projects were completed in accordance with contract terms. Three delayed medical seminar projects are expected to be completed by the end of 2020 and four are expected to be completed in the first half of 2021. Besides, we are in the process of negotiating with our customer for one delayed project, which is expected to kick start in the first half of 2021. In addition, we can generate revenue from 24 online medical seminar projects scheduled for 2020 and 2021, including ten projects planned to be shifted from onsite to online, as we reached agreements with our customers that the affected onsite seminars would mostly be completed online, with each onsite seminar split into multiple online live seminars. We recognized revenue of RMB17.7 million from the transfer of onsite medical seminars to online medical seminars in the first half of 2020.
- ***Onsite patient education and screening services.*** Onsite patient education classes and disease risk screening services that require patient attendance in person were delayed due to the COVID-19 outbreak. As of the Latest Practicable Date, we had over 46 patient education and screening projects scheduled for 2020 and 2021, three of which were delayed due to the COVID-19 outbreak. All those delayed patient education and screening projects were kick-start and one was completed in May 2020. The other two delayed projects are expected to be completed in the first half of 2021. Save for three projects with long durations to be completed in 2021, we believe all other patient education and screening projects can be finished off in accordance with contract terms. In addition, we can generate revenue from 13 online patient education and screening projects scheduled for 2020 and 2021, including two projects planned to be shifted from onsite to online, as we reached agreements with our customers that the affected patient education classes would mostly be completed online, with each onsite class split into multiple online classes. We recognized revenue of RMB2.1 million from the transfer of onsite patient education and screening projects to online patient education and screening projects in the first half of 2020.

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- **CRO services.** Our CRO services were temporarily delayed due to the COVID-19 outbreak and we started to resume CRO services in May 2020. As of the Latest Practicable Date, our CRO services had resumed normal.

Our temporary shift of certain Offline Services to online platforms has effect on our financial performance.

Impact on revenue

The COVID-19 outbreak reduced our Offline Services, especially medical convention projects, resulting in a significant decrease in our revenue from medical convention projects for the six months ended June 30, 2020, despite our endeavor in shifting a portion of our medical conventions to our online platforms, mainly due to the reduction in sponsorship fees from sponsoring enterprises as the scale of conventions has diminished. Our flagship medical convention, the 2020 TISC, originally scheduled in the first half of 2020, was postponed to and completed in October 2020 generated a total revenue of around RMB13.0 million; while the 2019 TISC contributed a revenue of RMB19.6 million in the first half of 2019. As the scale of the 2020 TISC diminished amid the COVID-19 outbreak, there was reduction in both the number of onsite attendees and the designated areas for sponsoring enterprises to set up booths and host seminars. As a result, there was a corresponding decrease in service fees from medical NGOs and sponsorship fees from sponsoring enterprises. Revenue of our medical conventions may experience similar decrease as the number of onsite participants reduced in our combined offline and online medical conventions.

Revenue generated from medical seminar projects only decreased mildly, while our revenue from patient education and screening services and marketing strategy and consulting services experienced certain level of growth, as we successfully shifted most of our onsite medical seminars, onsite patient education and screening services to our online platforms after discussing and reaching agreements with our customers. Such growth was also contributed by our broadened customer base.

Impact on cost structure

Shifting of medical conventions to online platform

The cost of onsite medical conventions mainly includes: (i) speaker fees; (ii) project implementation costs, which principally represent fees paid to suppliers for services we procure for project implementation; (iii) travel costs incurred by speakers and our employees for project implementation; (iv) lodging and venue costs; (v) material and equipment costs; and (vi) staff costs. The cost of online medical conventions mainly includes: (i) speaker fees; (ii) staff costs; and (iii) online platform costs.

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While we save certain costs by shifting onsite medical conventions to online, the service fees generated from online medical conventions are reduced to a certain extent, accordingly. Sponsorship fees and registration fees also reduced as the scale of an online medical convention is generally smaller than an onsite medical convention.

Shifting of onsite medical seminars and patient education classes to online platforms

Medical seminar projects or patient education projects possess a duration of up to one year and may involve hundreds or thousands of medical seminars or patient education classes. The current COVID-19 outbreak has only affected a portion of the projects. We negotiated with our customers and reached agreement that the affected onsite medical seminars and patient education classes would mostly be completed online, with each onsite medical seminar or patient education class split into multiple online live seminars or classes without affecting the previously agreed contract value. Attendees could choose to attend one of the online live meetings, thus maintaining a similar level of attendance.

The cost of onsite medical seminars and patient education classes mainly includes: (i) speaker fees; (ii) project implementation costs, which principally represent fees paid to suppliers for services we procure for project implementation; (iii) travel costs incurred by speakers and our employees for project implementation; (iv) lodging and venue costs; (v) material and equipment costs; and (vi) staff costs. The cost of online medical seminars and patient education projects mainly includes: (a) speaker fees; (b) staff costs; and (c) online platform costs.

As the number of medical seminars or patient education classes increases, speaker fees increase, while the other costs typically incurred in onsite medical seminars and patient education classes are saved. In general, the cost to revenue ratio of shifted medical seminars and patient education classes has not materially changed.

Impact on operating expenses

Our operating expenses for the six months ended June 30, 2020 increased when compared to the six months ended June 30, 2019, mainly caused by our launch in internet hospital services. We have not downsized nor plan to cut off our operating expenses, as we believe the impact of the COVID-19 outbreak on our business growth is only temporary.

Impact on overall financial performance

As a result of the foregoing, we experienced temporary operating loss for the six months ended June 30, 2020, principally due to the significant decrease in revenue from medical convention amid the COVID-19 outbreak. With the upturn of the COVID-19 outbreak in mainland China in the second half of 2020, and taking into account the other factors explained above, as well as our seasonality, we believe our financial performance in the second half of 2020 will improve significantly. We expect our revenue for the year ending December 31, 2020 will remain similar to our revenue for the year ended December 31, 2019, but we expect our

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net profit for the year ending December 31, 2020 will decrease but will not be less than RMB21.0 million, primarily due to increasing selling expenses of our internet hospital services, as we continue to expand this new service line, and the one-off Listing expenses. Please refer to “Financial Information – Listing Expenses” for details.

As of the Latest Practicable Date, we had four medical convention projects, 12 medical seminar projects and 15 patient education and screening projects to be conducted in the rest of 2020. Our Directors are of the view that our Group is able to carry out the planned projects in the rest of 2020 by efficiently mobilizing its internal manpower and utilizing services from third parties.

Despite our Offline Services were negatively affected by the COVID-19 outbreak in the first half of 2020 (especially the first quarter), our Directors do not expect that the COVID-19 outbreak will have a material adverse effect on our Group’s overall business operations, sustainability and financial performance for the full year 2020, for the following reasons:

- (i) we officially resumed normal office operations on March 2, 2020;
- (ii) traditionally, we experience seasonality in our business. Demand for our services is generally lower in the first half of the year (particularly in the first quarter) and higher in the second half of the year (especially in the fourth quarter). Revenue of our Group generated in the first half of the year accounted for 36.2% and 37.9% respectively of the full financial year in 2018 and 2019. The COVID-19 outbreak is expected to have most impact in the first half of 2020 (especially in the first quarter), when we organized relatively fewer events and projects;
- (iii) according to CIC Report, the number of daily new infections and suspected COVID-19 cases in China has declined substantially since mid-February. As of the Latest Practicable Date, daily life in many parts of China has become normal, with few newly diagnosed local cases and few imported cases. Cities have relaxed social-distancing rules and mask mandates, tourist sites, movie theaters and gyms are re-opened, and students are heading back to campus for the fall semester. Our Offline Services gradually resumed in the second quarter of 2020 and are expected to increase in the second half of 2020 to address the unmet demand accumulated earlier due to the COVID-19 outbreak, resulting in an anticipated increase in demand for our services;
- (iv) we have endeavored to shift a portion of our Offline Services to our online platforms after discussing with our customers. As of the Latest Practicable Date, we planned to shift approximately 981 onsite medical seminars of ten medical seminar projects and 3,010 onsite patient education classes of two patient education and screening projects to our online platforms. As of the same date, we also entered into contracts for three new medical conventions which will be held online. In addition, even though we may not be able to fully resume Offline Services immediately, we expect to be able to generate revenue from online services, including online medical

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seminars, online patient education services, marketing strategy and consulting services and internet hospital services, on which the impact of the COVID-19 outbreak is relatively limited;

- (v) according to the CIC Report, considering the impact of COVID-19 outbreak, the estimated market size of integrated healthcare marketing solutions industry is still expected to grow 5.9% from RMB52.7 billion in 2019 to RMB55.8 billion in 2020, which indicates that the COVID-19 outbreak is expected to bring limited impact on the integrated healthcare marketing solutions industry in China. Furthermore, demand for online hospital services still exists due to the reduction of the offline diagnosis and treatment in the first quarter of 2020 according to the CIC Report; and
- (vi) during the Track Record Period and up to the Latest Practicable Date, none of our top five customers is based in cities and regions most severely hit by the COVID-19 outbreak, such as Wuhan city.

Since resuming normal office operations on March 2, 2020, we have implemented a series of measures to maintain a hygienic working environment, including: (i) cleaning and disinfecting office areas regularly; (ii) requiring employees to measure body temperature, disinfect hands and wear surgical masks before entering the office; (iii) requiring relevant staff to self-quarantine and work from home for two weeks after they return from outbreak areas; (iv) arranging any employee who may have a fever or influenza-like symptoms to seek medical help and self-quarantine for two weeks; (v) providing employees with surgical masks and hand sanitizer if needed; (vi) adopting flexible working arrangements to reduce the risk of infection, such as telecommuting and flexible work hours; and (vii) limiting non-essential business travel to the affected regions and cities. Our employees did not have any confirmed case of infection as of the Latest Practicable Date.

Under the effective COVID-19 control in mainland China, the COVID-19 outbreak gradually calmed down after its peak during February to April 2020, daily life in mainland China has returned to normal simultaneously. Our PRC Legal Advisers confirmed as of the Latest Practicable Date, there is no longer any policies limiting number of participants to conferences, including conventions and seminars, in mainland China. We cannot foresee when the temporary disruptions to business activities caused by the COVID-19 outbreak will cease and also cannot guarantee that the COVID-19 outbreak will not worsen or have a material and adverse effect on our business operations and financial results. Please refer to “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to natural disasters, acts of war or terrorism, occurrence of epidemics or other factors beyond our control” for details. Our Directors will continue to assess the impact of the COVID-19 outbreak on our Group’s operation and financial performance and closely monitor our Group’s exposure to the risks and uncertainties in connection with the epidemic. We will take appropriate measures as necessary and inform our Shareholders and potential investors as and when necessary.

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Our Group has conducted a worst case scenario analysis by assuming the extreme and unlikely event if the business operation of our Group are completely suspended and no revenue would be generated, based on our net current assets as of the Latest Practicable Date together with the 12% of the IPO proceeds for working capital purposes, monthly fixed costs (including rent and staff costs assuming there is no lay-offs or pay cuts to current staff) and in the absence of any existing and future borrowings, meanwhile assuming prudent settlement of trade receivables (based on historical settlement pattern) and trade payables (based on due date), our Directors believe that we will have sufficient working capital for our business and remain financially viable for at least the next 12 months following the date of this Prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Given the calm down of COVID-19 outbreak in mainland China, we have resumed our normal operation, including our offline medical conventions, offline medical seminars, offline patient education classes, onsite disease risk screenings and CRO services. Our revenue from medical conventions may reduce as the scale of offline medical conventions has diminished. On the other hand, participants may choose to attend the conventions online, leading to the decrease in our service fee from medical NGOs, sponsorship fee from sponsoring enterprises and registration fee from attending physicians. Please refer to “— the Impact of the COVID-19 Outbreak” for details.

During the six months ended June 30, 2020, we experienced temporary operating loss principally due to the significant decrease in revenue from medical convention amid the COVID-19 outbreak, while our revenue generated from medical seminar projects only decreased mildly, and our revenue from patient education and screening services and marketing strategy and consulting services experienced certain level of growth. Please refer to “— the Impact of the COVID-19 Outbreak” for details. With the upturn of the COVID-19 outbreak in mainland China in the second half of 2020, we gradually resumed our provision of offline medical conventions during the second half of 2020. Our revenue from medical conventions for the the six months ended June 30, 2020 was RMB4.4 million, while our revenue from medical conventions for the five months ended November 30, 2020 was RMB27.1 million. Our total revenue for the the six months ended June 30, 2020 was RMB138.7 million, while our total revenue for the five months ended November 30, 2020 was RMB223.1 million. The unaudited interim condensed consolidated financial information for the eleven months ended November 30, 2020 was prepared by our Directors in accordance with HKAS 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, which has been reviewed by our Reporting Accountants in accordance with the Hong Kong Standard on Review Engagement 2410 “Review on Interim Financial Information Performed by the Independent Auditor of the Entity.”

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We expect our revenue for the year ending December 31, 2020 will remain similar to our revenue for the year ended December 31, 2019, but we expect our net profit for the year ending December 31, 2020 will decrease but will not be less than RMB21.0 million, primarily due to increasing selling expenses of our internet hospital services, as we continue to expand this new service line, and the one-off Listing expenses. Please refer to “Financial Information – Listing Expenses” for details.

Our Directors confirm after due and careful consideration, save as disclosed in this Prospectus, there has been no material and adverse change in our financial, operational or trading positions, prospects since June 30, 2020, being the latest date of our consolidated financial statements as set out in “Appendix I — Accountants’ Report,” and up to the date of this Prospectus.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that the Global Offering is completed and 50,000,000 Shares are issued in the Global Offering (taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

	Based on an Offer Price of HK\$3.00 per Share	Based on an Offer Price of HK\$4.00 per Share
Market capitalization of our Shares ⁽¹⁾	HK\$600.0 million	HK\$800.0 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽²⁾	HK\$1.21	HK\$1.43

(1) The calculation of market capitalization is based on 200,000,000 Shares expected to be in issue immediately upon completion of the Global Offering, taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.

(2) The unaudited pro forma adjusted net tangible asset per Share is calculated after making adjustments referred to in “Appendix IIA — Unaudited Pro Forma Financial Information.”

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$110.8 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$3.50 per Share (being the mid-point of the indicative Offer Price range stated in this Prospectus) and that the Over-allotment Option is not exercised, we intend to apply these net proceeds for the following purposes: (i) approximately 58%, or HK\$64.3 million, will be used to broaden our customer base, disease area coverage and patient base; (ii) approximately 25%, or HK\$27.7

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million, will be used to complement our service capabilities through the development of internet hospital services; (iii) approximately 12%, or HK\$13.3 million, will be used for our working capital and general corporate purposes; and (iv) approximately 5%, or HK\$5.5 million, will be used to further expand our CRO services. Please refer to “Future Plans and Use of Proceeds — Use of Proceed” for details.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB54.3 million (equivalent to approximately HK\$64.2 million, accounting for approximately 36.7% of the total gross proceeds from the Global Offering) (based on the mid-point of the Offer Price range of HK\$3.50 per Share) (including underwriting commission, brokerage, SFC transaction levy and Stock Exchange trading fee) and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. During the Track Record Period, approximately RMB17.1 million were charged to our consolidated statements of comprehensive income as administrative expenses. After June 30, 2020, approximately RMB9.2 million is expected to be charged to our consolidated statements of comprehensive income, and approximately RMB28.0 million is expected to be accounted for as a deduction from equity upon the Listing. For the year ending December 31, 2020, approximately RMB7.0 million is expected to be charged to our consolidated statements of comprehensive income. After December 31, 2020, approximately RMB5.7 million is expected to be charged to our consolidated statements of comprehensive income. The Listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DIVIDENDS

In 2018, we declared and settled dividends of RMB54.2 million, of which RMB13.8 million was paid in cash and the remaining RMB40.4 million was paid in shares. No other dividend was paid or declared during the Track Record Period. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. Currently, we do not have a fixed payout ratio.

RISK FACTORS

There are certain risks in our operations and in connection with the Global Offering, many of which are beyond our control. We believe the most significant risks we face include but are not limited to the following: (i) we derive our revenue from projects which are of non-recurring nature and failure in obtaining sufficient projects may materially and adversely affect our business; (ii) changes in healthcare governmental policies may materially and adversely affect our business, financial condition and results of operations; (iii) advancements and scientific breakthrough in the diseases that our services cover may materially and adversely affect our business, financial condition and results of operations; (iv) decrease in customers’ willingness

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to engage the providers in the Integrated Healthcare Marketing Solution Market for their service offerings may materially and adversely affect our business, financial condition and results of operations; (v) the COVID-19 outbreak in China may adversely affect our business operations and financial results; (vi) in the event of recurrent COVID-19 or similar disease outbreak in mainland China, any further shifting of medical conferences and medical seminars from offline to online may affect our revenue, gross profit margin and competitive advantage, which may in turn materially and adversely affect our financial condition and results of operations; (vii) failure to maintain our relationship with existing customers or develop business relationship with new customers could materially and adversely affect our business; (viii) failure to maintain our physicians network and medical advisory panel could materially and adversely affect our business, financial condition and results of operations; (ix) any slowdown of China's integrated healthcare marketing solutions industry could have a material adverse effect on our business, financial condition and results of operations; (x) we may not be able to achieve our future plans; (xi) we may be subject to liability for contents available on our technology platforms that are alleged to be factually incorrect, misleading or otherwise unlawful; (xii) our goodwill and intangible assets may become impaired; and (xiii) our Contractual Arrangements may not be as effective in providing operational control as direct ownership and Mediwelcome Beijing or relevant parties may fail to perform their obligations under our Contractual Arrangements. Please refer to "Risk Factors" for details of our risk factors, which you should read carefully and in full before you decide to invest in the Offer Shares.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in “Glossary of Industry Terms.”

“ Accountants’ Report ”	the accountants’ report prepared by Moore Stephens as set out in the Appendix I;
“ affiliate(s) ”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person;
“ Alpha Champion ”	ALPHA CHAMPION VENTURES LIMITED (首冠創投有限公司), a company incorporated under the laws of the BVI with limited liability on April 9, 2019, one of our Shareholders, and wholly-owned by Mr. Qiu Jianguo (邱建國), an Independent Third Party;
“ Application Form(s) ”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering;
“ Articles ” or “ Articles of Association ”	the articles of association of our Company conditionally adopted on December 21, 2020 with effect from the Global Offering becoming unconditional on the Listing Date, as amended from time to time;
“ Beijing Baichuan ”	Beijing Baichuan Binhai Medical Information Technology Co., Ltd.* (北京百川彬海醫療信息技術有限公司), a company established under the laws of the PRC on August 15, 2016 and owned as to 55.07% by WFOE and 44.93% by three Independent Third Parties, being one of our PRC Operating Entities;
“ Beijing Cezhiyi ”	Beijing Cezhiyi Consulting Co., Ltd.* (北京策知易諮詢有限公司), a company established under the laws of the PRC on August 28, 2009 and owned as to 5% by Mediwelcome Beijing and 95% by Ms. Liu Qingying (劉慶英), an Independent Third Party;

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“Beijing Chuangyan”	Beijing Chuangyan Medical Research Center Co., Ltd.* (北京創研醫學研究中心有限公司), a company established under the laws of the PRC on August 4, 2011 and wholly-owned by WFOE, being one of our PRC Operating Entities;
“Beijing Haice”	Beijing Haice Culture Co., Ltd.* (北京海策文化傳播有限公司), a company established under the laws of the PRC on July 13, 2011 and owned as to 51% by WFOE and 49% by three Independent Third Parties, being one of our PRC Operating Entities;
“Blue Pond”	Blue Pond Global Limited (藍塘環球有限公司), a company incorporated under the laws of the BVI with limited liability on January 4, 2019, one of our Shareholders, and wholly-owned by Ms. Li Peng (李鵬), an Independent Third Party;
“Board”	board of directors of our Company;
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong;
“BVI”	British Virgin Islands;
“CAST”	China Association for Science and Technology (中國科學技術協會), a non-profit, non-governmental organization of Chinese scientists and engineers;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant;
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;

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“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant;
“China” or the “PRC”	People’s Republic of China, but for the purpose of this Prospectus and for geographical reference only and except where the context requires otherwise, references in this Prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan;
“CIC”	China Insights Industry Consultancy Limited, our industry consultant and an Independent Third Party;
“CIC Report”	the independent report on China’s integrated healthcare marketing solutions industry prepared by CIC, which is commissioned by us;
“Circular No. 37”	Notice on Relevant Issues Relating to Domestic Residents’ Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的境外投融資及返程投資外匯管理有關問題的通知》);
“Circular No. 60”	the Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》);
“Companies Act”	the Companies Act, Cap 22. (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;

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“Company,” “our Company” or “the Company”	Mediwelcome Healthcare Management & Technology Inc. (麥迪衛康健康醫療管理科技股份有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on February 21, 2019, previously known as MEDIWELCOME HEALTHCARE SERVICE AND TECHNOLOGY INC (麥迪衛康健康醫療服務科技有限公司), and adopted the current name on December 16, 2020;
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Mediwelcome Beijing and its subsidiaries, Ningxia Subsidiary and Weiliandong;
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, WFOE, Mediwelcome Beijing and the Registered Shareholders, the details of which are described in “Contractual Arrangements”;
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, means, a group of controlling shareholders of our Company comprising of Mr. Shi Wei (施煒), Mr. Yang Weimin (楊為民), Ms. Zhang Yitao (張藝濤), Mr. Wang Liang (王亮), Ji Ze Investment, Shun Jia Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment;
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2;
“CSA”	Chinese Stroke Association (中國卒中學會);
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the securities markets in the PRC;
“Daohe Yilu”	Beijing Daohe Yilu Technology Development Centre (Limited Partnership)* (北京道和醫路科技發展中心(有限合夥)), a limited liability partnership established under the laws of the PRC on April 20, 2016, having Hsia Taohoe as its general partner and having Mr. Qiu Jianguo (邱建國) and Mr. Mao Jiachen (毛嘉晨), each an Independent Third Party, as its limited partners;

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“ Deed of Indemnity ”	the deed of indemnity dated December 21, 2020 entered into by our Controlling Shareholders with and in favor of our Company (for itself and as trustee for each of its subsidiaries) with particulars set out in “Appendix IV — Statutory and General Information — D. Other Information — 1. Tax and other indemnities”;
“ Defeng Qixiang ”	Tianjin Defeng Qixiang Business Management Consulting Limited Liability Partnership* (天津德豐啟祥企業管理諮詢有限合夥企業), a limited liability partnership established under the laws of the PRC on February 20, 2019 and one of the Registered Shareholders;
“ Director(s) ”	the director(s) of our Company or any one of them;
“ Dongyuan Heyi ”	Tianjin Dongyuan Heyi Business Management Consulting Limited Liability Partnership* (天津東元禾宜企業管理諮詢有限合夥企業), a limited liability partnership established under the laws of the PRC on February 20, 2019 and one of the Registered Shareholders;
“ EIT Law ”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the National People’s Congress on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time;
“ Extreme Conditions ”	any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date;
“ Faith Respect ”	FAITH RESPECT ENTERPRISES LIMITED (恭信企業有限公司), a company incorporated under the laws of the BVI with limited liability on March 8, 2019, one of our Shareholders and wholly-owned by Mr. Huang Zhiguo (黃志國), an Independent Third Party;
“ FIL ”	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》);

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“ Florescent East ”	FLORESCENT EAST LIMITED (東熙有限公司), a company incorporated under the laws of the BVI with limited liability on January 28, 2019, one of our Shareholders and wholly-owned by Ms. Zhang Luping (張璐平), an Independent Third Party;
“ FVTOCI ”	fair value changes in equity instruments at fair value through other comprehensive income;
“ FVTPL ”	fair value through profit or loss;
“ GDP ”	gross domestic product;
“ Global Offering ”	the Hong Kong Public Offering and the International Offering;
“ GREEN Application Form(s) ”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited;
“ Group, ” “ our Group, ” “ the Group, ” “ we, ” or “ us ”	our Company, its subsidiaries and the Consolidated Affiliated Entities (the financial results of which have been consolidated and accounted for as subsidiaries of our Company through share interests or by virtue of the Contractual Arrangements) from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time;
“ Guodu Securities ”	Guodu Securities Co., Ltd.* (國都證券股份有限公司), a company established under the laws of the PRC on December 28, 2001 and an Independent Third Party;
“ Guodu Venture ”	Guodu Venture Investment Co., Ltd.* (國都創業投資有限公司), a company established under the laws of the PRC on April 26, 2016 and the general partner of Xiamen Guodu;

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“He Hui Wan Yi Investment”	HE HUI WAN YI INVESTMENT MANAGEMENT COMPANY LIMITED (禾匯萬怡投資管理有限公司), a company incorporated under the laws of the BVI with limited liability on February 8, 2019 and wholly-owned by Ms. Zhang Yitao (張藝濤), one of our Controlling Shareholders and an non-executive Director;
“He Sheng Kang Yuan Investment”	HE SHENG KANG YUAN INVESTMENT MANAGEMENT COMPANY LIMITED (禾盛康源投資管理有限公司), a company incorporated under the laws of the BVI with limited liability on February 8, 2019 and owned as to 38.84% by Ms. Zhao Luyang (趙魯陽), our vice president of personnel administration and joint company secretary, 35.69% by Ms. Liu Guijin (劉桂金), our vice president of finance, 10.32% by Mr. Sui Huijun (睚輝俊), our executive Director and vice president, 10.32% by Mr. Wang Wei (王偉), our executive Director and vice president, and 4.83% by Mr. Yin Xingri (尹星日), our vice president;
“HKFRS”	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants;
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong dollar(s),” “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong Offer Shares”	the 5,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to adjustment as described in “Structure of the Global Offering”);

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“Hong Kong Public Offering”	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this Prospectus and the Application Forms;
“Hong Kong Securities and Futures Ordinance” or “Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Service Limited;
“Hong Kong Takeovers Code” or “Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time;
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in “Underwriting — Hong Kong Underwriters”;
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 30, 2020 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters;
“Horgos Yizong”	Horgos Yizong Information Technology Co., Ltd.* (霍爾果斯醫縱資訊科技有限公司), a company established under the laws of the PRC on October 10, 2017 and wholly-owned by Beijing Chuangyan, being one of our PRC Operating Entities;
“Hsia Taohoe”	Beijing Hsia Taohoe International Investment Management Co., Ltd.* (北京華夏道和國際投資管理有限公司), a company established under the laws of the PRC with limited liability on April 14, 2008 and an Independent Third Party;
“Joint Bookrunners”	CEB International Capital Corporation Limited, Aristo Securities Limited, BOCOM International Securities Limited, CMBC Securities Company Limited and SPDB International Capital Limited;

DEFINITIONS

“Joint Lead Managers”	CEB International Capital Corporation Limited, Aristo Securities Limited, BOCOM International Securities Limited, CMBC Securities Company Limited, Ruibang Securities Limited, SPDB International Capital Limited and Wonderland International Securities Limited;
“Independent Third Party(ies)”	any person or entity who is not considered a connected person of our Company or an associate of any such person within the meaning under the Listing Rules;
“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S as further described in “Structure of the Global Offering”;
“International Offer Shares”	the 45,000,000 Shares being initially offered for subscription and purchased at the Offer Price under the International Offering, subject to adjustment and the Over-allotment Option as described in “Structure of the Global Offering”;
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering;
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into by, among other parties, our Company, the Sole Global Coordinator and the International Underwriters on or about the Price Determination Date, as further described in “Underwriting — Underwriting Arrangements and Expenses — The International Offering”;
“Ji Ze Investment”	JI ZE INVESTMENT MANAGEMENT COMPANY LIMITED (霽澤投資管理有限公司), a company incorporated under the laws of the BVI with limited liability on February 12, 2019 and wholly-owned by Mr. Shi Wei (施煒), being one of our Controlling Shareholders, the chairman of our Board and an executive Director;
“Latest Practicable Date”	December 22, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication;

DEFINITIONS

“Lingchuang Yigu”	Beijing Lingchuang Yigu Technology Development Co., Ltd.* (北京領創醫谷科技發展有限責任公司), a company established under the laws of the PRC on June 27, 2016 and owned as to 15% by Mediwelcome Beijing and 85% by four Independent Third Parties;
“Listing”	listing of our Shares on the Main Board;
“Listing Committee”	listing committee of the Stock Exchange;
“Listing Date”	the date, expected to be on or about January 19, 2021, on which dealings in our Shares first commence on the Main Board;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time);
“M&A Rules”	the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) which were jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time;
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM;
“Mediwelcome Beijing”	Mediwelcome Beijing Healthcare Technology Co., Ltd.* (北京麥迪衛康醫療科技有限公司) (formerly known as Beijing Mediwelcome Communication Group Co., Ltd.* (北京麥迪衛康品牌管理顧問股份有限公司) and Beijing Mediwelcome Advertisement Co., Ltd.* (北京麥迪衛康廣告有限公司)), a company established under the laws of the PRC with limited liability on September 11, 2000 and one of our PRC Operating Entities;

DEFINITIONS

“Mediwelcome BVI”	MEDIWELCOME INVESTMENT MANAGEMENT COMPANY LIMITED (麥迪衛康投資管理有限公司), a company incorporated under the laws of the BVI with limited liability on March 1, 2019 and a wholly-owned subsidiary of our Company;
“Mediwelcome HK”	MEDIWELCOME (HK) INVESTMENT MANAGEMENT COMPANY LIMITED (麥迪衛康(香港)投資管理有限公司), a company incorporated under the laws of Hong Kong with limited liability on March 8, 2019 and a wholly-owned subsidiary of Mediwelcome BVI;
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on December 21, 2020 with effect from the Global Offering becoming unconditional on the Listing Date, as amended from time to time;
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部);
“MOFCOM”	Ministry of Commerce of PRC (中華人民共和國商務部), or its competent local branches;
“Moore Stephens” or “Reporting Accountants”	Moore Stephens CPA Limited;
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統);
“NHFPC”	the National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會), now known as the National Health Commission of the PRC (國家衛生健康委員會);
“Ningbo Yurongsheng”	Ningbo Yurongsheng Equity Investment Co., Ltd.* (寧波昱融晟股權投資有限公司), a company established under the laws of the PRC on April 5, 2017, is the limited partner of Xiamen Guodu and one of our Pre-IPO Investors;

DEFINITIONS

“Ningxia Subsidiary”	Yinchuan Mediwelcome Internet Hospital Co., Ltd.* (銀川麥迪衛康互聯網醫院有限公司), a company established under the laws of the PRC with limited liability on May 21, 2019 and owned as to 80% by Mediwelcome Beijing and 20% by Mr. Chen Lei (陳磊), an Independent Third Party save for his interest in Ningxia Subsidiary, being one of our PRC Operating Entities;
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$4.00 and expected to be not less than HK\$3.00, such price to be agreed upon by our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date;
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares;
“Over-allotment Option”	the option to be granted by us to and exercisable by the Sole Global Coordinator, pursuant to which we may be required to allot and issue up to an aggregate of 7,500,000 additional Shares (representing 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, the details of which are described in “Structure of the Global Offering — Over-allotment Option”;
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC;
“PRC Government” or “State”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
“PRC Legal Advisers”	Global Law Office, our legal advisers as to PRC laws;

DEFINITIONS

“PRC Operating Entities”	companies which have been making contributions to our operational and financial results during the Track Record Period and whose financial results have been consolidated and accounted as the subsidiaries of our Company through share interests or by virtue of the Contractual Arrangements, including Mediwelcome Beijing, Shanghai Xuanmai, Beijing Chuangyan, Beijing Haice, Horgos Yizong, Beijing Baichuan, Weiliandong and Ningxia Subsidiary;
“Pre-IPO Investments”	the Pre-IPO investments in our Company undertaken by the Pre-IPO Investors, the details of which are set out in “History and Reorganization — Pre-IPO Investments”;
“Pre-IPO Investors”	Ningbo Yurongsheng, Mr. Luo Shuai (羅帥) and Tongling Lizhi, our Pre-IPO investors, and each a “Pre-IPO Investor”;
“Price Determination Date”	the date, expected to be on or about January 8, 2021, on which the Offer Price is to be fixed by agreement between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters);
“Principal Share Registrar”	Campbells Corporate Services Limited;
“Prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering;
“Regulation S”	Regulation S under the U.S. Securities Act;
“Renminbi” or “RMB”	the lawful currency of the PRC;
“Reorganization”	the corporate reorganization of our Group of the restricting of our business and in preparation for the Listing, particulars of which are set out in “History and Reorganization — Reorganization”;

DEFINITIONS

“ Restricted Business(es) ”	any business over which the Special Administrative Measures for the Access of Foreign Investment (2020), Provisions on Administration of Foreign Invested Telecommunications Enterprises (《外商投資電信企業管理規定》), and Notice on Strengthening the Administration of Foreign Investment in Operating Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) impose restrictions in relation to foreign ownership;
“ Registered Shareholders ”	As of the Latest Practicable Date, the registered shareholders of Mediwelcome Beijing were Mr. Shi Wei (施煒), Mr. Yang Weimin (楊為民), Ms. Yan Jing (閔靜), Mr. Wang Liang (王亮), Ningbo Yurongsheng, Mr. Luo Shuai (羅帥), Tongling Lizhi, Dongyuan Heyi, Defeng Qixiang and Tianjin Qixing, who together hold the entire equity interest of Mediwelcome Beijing;
“ RSU(s) ”	restricted share units granted pursuant to the RSU Scheme;
“ RSU Holdings ”	GREAT INSIGHT GLOBAL LIMITED, a company incorporated under the laws of the BVI with limited liability on April 3, 2019, wholly-owned by The Core Trust Company Limited and holding approximately 13.33% of the issued Shares of our Company on trust and for the benefit of the participants of the RSU Scheme as of the Latest Practicable Date;
“ RSU Scheme ”	the restricted share unit scheme adopted by our Company on September 18, 2019, the details of which are set out in “Appendix IV — Statutory and General Information — D. Other information — 2. RSU Scheme”;
“ SAFE ”	the State Administration of Foreign Exchange of PRC (中華人民共和國國家外匯管理局), and its branch(es);
“ SAIC ”	the State Administration of Industry and Commerce of PRC (中華人民共和國國家工商行政管理總局) now known as the State Administration for Market Regulation (國家市場監督管理總局);
“ SAT ”	the State Administration of Taxation of PRC (中華人民共和國國家稅務總局);

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Law of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Shanghai Xuanmai”	Shanghai Xuanmai Public Relationship Consulting Co., Ltd.* (上海煊麥公關策劃有限公司), a company established under the laws of the PRC on June 19, 2017 and wholly-owned by Mediwelcome Beijing, being one of our PRC Operating Entities;
“Shaanxi Hualu”	Shaanxi Hualu New Plastic Building Materials Co., Ltd.* (陝西華路新型塑膠建材有限公司), a company established under the laws of the PRC with limited liability on November 24, 1999 and an Independent Third Party;
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of HK\$0.00001 each;
“Share Option Scheme”	the share option scheme adopted by our Company on December 21, 2020, the details of which are set out in “Appendix IV — Statutory and General Information — D. Other Information — 3. Share Option Scheme”;
“Shareholder(s)”	holder(s) of our Share(s);
“Shun Jia Investment”	SHUN JIA INVESTMENT MANAGEMENT COMPANY LIMITED (舜嘉投資管理有限公司), a company incorporated under the laws of the BVI with limited liability on February 12, 2019 and wholly-owned by Mr. Yang Weimin (楊為民), being one of our Controlling Shareholders, the vice chairman of our Board and an executive Director;
“Soaring Roc”	SOARING ROC ENTERPRISES LIMITED (鵬昇企業有限公司), a company incorporated under the laws of the BVI with limited liability on March 8, 2019 and wholly-owned by Mr. Mao Jiachen (毛嘉晨), an Independent Third Party;

DEFINITIONS

“Sole Sponsor” or “Sole Global Coordinator”	CEB International Capital Corporation Limited (licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO);
“Southern Kirin”	SOUTHERN KIRIN ENTERPRISES LIMITED (南麒企業有限公司), a company incorporated under the laws of the BVI with limited liability on March 13, 2019, one of our Shareholders, and wholly-owned by Mr. Luo Shuai (羅帥), an Independent Third Party and one of our Pre-IPO Investors;
“Stabilization Manager”	CEB International Capital Corporation Limited;
“State Council”	State Council of the PRC (中華人民共和國國務院);
“Stock Borrowing Agreement”	a stock borrowing agreement expected to be entered into between Ji Ze Investment and the Stabilization Manager;
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Tai Zhi Feng Investment”	TAI ZHI FENG INVESTMENT MANAGEMENT COMPANY LIMITED (泰之豐投資管理有限公司), a company incorporated under the laws of the BVI with limited liability on February 12, 2019 and wholly-owned by Mr. Wang Liang (王亮), being one of our Controlling Shareholders and an executive Director;
“Tianjin Qixing”	Tianjin Qixing Heyi Management Consulting Co., Ltd.* (天津啟興和宜企業管理諮詢有限公司), a company established under the laws of the PRC with limited liability on February 19, 2019, which is owned as to 52.40% by Mr. Shi Wei (施煒), 32.75% by Mr. Yang Weimin (楊為民) and 14.85% by Mr. Wang Liang (王亮), each of whom is a Controlling Shareholder and our executive Director;
“TISC”	Tiantan International Stroke Conference (天壇國際腦血管病會議), which is formally known as Beijing Stroke Week (北京腦血管病周);

DEFINITIONS

“ Tongling Lizhi ”	Tongling Lizhi Equity Investment Co., Ltd.* (銅陵勵志投資有限公司), a company established under the laws of the PRC on September 23, 2009 and one of our Pre-IPO Investors;
“ Track Record Period ”	the period comprising the three financial years ended December 31, 2019 and the six months ended June 30, 2020;
“ Trade Mountain ”	TRADE MOUNTAIN LIMITED (嶺業有限公司), a company incorporated under the laws of the BVI with limited liability on March 25, 2019, one of our Shareholders, and wholly-owned by Ms. Li Peng (李鵬), an Independent Third Party;
“ U.S. ” or “ United States ”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
“ U.S. dollars ” or “ US\$ ”	United States dollars, the lawful currency of the United States;
“ U.S. persons ”	U.S. persons as defined in Regulation S;
“ U.S. Securities Act ”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
“ Underwriters ”	the Hong Kong Underwriters and the International Underwriters;
“ Underwriting Agreements ”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
“ VIE ” or “ VIEs ”	variable interest entity or variable interest entities;
“ Weiliandong ”	Beijing Weiliandong Internet Technology Co., Ltd.* (北京微聯動網絡科技有限公司), a company established under the laws of the PRC on March 21, 2017 and wholly-owned by Mediwelcome Beijing, being one of our PRC Operating Entities;

DEFINITIONS

“WFOE”	Beijing Medi Healthcare Management Consulting Co., Ltd.* (北京麥迪康健管理諮詢有限公司), a company established under the laws of the PRC with limited liability on May 16, 2019 and an indirectly wholly-owned subsidiary of our Company;
“WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name;
“WHITE Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO Service Provider at www.eipo.com.hk ;
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited;
“Xiamen Guodu”	Xiamen Guodu Shenrui Huiying Equity Investment LLP* (廈門國都申瑞匯贏股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on November 21, 2016, one of our Pre-IPO Investors, having Guodu Venture and Ningbo Yurongsheng as its general partner and limited partner, respectively;
“YELLOW Application Form(s)”	the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS; and
“%”	percent.

* For identification purpose only

In this Prospectus, unless the context otherwise requires, the terms “associate,” “close associate,” “connected person,” “connected transaction,” “core connected person” and “substantial shareholders” shall have the meanings given to such terms in the Listing Rules.

The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this Prospectus is included for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.

GLOSSARY OF INDUSTRY TERMS

In this Prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this Prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“adherence”	the degree to which a patient correctly follows medical advice;
“app”	a program designed to run on a mobile device or a website;
“CAGR”	compound annual growth rate;
“CCVD(s)”	cardio-cerebral-vascular disease(s);
“CME”	continuing medical education, a specific form of continuing education that helps physicians maintain competence and learn about new and developing areas of the medical field;
“CRO”	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis;
“diagnosis rate”	the number of patients diagnosed with a disease divided by the number of patients that carry such disease;
“Grade 1 hospitals”	hospitals designated as Grade 1 hospitals by the NHFPC hospital classification system, typically community hospitals and township hospitals in China, having less than 100 beds in operation, providing preventive care, basic health care and rehabilitation services directly to communities;
“Grade 2 hospitals”	hospitals in medium-sized cities in China designated as Grade 2 hospitals by the NHFPC hospital classification system, typically having more than 100 and less than 500 beds in operation, providing comprehensive health services, medical education, and conducting research on a regional basis;

GLOSSARY OF INDUSTRY TERMS

“Grade 3 hospitals”	the largest regional hospitals with the highest standard in China designated as Grade 3 hospitals by the NHFPC hospital classification system, typically having more than 500 beds in operation, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives;
“GFA”	gross floor area;
“ICP License”	Value-added Telecommunication License for Internet Information Service (增值電信業務經營許可證);
“Integrated Healthcare Marketing Solutions Market”	primarily include medical conference services, patient education and screening services and marketing strategy and consulting services according to the CIC Report;
“KOL physicians”	key opinion leader physicians, which represent influential and well-recognized physicians in China that are able to influence their peer’s medical practice;
“medical group”	a group of physicians who come together contractually or in partnership to manage a practice and share the care of patients;
“medical NGO”	medical non-governmental organization, which primarily includes medical association and foundation;
“mini-program”	a sub-app used in the WeChat app which provides advanced features to users;
“monthly active user”	which refers to the aggregate number of unique mobile devices that were used to access certain of our WeChat public account and the mobile app at least once in a given month;
“prevalence”	the proportion of a particular population found to be affected by a medical condition, which is typically a disease;
“QR code”	quick response code, a machine-readable code consisting of an array of black and white squares, typically used for storing uniform resource locators or other information for reading by the camera on a smartphone;

GLOSSARY OF INDUSTRY TERMS

“sq.m.” or “m²”	square meter(s);
“stroke”	a medical condition in which poor blood flow to the brain results in cell death;
“treatment rate”	the number of patients receiving treatment for a disease divided by the number of patients that are diagnosed with such disease;
“WeChat”	WeChat (微信), a multi-functional messaging, social media and mobile payment app developed by Tencent Holdings Limited. It offers wide range of functions and platforms such as WeChat public accounts and WeChat mini programs; and
“we-media”	media platforms that take the form of modernized and digital means to convey information to the public.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words “aim,” “believe,” “could,” “expect,” “going forward,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our ability to successfully implement our business plans and strategies;
- our ability to control or reduce costs;
- general economic conditions;
- any changes in the laws, rules and regulations of the PRC Government and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans and strategies;
- our dividend policy;
- capital market developments; and
- the competitive environment of the industry and markets in which we operate.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result

FORWARD-LOOKING STATEMENTS

of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements in this section.

In this Prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this Prospectus. Any such information may change in light of future developments.

RISK FACTORS

You should carefully consider all of the information in this Prospectus, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

There are certain risks involved in our operations and many of these risks are beyond our control. These risks can be characterized as: (i) risks relating to our business and industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We derive our revenue from projects which are of non-recurring nature and failure in obtaining sufficient projects may materially and adversely affect our business.

We carry out medical conferences, medical seminars, patient education classes and disease risk screenings on project basis. We typically enter into contracts with our customers on a project-by-project basis, which are non-recurring in nature. We do not enter into long-term agreements with our customers and our customers are therefore under no obligation to award new projects to us. As such, there is no guarantee that we will be able to obtain new business from our existing customers. As a result, our business, financial condition and results of operations may be materially and adversely affected if we fail to obtain sufficient projects.

In addition, we may have to lower our contract price and selling price or offer more favorable terms to our customers to increase the competitiveness of our quotations. As such, our profitability will be adversely affected. On the other hand, any failure to reduce our costs accordingly may materially or adversely affect our chance to secure a project and thereby also affect our profitability and results of operations. Furthermore, the size of our projects may vary significantly. The size of projects we can secure may affect our business performance. If we cannot maintain similar amount of contracts or obtain new projects, in aggregate with a similar or larger contract sum on a continuous basis, our results of operations, financial condition as well as business prospects may be materially and adversely affected.

Changes in healthcare governmental policies may materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, our customers largely consisted of medical NGOs in the PRC. As the general core value of PRC, medical NGOs are to promote the official healthcare policies according to the relevant PRC laws and regulation. Any material changes to such laws

RISK FACTORS

and regulations, relevant government policies or healthcare and social welfare system in the PRC may materially reduce the need of the medical NGOs in promoting official healthcare policies and the demand of the medical NGOs for our services, and in term may materially and adversely affect our business, financial condition and results of operations.

Advancements and scientific breakthrough in the diseases that our services cover may materially and adversely affect our business, financial condition and results of operations.

We focus on providing integrated healthcare marketing solutions to key constituents of CCVD healthcare ecosystem, including physicians, patients, pharmaceutical companies, medical NGOs and hospitals. We are in the process of expanding our disease coverage to other chronic diseases, such as diabetes and respiratory diseases. Medical NGOs carry out public healthcare projects to promote official healthcare policies, with a view of improving the treatment of chronic diseases among the society. As a result, in the event of significant advancements and scientific breakthrough in the diseases that our services cover, these medical NGOs may have lesser, or in the worst case, no demand for our services, which in turn, may materially and adversely affect our business, financial condition and results of operations.

Decrease in customers' willingness to engage the providers in the Integrated Healthcare Marketing Solution Market for their service offerings may materially and adversely affect our business, financial condition and results of operations.

There is no assurance that demand from customers for integrated healthcare marketing solutions will continue to develop. Numbers of factors may influence the economy in the PRC and the economic condition in the PRC affects our customers' demands for our services. For example, China and many parts of the world have been affected by the COVID-19 outbreak. If there are any adverse changes to the economic condition in the PRC, the financial condition of our customers may deteriorate, and as a result, they may reduce their operation scale. Furthermore, they may also be less willing to engage external providers in the Integrated Healthcare Marketing Solution Market for their service offerings, as they may instead accomplish these tasks with their internal staff. Consequently, the general acceptance of Integrated Healthcare Marketing Solutions in the market may largely decrease. In such event, our business, financial condition and results of operations may be materially and adversely affected.

The COVID-19 outbreak in China may adversely affect our business operations and financial results.

In response to the recent outbreak of COVID-19 in China and overseas, the PRC Government has introduced a series of disease containment and treatment measures, as a result of which business activities and hospital services in China have been temporarily disrupted. To contain the COVID-19 outbreak, we have extended the Chinese New Year holiday according to government policy and encouraged the employees to work from home in February 2020. We have resumed normal office operations since March 2, 2020. Although we have resumed operations, the COVID-19 outbreak negatively impacted our business and financial

RISK FACTORS

performance in February, March and April 2020. We have temporarily postponed various onsite services planned for February, March and April 2020 for safety reasons since the COVID-19 is highly contagious. As of the Latest Practicable date, two medical convention projects, 15 onsite medical seminar projects and three onsite patient education and screening projects were delayed due to the COVID-19. In addition, the COVID-19 may also severely affect and restrict the level of economic activity as the government may impose regulatory or administrative measures quarantining affected areas or other measures to control or contain the outbreak of the infectious disease, which in turn may have a material and adverse effect on our business, financial position and results of operations.

We cannot predict when the COVID-19 outbreak will become completely under control and we cannot guarantee that the COVID-19 outbreak will not worsen. If the spread of the disease is not alleviated and contained in the foreseeable future, our business operations and financial results could be adversely affected as a result of the changes in the outlook of the integrated healthcare marketing solutions industry, or any slowdown in economic growth, negative business sentiment or other factors that we cannot foresee.

In the event of recurrent COVID-19 or similar disease outbreak in mainland China, any further shifting of medical conferences and medical seminars from offline to online may affect our revenue, gross profit margin and competitive advantage, which may in turn materially and adversely affect our financial condition and results of operations.

As of the Latest Practicable Date, with the upturn of the COVID-19 outbreak in mainland China in the second half of 2020, we gradually resumed our normal operation. However, there is no assurance that there will not be another COVID-19 or similar disease outbreak in mainland China. In the event of recurrent COVID-19 or similar disease outbreak in mainland China, any further shifting of medical conventions and medical seminars from offline to online again may have following effects:

For the six months ended June 30, 2019 and 2020, nil and approximately RMB1.5 million of our revenue was derived from online services for medical conventions, representing 0% and 1.1% of our total revenue for the corresponding periods; while approximately RMB8.0 million and RMB37.5 million of our revenue was derived from online services for medical seminars, representing 4.9% and 27.1% of our total revenue for the corresponding periods. Our Directors are of the view that the increase in revenue derived from online services for medical conventions and medical seminars was mainly due to COVID-19 outbreak in mainland China in early 2020. Shifting medical convention online may reduce our revenue and gross profit margin mainly due to the reduction of sponsorship fees from sponsoring enterprises and registration fees from attending physicians, as the scale of online medical conventions may be diminished and there may be corresponding decrease in service fee from medical NGOs. In addition, we may lose our competitive advantage over our competitors when we shift more medical convention projects from offline to online, which may in turn materially and adversely affect our financial condition and results of operations.

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Although shifting medical seminars online is unlikely to materially affect our revenue and profit margin, we will need to reach separate agreements with our customers before doing so. We cannot assure you that we can continue to reach such agreements with our customers in the future and we may additionally lose our competitive advantage over other competitors, which may in turn materially and adversely affect our financial condition and results of operations.

Failure to maintain our relationship with existing customers or develop business relationship with new customers could materially and adversely affect our business.

Maintaining our relationship with existing customers and developing business relationship with new customers are crucial to our business. Our ability to maintain relationship with existing customers and develop business relationship with new customers is primarily affected by the following factors:

- our ability to build a reputation for our integrated healthcare marketing solutions and create long-term relationships with our customers;
- the comprehensiveness of our integrated healthcare marketing solutions and their efficacy in meeting our existing and new customers' demands and expectations;
- our ability to deliver high quality services and maintain satisfactory customer experience;
- our ability to remain as the preferred supplier for our existing customers and to become preferred supplier for our new customers;
- our ability to increase brand awareness among existing and new customers; and
- our ability to adopt new technologies to changing user requirements or emerging industry standards.

We cannot assure you that we will be able to maintain our relationship with existing customers or develop business relationship with new customers in the future, which could have a material adverse effect on our business, financial condition and results of operations.

Failure to maintain our physicians network and medical advisory panel could materially and adversely affect our business, financial condition and results of operations.

We developed a network of approximately 24,000 CCVD physicians as of June 30, 2020, which enables us to provide high quality medical conference services and patient education and screening services. In addition, we have established a medical advisory panel, which comprises four influential and well-recognized CCVD physicians, to advise us on our strategic direction and business expansion. Please refer to “Business — Our Physicians Network” for details. Our current and future competitors may compete with us for establishing relationships with these physicians. We cannot assure you that physicians from our physicians network will continue

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to cooperate with us or will not cooperate with our competitors or that physicians in our medical advisory panel will renew their contracts with us in the future. If we fail to maintain relationships with these physicians, our business, financial condition and results of operations could be materially and adversely affected.

Any slowdown of China’s integrated healthcare marketing solutions industry could have a material adverse effect on our business, financial condition and results of operations.

In recent years, primarily due to the PRC Government’s continuous efforts to address uneven distribution of medical resources in China, China’s integrated healthcare marketing solutions industry experienced significant growth. The PRC Government issued a series of favorable policies and increased government expenditure on healthcare, which benefited our business growth during the Track Record Period. However, we cannot assure you that China’s integrated healthcare marketing solutions industry will continue to develop or current favorable government policies supporting the development of integrated healthcare marketing solutions industry will remain. If any slowdown of integrated healthcare marketing solutions industry occurs due to any change in current favorable government policies or otherwise, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to achieve our future plans.

Our future plans as set forth in “Business — Business Strategies” and “Future Plans and Use of Proceeds” are based on circumstances currently prevailing and the bases and assumptions that certain circumstances will or will not occur, as well as the risks and uncertainties inherent in various stages of development. Our future plans require significant resources to carry out, and may expose us to challenges and risks, including our lack of expertise and experience in the new services we seek to develop, the lack of appropriate resources, internal control or risk management systems, and the failure to obtain, maintain or renew relevant licenses for our services. We may also encounter a lack of market acceptance or demand of our new services among our customers. In particular, we are subject to significant specific challenges and uncertainties in our strategic plans, including whether:

- we will be able to generate anticipated revenue and profits from services provided to PRC pharmaceutical companies;
- we will be able to expand our integrated healthcare marketing solutions in diabetes and respiratory diseases;
- we will be able to maintain or renew the collaboration agreement with the qualified hospital in Ningxia Autonomous Region, through which we obtained the license for internet hospital services;
- we will be able to successfully further develop and expand our internet hospital services;

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- patients will become users of our internet hospital services; and
- we will be able to further develop and expand our CRO services.

We rely on third-party platforms to offer online patient education services.

Our online patient education and screening services allow patients to watch online educational videos. As advised by our PRC Legal Advisers, it is unclear whether our patient educational videos fall under the “audio-visual program” category pursuant to the Regulation on Internet Audio-Visual Program Services (《互聯網視聽節目服務管理規定》), which would require the License for Online Transmission of Audio-Visual Programs (信息網絡傳播視聽節目許可證, the “**Audio-Visual License**”). During the Track Record Period and up to the Latest Practicable Date, we were not able to obtain the Audio-Visual License because only a wholly state-owned enterprise or a state controlled enterprise can apply for the Audio-Visual License. In the event that relevant PRC governmental authorities are of the view that a Audio-Visual License is required for providing patient educational videos, the maximum penalty we may be subject to, as advised by our PRC Legal Advisers, is RMB30,000. Since June 2019, we started to offer our videos through a leading online video platform in the PRC that holds the Audio-Visual License by redirecting patients and playing patient educational videos on its platform. We cannot assure you that we will be able to continue to offer our videos through this online video platform or be able to offer our videos through other third-party online video platforms available on the market in the future. In addition, we cannot assure you that we will be able to negotiate commercially acceptable terms with these third-party platforms. Therefore, any of the above events may adversely affect our business, financial condition and results of operations.

Concerns about our collection and use of personal data and other privacy-related matters could deter our users from using our services and adversely affect our business, financial condition and results of operations.

We collect and maintain a large volume of data, including information of physicians and patients, in the course of our business operations. We have implemented internal policies and engaged a third-party cloud service provider to ensure data safety and confidentiality. Please refer to “Business — Data Protection” for details. Confidential information we collect and maintain may be compromised as a result of intentional or unintentional security breaches or system errors. Concerns about our practices with regard to the collection, security or use of personal data or other privacy-related matters, even if ungrounded, could materially and adversely affect our business operations.

We are required to collect, use and secure the personal data in accordance with PRC personal data protection laws and not to collect, use or disclose such information without consent from the users. The Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which became effective on June 1, 2017, requires us to (i) expressly notify physicians and patients of the rules, purposes, methods and scope of the collection and use of personal data, and (ii) obtain consent from physicians and patients for collection and use of such

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personal data. If we fail to comply with relevant laws and regulations, we may be subject to potential penalties. In addition, Amendment 9 to the PRC Criminal Law (《中華人民共和國刑法修正案(九)》), which became effective on November 1, 2015, prohibits illegal sale and disclosure of personal data obtained in the course of ordinary business. Moreover, pursuant to the PRC General Rules of Civil Law (《中華人民共和國民法總則》), which became effective in October 2017, any organization that obtains personal data shall ensure the security of such data. Service providers are prohibited from illegally collecting, using, transferring, selling or reselling, disclosing or publishing the personal data. Furthermore, services that involve collection or use of personal data are subject to increasingly stringent regulations by the PRC Government. For example, the Regulations on Cyber Security Supervision and Inspection (《公安機關互聯網安全監督檢查規定》) became effective on November 1, 2018.

Any failure or perceived failure to comply with existing or newly-implemented laws and regulations in relation to personal data protection may lead to legal proceedings against us. In addition, failure or perceived failure to comply with applicable laws and regulations in relation to protection of personal data or other privacy-related matters could result in loss of confidence in us from users of our technology platforms. As a result, our business, financial condition and results of operations may be materially and adversely affected. On the other hand, we may be subject to more stringent user data and privacy-related requirements and heightened risk of non-compliance in the future. Implementing additional internal measures to comply with such enhanced compliance requirements may increase our costs and adversely affect our business, financial condition and results of operations.

We may be subject to liability for contents available on our technology platforms that are alleged to be factually incorrect, misleading or otherwise unlawful.

Under the relevant PRC laws and regulations, we are required to monitor our platforms for contents that may be factually incorrect, misleading, obscene, superstitious or defamatory, and promptly take appropriate actions with respect to such contents. We may be subject to potential liabilities for any unlawful actions of our customers or users of our platforms or for content we distribute that is deemed inappropriate. We may not be able to identify all of the content that may result in liability to us, and if we are found to be liable, we may be subject to fines, have our relevant business operation licenses revoked, or be prevented from operating our platforms in the PRC.

With respect to educational videos recorded by physicians, even though we require physicians to record videos based on outlines prepared by us and review the content of videos, we cannot assure you that such measures would be sufficient. In the event that the physicians fail to comply with our requirements and applicable laws in relation to the recorded videos, user experience of physicians and patients could deteriorate, and we may suffer as a result of any actual or alleged misconduct by them, which could materially and adversely affect our business, financial condition and results of operations.

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Unsatisfactory performance by our service providers or unavailability of service providers may adversely affect our business.

During the Track Record Period, we engaged service providers to provide venue set-up services, onsite event management services, video recording and production services and IT services. Please refer to “Business — Procurement and Suppliers — Procurement” for details. Procurement of services from third-party service providers exposes us to the risks associated with non-performance, delayed performance or sub-standard performance by such service providers. We have limited control over the performance quality of our service providers and cannot assure you that they can always meet our standards. We may incur additional costs or be subject to claims from our customers. Moreover, any misconduct or non-compliance of our service providers may expose us to potential penalties and negative publicity. Such events may impact our financial performance and reputation. In addition, we cannot assure you that we will always be able to secure suitable service providers when required, or be able to negotiate commercially acceptable terms with our service providers. Therefore, any of the above events may adversely affect our business, financial condition and results of operations.

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

Fraud or other misconduct committed by our employees or by third parties in violation of our internal policies and procedures, and PRC laws and regulations may be difficult to detect or prevent. For example, our employees may grant unqualified physicians to record patient educational videos or allow physicians to mention trade names of drugs or names of the pharmaceutical companies in patient educational videos, and the attendees of our conferences may have activities and interactions that are in breach of PRC anti-corruption laws and regulations in the venue of conventions and seminars. It could subject us to financial loss and sanctions imposed by governmental authorities while seriously damaging our reputation. This may also impair our ability to effectively provide integrated healthcare marketing solutions.

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

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Our ability to generate and retain business depends on our reputation in the industry.

Our reputation is a significant factor in our customers' evaluation of whether to engage our services. We believe our brand name and reputation are important corporate assets that help distinguish our services from those of our competitors. However, our reputation is potentially susceptible to damage by actions or statements made by current or former employees, physicians, customers, suppliers, competitors, adversaries in legal proceedings and the media. There is a risk that any negative press about us, even if based on false rumor or misunderstanding, could adversely affect our business. In particular, damage to our reputation could be difficult and time-consuming to rebuild, which could make existing or potential clients reluctant to engage our services. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may be subject to penalties or disputes against us for failure to manage the physicians on our internet hospital platform.

The practice of physicians is strictly regulated under PRC laws, rules and regulations. Physicians who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions as stated in their licenses. As advised by our PRC Legal Advisers, under applicable PRC regulations, a physician is required to register the medical institutions at which he or she practices in his or her license. If a physician is found practicing at a medical institution not registered in his or her license, the physician would be subject to regulatory penalties, from warning to suspension of practice and, in the worst-case scenario, revocation of licenses. A physician practicing in multiple medical institutions must apply to register or file with competent in-charge administrative authorities and can only have the right to prescribe medicine at the registered or filed practicing medical institution. If the physician issues a prescription in a medical institution not registered in his or her license, the relevant medical institution would also be subject to regulatory penalties, including a fine of up to RMB5,000 and, in the worst-case scenario, revocation of the medical institution's Practice License for Medical Institutions (醫療機構執業許可證).

We cannot assure you that the physicians on our internet hospital platform will complete the registration and relevant governmental procedures in a timely manner, or at all, or that the physicians on our internet hospital platform will not practice outside the permitted scope of their respective licenses or strictly take their individual responsibilities under the applicable laws and regulations in connection with medical services especially internet hospital services. Our failure to properly manage or check the registration of the physicians may subject our collaboration partner, a qualified hospital with Practice License for Medical Institutions and Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務資格證書), to administrative penalties, including fines, or, in the worst-case scenario, revocation of our Practice License for Medical Institutions, which could in turn materially and adversely affect our business and subject us to penalties, disputes and the liabilities our collaboration partner experiences.

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Meanwhile, if the physicians on our internet hospital platform are found to have deficient registration or found to be practicing beyond the scope permitted by relevant authorities, they may be disciplined and lose their practicing licenses. In the event that the multi-institution practices of the physicians on the internet hospital platform are in breach of their contractual obligations owed to other institutions, such as non-compete obligations, we may be exposed to indemnity or other legal liabilities if we are deemed to have aided in these breaches, and are therefore susceptible to legal disputes and potential damages. As a result, we may no longer be able to employ them in offering our online consultation and e-prescription services, which could materially and adversely affect our business, financial condition and results of operations. In addition, there can be no assurance that we could timely find qualified replacements on commercially reasonable terms, or at all.

Please refer to “Regulatory Overview — Regulations in Relation to Internet Hospital Business” for details.

Although we have established a policy and internal procedure to govern the verification of the physicians’ qualification for the internet hospital services, there can be no assurance that all physicians on our internet hospital platform will strictly abide by these policies and that the relevant healthcare administrative authorities would not retrospectively find deficiency in the registration of these the physicians and subject the relevant physicians and/or us to penalties, which could materially and adversely affect our business, financial condition and results of operations.

Failure of the physicians on our internet hospital platform to provide adequate and proper medical services may have a material and adverse effect on our reputation, business and results of operations.

The physicians on our internet hospital platform may provide sub-standard services, mishandle sensitive information, engage in other misconduct or commit medical malpractice, which could subject us to medical liability claims. Our business, financial condition, results of operations and reputation may be materially and adversely affected if any such claims are made against us or our the physicians in connection with these actions that are not fully covered by medical liability insurance. Please refer to “— Our insurance coverage may be inadequate to cover all significant risk exposures” for details. As the physicians on our internet hospital platform work remotely, we have limited control over them as well as the quality of their online consultation and e-prescription services.

Although we have established policies and internal procedures to oversee these physician’s conducts, there can be no assurance that our procedures will be sufficient to monitor their performance and control the quality of their work. In the event that the physicians fail to comply with the contractual obligations and applicable laws in relation to the provision of our online consultation and e-prescription services, our user experience could deteriorate, and we may suffer as a result of any actual or alleged misconduct by them, which could materially and adversely affect our business, financial condition, results of operations and reputation.

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Failure in fulfilling our obligations in the provision of CRO services may materially and adversely affect our reputation, business, financial condition and results of operations.

We provide CRO services, which primarily consist of patient's recruitment and clinical data collection services. The CRO services we provide, in comparison with most of the other CRO services, bear lower risks. However, if we fail to recruit appropriate patients for our customers, cause damages to patients due to such inappropriate recruitment, fail to accurately collect clinical data, or fail to properly protect patients' privacies, we may be subject to civil liabilities, penalties, disputes, or in worst scenario, criminal liabilities, which may in turn materially and adversely affect our reputation, business, financial condition and results of operations.

Failure to retain our key management personnel could materially and adversely affect our business.

Our future success is significantly dependent upon the continued service of our senior management personnel. In particular, we rely heavily on our senior management personnel for their in-depth understanding of the industry and long-established relationships with physicians and medical associations. Please refer to "Business — Competitive Strengths — Visionary and stable management team" for details. The loss of any of our senior management personnel could jeopardize our relationships with key constituents of CCVD healthcare ecosystem and result in the loss of our customers. If we lose the service of any senior management personnel, we may not be able to locate and obtain the service of qualified replacements, and may incur additional expenses to recruit new personnel, which could severely disrupt our business and growth. As a result, if we fail to retain our key management personnel, our business, financial condition and results of operations could be materially and adversely affected.

Potential labor shortages, increases in labor costs and labor disputes could materially and adversely affect our business, financial condition and results of operations.

Our success depends in part upon our ability to attract, motivate and retain a sufficient number of qualified employees. Due to the highly fragmented nature of China's integrated healthcare marketing solutions industry, competition for qualified employees is intense. We plan to expand our team and hire new employees to support the implementation of our business strategies as set out in "Business — Business Strategy." We cannot guarantee that we will be able to successfully recruit qualified employees in a competitive market, and we may incur significant labor costs to do so. If we face labor shortages or significant increases in labor costs caused by the intense competition in China's integrated healthcare marketing solutions industry, increases in wages or other employee benefit costs or changes to labor laws and regulations, our operating costs could increase significantly, which could materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that labor disputes will not occur between us and our employees in the future. If such incidents do occur, we may be subject to business disruption and may incur settlement costs in order to resolve labor disputes. In addition, we may be subject to higher

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labor costs in the future when recruiting new employees due to the reputational damage caused by labor disputes. Such potential incidents could disrupt our operations, harm our reputation and divert our management's attention, which may have a material and adverse effect on our business, financial condition and results of operations.

Security breaches and attacks against our systems and network, and any potential resultant breach or failure to otherwise protect confidential and proprietary information, could damage our reputation and adversely affect our business, financial condition and results of operations.

Our online medical conference services and online patient education services rely heavily on our technology platforms. However, our technology operations are vulnerable to disruptions arising from human error, natural disasters, power failure, computer viruses, spam attacks, unauthorized access and other similar events. Disruptions to, or instability of, our technology or external technology that allows our customers to use our online services could materially harm our business and reputation.

Our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of user information, or a denial-of-service or other interruption to our business operations. In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants. Cybersecurity breaches may harm our reputation and business, and materially and adversely affect our financial condition and results of operations.

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

The integrated healthcare marketing solutions industry closely relates to a number of industries in the PRC. These industries primarily include the healthcare industry and the internet industry. Since both industries are highly regulated in the PRC, we are subject to extensive and evolving regulatory requirements. Please refer to "Regulatory Overview" for details. The PRC Government may promulgate and implement regulations governing broad aspects of the healthcare industry and the internet industry. In respect of the aforementioned industries, in particular, any violation of the relevant laws, rules and regulations may result in penalties and, under certain circumstances, lead to criminal prosecution.

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In the integrated healthcare marketing solutions industry, the PRC Government is implementing stricter laws and regulations against unlawful actions. The regulations on the integrated healthcare marketing solutions industry, the healthcare industry and the internet industry are continuously evolving, and their interpretation and enforcement involve significant uncertainty. As a result, under certain circumstances, it may be difficult to determine what actions or omissions would be deemed in violation of applicable laws and regulations. These uncertainties entail risks that may materially and adversely affect our business prospects. In an uncertain regulatory environment, our operations may be subject to direct and indirect adoption, expansion or reinterpretation of various laws and regulations. Compliance with these future laws and regulations may require us to change our business models and practices at an unpredictable and possibly significant financial costs. These additional expenditures may increase future overhead, which may, in turn, have a material adverse effect on our business, financial condition and results of operations.

In addition, our new services, including CRO services and internet hospital services, may require us to comply with additional laws and regulations that may be promulgated or implemented. CRO services and internet hospital services are subject to more stringent regulations than the integrated healthcare marketing solutions industry in the PRC. Breaking such regulations may subject us to consequences much more severe. Please refer to “Regulatory Overview — Regulations in Relation to Internet Hospital Business” and “Regulatory Overview — Laws and Regulations Applicable for CRO Services” for details. Needs for compliance may require us to expend additional resources to monitor developments in the relevant regulatory environment. The failure to adequately comply with these future laws and regulations may delay, or possibly prevent, some of our services from being offered to customers, which may have a material adverse effect on our business, financial condition and results of operations.

Failure to obtain, renew, or retain licenses, permits or approvals may affect our ability to conduct our business.

The licensing requirements within the healthcare industry and the internet industry are constantly evolving and we may be subject to more stringent regulatory requirements due to changes in the political or economic policies in China. Please refer to “Regulatory Overview” for details. We cannot assure you that we will be able to obtain all licenses, permits or approvals which are required for our business operations, or be able to retain or renew any existing or additional licenses, permits or approvals in the future. Please refer to “Business — Licenses and Permits” for details of key permits we hold for our operations. Failure to do so may materially and adversely affect our business, financial condition, results of operations and prospects.

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

Our business operations entail substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to medical disputes, fraud, bribery and misconduct, as well as the protection of personal and confidential information of users for our platforms, among others. We have implemented various internal control measures to identify, assess and manage litigation and regulatory risks. Please refer to “Business — Risk Management and Internal Control” for details. However, despite our internal control measures, we may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

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

A contract liability is our obligation to transfer services to our customer for which we have received deposits from the customer. We sometimes receive deposits before our fulfillment of correspondent contract obligations. During the Track Record Period, our contract liabilities increased from RMB14.5 million as of December 31, 2017 to RMB36.2 million as of December 31, 2018, which then decreased to RMB30.3 million as of December 31, 2019, and then remained stable at RMB31.2 million as of June 30, 2020. Please refer to “Financial Information — Description of Certain Items in the Consolidated Statements of Financial Position — Contract Liabilities” for details. There is no assurance that we will be able to bill the amount of contract liabilities from our customers as we may not be able to fulfill our obligations in respect of contract liabilities. If we are not able to fulfill our obligations, the amount of contract liabilities will not be recognized as revenue, and we will have to return the underlying deposits to our customers, which will adversely affect our results of operations, liquidity and financial position.

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Our operating results are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonal fluctuations in our revenue and results of operations. Due to the Chinese New Year holiday season, demand for our services is generally lower in the first quarter and we organize relatively fewer events and projects during this period. Demand for our services is generally higher in the second half of the year (especially in the fourth quarter) as medical NGOs are striving to complete their physician and patient education projects planned for the period; and pharmaceutical companies are accomplishing their sales and marketing goals before year end. As a result, it may not be meaningful to project our full year results from our interim results. Any periodic fluctuations in our revenue and results of operations may result in volatility in the price of our Shares.

We are exposed to credit risk in relation to defaults from counterparties.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our trade receivables amounted to RMB27.5 million, RMB30.7 million, RMB71.7 million and RMB50.3 million, respectively. We generally provide customers with a 90-day credit term. Our management regularly conducts credit assessments on our customers and monitors their financial health and makes provisions for doubtful debts as needed. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our expected credit loss on allowance for impairment of trade receivables was RMB2.5 million, RMB3.8 million, RMB9.9 million and RMB8.5 million, respectively. We cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future. As a result, we are exposed to risks that our counterparties may fail to fulfill their obligations to us under our contracts.

Our goodwill and intangible assets may become impaired.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had goodwill amounted to RMB0.6 million, RMB1.0 million, RMB3.1 million and RMB3.1 million, respectively, and intangible assets amounted to RMB0.5 million, RMB2.8 million, RMB21.5 million and RMB23.1 million, respectively. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Any impairment will be recognized immediately as an expense and will not be subsequently reversed. Similarly, our management will write-off or write-down technically obsolete or non-strategic intangible assets that have been abandoned or sold. The impairment losses of goodwill and intangible assets will be recognized in our consolidated statements of profit or loss as other expenses, which will have a negative impact on our results of operations. During the Track Record Period, no impairment loss of goodwill or of intangible assets was recognized. However, we cannot assure you that our goodwill or intangible assets will not be impaired in the future, in which case our results of operations may be materially and adversely affected.

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The fair value measurement of our financial assets at FVTPL and equity instruments at FVTOCI is subject to significant uncertainties and risks, and changes in such fair value may affect our financial performance and position.

Our investments in financial products and equity interests are classified as financial assets at FVTPL and equity instruments at FVTOCI, respectively. The fair value measurement of our financial assets at FVTPL and equity instruments at FVTOCI involves estimates and assumptions that are subject to significant uncertainties and risks.

The fair values of our financial assets at FVTPL and equity instruments at FVTOCI are established by using valuation techniques. The fair value of our financial assets at FVTPL is determined by the spot rates quoted by the issuers of the financial products. The fair value of our equity instruments at FVTOCI is arrived at with reference to valuations carried out by independent professional valuers using the market comparison method. Some significant unobservable inputs, such as price to sales ratios, require management estimates, although management estimates and assumptions are reviewed periodically and are adjusted when necessary. Should any of the estimates and assumptions changes, it may lead to changes in the fair value of financial assets at FVTPL and equity instruments at FVTOCI. In addition, the valuation methodologies may involve a significant degree of management judgment and are inherently uncertain, which may result in material adjustment to the carrying amounts of certain liabilities and in turn may materially and adversely affect our results of operations.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, the fair value of our financial assets at FVTPL was RMB5.0 million, RMB1.3 million, RMB17.9 million and RMB17.4 million, respectively, and the fair value of our equity instruments at FVTOCI was nil, RMB17.4 million, RMB12.6 million and RMB17.6 million, respectively. The gains or losses of fair value change from our financial assets at FVTPL and equity instruments at FVTOCI represent changes in the fair value of our investments in financial products and equity interests. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, we recorded gain on change in fair value of financial assets at FVTPL of RMB0.4 million, RMB0.7 million, RMB0.6 million, RMB0.3 million and RMB0.2 million, respectively. For the year ended December 31, 2018, we recorded gain on fair value changes in equity instruments at FVTOCI of RMB0.7 million. For the six months ended June 30, 2019 and the year ended December 31, 2019, we recorded loss on fair value changes in equity instruments at FVTOCI of RMB3.7 million and RMB3.8 million. For the six months ended June 30, 2020, we recorded gain on fair value changes in equity instruments at FVTOCI of RMB5.0 million.

The discontinuation of or reduction in any preferential tax treatments currently available to us may have an adverse effect on our results of operations and growth prospects.

Our effective tax rates were 20.7%, 19.3% and 15.1% for the years ended December 31, 2017, 2018 and 2019, respectively, calculated by dividing income tax expense by profit before taxation for the corresponding year. Our effective tax rate during the Track Record Period was affected by Horgos Yizong, which became exempt from EIT from 2017 to 2020 for its

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operation in the Horgos Economic Development Zone. Beijing Chuangyan and Weiliandong were approved as “high and new technology enterprises” and became entitled to a preferential income tax rate of 15% for a three-year period commencing 2018. Mediwelcome Beijing was also approved as a “high and new technology enterprise” in December 2019 and became entitled to a preferential income tax rate of 15% for a three-year period commencing 2019. In addition, eligible research and development expenses of Mediwelcome Beijing and Beijing Chuangyan enjoyed a tax deduction of 50% in 2017 and 75% in 2018 and 2019, and eligible research and development expenses of Weiliandong enjoyed a tax deduction of 75% commencing 2017. Please refer to “Financial Information — Description of Major Components of Our Results of Operations — Income Tax Expense” for details of preferential tax treatments currently available to us.

Continued eligibility to these preferential tax treatment is subject to review and evaluation by the relevant government authorities in the PRC. We cannot assure you that we will continue to receive such preferential tax treatment at historical levels, if at all. In the event any of the preferential tax treatment currently enjoyed by us is reduced, discontinued or withdrawn by the government authorities and the affected subsidiaries fail to obtain any alternative preferential tax treatment could in turn have an adverse effect on our net profit. If any of the foregoing occurs, our results of operations and growth prospects may be materially and adversely affected.

Future acquisitions of businesses may subject us to risks and uncertainties.

As part of our strategy, we plan to acquire integrated healthcare marketing solutions providers and medical consulting and advisory service providers to broaden our customer base and our disease area coverage. Please refer to “Business — Business Strategies” for details. Such endeavors may involve significant risks and uncertainties, including distraction of management from current operations, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions and risks relating to market acceptance, loss of key acquired personnel, difficulties in integrating diverse corporate cultures, and increased costs to integrate managerial, operational, financial, and administrative systems. In addition, we may be unable to manage an acquired entity profitably or successfully integrate its operations with our own. As a result of the foregoing, we also may not be able to complete acquisitions in the future to the same extent as in the past, or at all. These factors could harm our ability to achieve anticipated levels of profitability at acquired operations or realize other anticipated benefits of an acquisition, and could adversely affect our business, financial condition and results of operations. Any acquisition may also cause us to assume liabilities, increase our expenses and working capital requirements, or subject us to litigation, which would reduce our return on invested capital. Failure to manage the acquisitions we make could materially harm our business and operating results.

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

The integrated healthcare marketing solutions industry in China is highly fragmented. As a result, we compete with many industry participants in the integrated healthcare marketing solutions industry in China. Our competitors may have larger customer bases or greater financial or marketing resources than we do, thus may be able to respond more quickly and effectively to new or changing opportunities, standards or customer requirements than us. As a result, our existing or potential customers may accept services provided by our competitors in lieu of ours. If we are unable to successfully compete in the market, our business, financial condition and results of operations may be materially and adversely affected. In addition, competition in a highly fragmented industry may result in continued pricing pressures, which is likely to lead to price declines in certain of our service offerings, and may, in turn, adversely affect our profitability and market share.

We may not be able to obtain additional capital when desired, on acceptable terms or at all.

We may require additional funds to support the growth of our business, beyond the net proceeds from the Global Offering, to respond to evolving requirements from our customers, including expanding our service offerings, developing and implementing new marketing strategies or providing more online service offerings. If our current sources of liquidity are insufficient to satisfy our cash requirements, we may seek to sell additional equity or obtain a credit facility. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financial covenants that would restrict our operations, while the sale of additional equity securities or convertible debt securities would result in dilution to Shareholders.

Our ability to obtain additional capital on acceptable terms is subject to a variety of risks and uncertainties, including:

- investors' perception of, and demand for, securities of companies in our industry;
- conditions of the capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows; and
- economic, political and other conditions in China where we operate.

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We did not complete registration procedures at relevant governmental authorities for all of our leased properties.

We lease 12 properties from Independent Third Parties as our office spaces, warehouses and staff dormitories in Beijing and Shanghai. As of the Latest Practicable Date, none of the lease agreements with respect to our leased properties had been registered and filed with relevant governmental authorities. As advised by our PRC Legal Advisers, the relevant governmental authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements and the estimated total maximum penalty is RMB120,000. Please refer to “Business — Properties” for details. We had not been ordered by any authorities to register any of the unregistered lease agreements or subject to any penalties during the Track Record Period and up to the Latest Practicable Date, but we cannot assure you that we will not be subject to penalties for our failure to register our leased properties.

We may not be able to adequately protect our intellectual property rights.

We rely on a combination of intellectual property laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property, including trademarks and know-how. We require our employees and customers for marketing strategy and consulting services to enter into written confidentiality agreements upon the commencement of their relationships with us. However, we cannot assure you that our trade secrets, know-how or other proprietary information will not be subject to any unauthorized use, misappropriation or disclosure. If we fail to effectively protect our intellectual property from inappropriate or unauthorized use by third parties in ways that adversely affect our brand name, our reputation could suffer, which in turn could have a material and adverse effect on our business, financial condition and results of operations. Furthermore, any litigation to protect our intellectual property would be time-consuming and costly, and may divert the attention of our senior management and key personnel from our business operations.

We may be subject to claims by third parties for intellectual property infringement.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business. However, we cannot assure you that third parties will not put forward claims that our business infringes upon or otherwise violates trademarks, copyrights or other intellectual property rights which they hold, whether valid or otherwise. We may face allegations that we have infringed the trademarks, copyrights, and other intellectual property rights of third parties, including our competitors, or allegations that we are involved in unfair trade practices. Our business may become involved in legal proceedings relating to allegations of infringement of intellectual property rights, unfair competition, invasion of privacy, defamation and violations of rights of third parties. The validity, enforceability and scope of protection of intellectual property rights, particularly within the PRC, are still evolving. As litigation becomes a common method for resolving commercial disputes in the PRC, we face a higher risk of being the subject of intellectual property infringement claims.

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Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable outcomes in all cases. Such intellectual property claims may harm our brand and reputation, even if they are vexatious or do not result in liability. Any resulting liability or expenses, or changes required to our services to reduce the risk of future liability, may have a material adverse effect on our business, results of operations and prospects.

Our insurance coverage may be inadequate to cover all significant risk exposures.

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. In line with industry practices, we have elected not to maintain certain types of insurances, such as business interruption insurance or key man insurance. We do not maintain any medical liability insurance for our registered physicians in respect of our internet hospital services as of the Latest Practicable Date. Please refer to “Business — Insurance” for details. We cannot assure you that such coverage will be available or sufficient to cover all our risk exposures in relation to our business operations. We could be liable for any obligation regarding the services provided by the registered physicians using our internet hospital platform. Although the registered physicians have physician’s liability insurance in the physical medical institutions where they practice, such insurance cannot cover their services provided on our internet hospital platform. If the registered physicians fail to comply with the contractual obligations and applicable laws in relation to the provision of online consultation services, the user experience could deteriorate, and we may suffer as a result of any actual or alleged misconduct by them, which could materially and adversely affect our business, financial condition, results of operations and reputation. If we fail to maintain medical liability insurance in time, we may suffer severe losses which may materially and adversely affect our operations and financial results when there is a claim against us or our registered physicians or staff. If insurance coverage is unavailable or insufficient to cover any such exposures, we may incur substantial costs which, in turn, could materially and adversely affect our business, financial condition and results of operations.

We may be subject to natural disasters, acts of war or terrorism, occurrence of epidemics or other factors beyond our control.

Natural disasters, acts of war or terrorism, occurrence of epidemics or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. We may also be under the threat of epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the COVID-19 outbreak. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network

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and destroy our markets. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Another public health crisis in China triggered by a recurrence of SARS or an outbreak of any other epidemics, including, for example, the ongoing COVID-19 outbreak, may result in material disruptions to our operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC Government determines that our Contractual Arrangements do not comply with applicable laws and regulations, or if these laws and regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in Consolidated Affiliated Entities.

There are restrictions and/or prohibitions in China with respect to foreign investment in certain business and industry (the “**FI Restriction**”) under the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “**Catalog**”) and the Special Administrative Measures for the Access of Foreign Investment (2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the “**Negative List**”). Starting from 2017, our Group extended patient education services to online technology platforms and started to develop online patient education services. During the Track Record Period, these businesses were developed by Mediwelcome Beijing and Beijing Chuangyan. Furthermore, our Group has launched (i) internet hospital services (including online consultation services and e-prescription services) through Ningxia Subsidiary in October 2019 and intends to launch (ii) radio and television programs production services through Weiliandong by the end of 2022; and (iii) commercial internet information services (a category of value-added telecommunications services), including (a) developing a new online platform for Mediwelcome Beijing and Weiliandong to start conducting remote diagnosis and treatment in the first half of 2022, (b) developing a new online platform for Mediwelcome Beijing to expand our Group’s online consultation services and e-prescription services by early 2021 and additional commercial internet information services, and (c) developing a new online platform for Mediwelcome Beijing and Weiliandong to provide internet advertising activities or other commercial internet information service to third parties. As advised by our PRC Legal Advisers, the aforementioned businesses (the “**Relevant Businesses**”) are considered to be radio and television program production business, value-added telecommunications services and internet hospital services under the Catalog and Negative List which are subject to foreign investment restrictions. Please refer to “Regulatory Overview — Regulations in Relation to Foreign Investment” and “Contractual Arrangements — Background” for details.

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To comply with applicable PRC laws and regulations, we conduct the Relevant Businesses in China through Mediwelcome Beijing and its subsidiaries, based on a series of Contractual Arrangements entered into by and between WFOE, Mediwelcome Beijing and the Registered Shareholders. As a result of these Contractual Arrangements, we exert control over Consolidated Affiliated Entities and consolidate or combine their results of operations into our financial statements. Please refer to “Contractual Arrangements — Background.”

However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations. The relevant PRC regulatory authorities have broad discretion in determining whether a particular contractual structure violates PRC laws and regulations. Thus, we cannot assure you that the PRC Government will not ultimately take a view contrary to the opinion of our PRC Legal Advisers. If we are found in violation of any PRC laws or regulations or if the Contractual Arrangements among WFOE and Mediwelcome Beijing are determined as illegal or invalid by any PRC court, arbitral tribunal or regulatory authorities, the relevant governmental authorities would have broad discretion in dealing with such violation, including, without limitation:

- revoke the agreements constituting the Contractual Arrangements;
- revoke our business and operating licenses related to the Relevant Businesses;
- require us to discontinue or restrict operations related to the Relevant Businesses;
- restrict our right to collect revenue generated from the Relevant Businesses;
- levy fines on us and/or confiscate the proceeds that they deem to have been obtained through non-compliant operations;
- require us to restructure the operations in such a way as to compel us to establish a new enterprise, re-apply for the necessary licenses or relocate our businesses, staff and assets related to the Relevant Businesses;
- impose additional conditions or requirements with which we may not be able to comply; and
- take other regulatory or enforcement actions that could be harmful to our business.

Furthermore, any of the assets under the name of any record holder of equity interest in Mediwelcome Beijing, including such equity interest, may be put under court custody in connection with litigation, arbitration or other judicial or dispute resolution proceedings against that record holder. We cannot be certain that the equity interest will be disposed of in accordance with the Contractual Arrangements. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may bring new challenges to our corporate structure and the Contractual Arrangements. The occurrence of any of these events or the imposition of any of these penalties may result in a material and adverse

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effect on our ability to conduct the business. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the Consolidated Affiliated Entities or the right to receive their economic benefits, we would no longer be able to consolidate the Consolidated Affiliated Entities, thus adversely affect our results of operations.

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

On March 15, 2019, the Second Session of the 13th Standing Committee of the National People’s Congress approved the FIL, which became effective on January 1, 2020. Upon its enactment, the FIL replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. The enactment of the FIL may materially impact the viability of our current corporate structure, corporate governance and business operations in many aspects. Please refer to “Contractual Arrangements — Development in the PRC Legislation on Foreign Investment” for details.

Once an entity is determined to be an foreign investment enterprise, it will be subject to the foreign investment restrictions or prohibitions set forth in a “negative list,” to be separately issued by the State Council later, if the foreign investment enterprise is engaged in the industry listed in the negative list, which calls for market entry clearance by the MOFCOM.

Meanwhile, the Implementation Rules to the PRC Foreign Investment Law came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the FIL. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of consolidated affiliated entity contractual arrangements. While FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council, we cannot assure you that future laws and regulations will not provide for contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that our control over our Consolidated Affiliated Entities through Contractual Arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, or if any of our operations through contractual arrangements is classified in the “restricted” or “prohibited” industry in the future “negative list” under the FIL, our Contractual Arrangements may be regarded as invalid and illegal if we have not obtained such access permission. As a result, we would not be able to continue our business in China through the Contractual Arrangements.

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Given that the relevant government authorities have broad discretion in interpreting the FIL, in the worst case scenario, the Contractual Arrangements may be regarded by the relevant governmental authorities as invalid and illegal and the Relevant Businesses may be ordered by the relevant government authorities to be discontinued under the existing structure and may not be sustainable in the event that: (i) the operation of the Relevant Businesses were to be recognized on the “negative list”; (ii) our Contractual Arrangement were to not be deemed as a domestic investment by the relevant government authorities; and (iii) there were to be no special treatment for the investors from Hong Kong, Macau and Taiwan who control a domestic enterprise. As a result, we will not be able to operate the Relevant Businesses through the Contractual Arrangements and will lose our rights to receive the economic benefits of the Consolidated Affiliated Entities and its subsidiaries under the Contractual Arrangements and the financial results of the Consolidated Affiliated Entities will no longer be consolidated into ours and we will have to derecognize their assets and liabilities according to the relevant accounting standards.

Certain shareholders of Mediwelcome Beijing may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Mr. Shi Wei (施煒), Mr. Yang Weimin (楊為民) and Mr. Wang Liang (王亮) are the shareholders of Mediwelcome Beijing. Mr. Shi Wei, Mr. Yang Weimin and Mr. Wang Liang are the executive Directors of our Company. These shareholders of Mediwelcome Beijing may have potential conflicts of interest with us. These shareholders may breach, or cause our Mediwelcome Beijing to breach, or refuse to renew, the existing Contractual Arrangements we have with them and Mediwelcome Beijing, which would have a material and adverse effect on our ability to effectively control our Consolidated Affiliated Entities and receive substantially all the economic benefits from it. For example, these shareholders may be able to cause our agreements with Mediwelcome Beijing to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our Company. If we cannot resolve any conflict of interest or dispute between us and the shareholders of Mediwelcome Beijing, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. Please refer to “Contractual Arrangements — Contractual Arrangements — Conflict of Interest” for details.

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Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and Mediwelcome Beijing or relevant parties may fail to perform their obligations under our Contractual Arrangements.

Our revenue and cash flow from the Relevant Businesses are contributed by Mediwelcome Beijing. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over Mediwelcome Beijing. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of Mediwelcome Beijing, which, in turn, could affect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, as a legal matter, if Mediwelcome Beijing fails to perform its obligations under the Contractual Arrangements, we may have to incur substantial costs and expend significant resources to enforce those arrangements and resort to litigation or arbitration and rely on legal remedies under PRC laws. These remedies may include seeking specific performance or injunctive relief and claiming damages, any of which may not be effective. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities and may lose control over the assets owned by the Consolidated Affiliated Entities. As a result, we may be unable to consolidate the Consolidated Affiliated Entities in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

Our ability to acquire the entire equity interest of our Consolidated Affiliated Entities is subject to restrictions.

We have entered into the Contractual Arrangements in order to manage our businesses in China, and we will unwind the Contractual Arrangements when PRC laws and regulations allow our businesses to be directly operated by us through the acquisition of the entire equity interests of our Consolidated Affiliated Entities. However, our acquisition of our Consolidated Affiliated Entities' equity interests may only be conducted to the extent as permitted by applicable PRC laws and may be subject to obtaining the prerequisite approvals and procedures under applicable PRC laws. In addition, our acquisition may be subject to a minimum price limitation (such as an appraised value for the entire equity interest or all assets of our Consolidated Affiliated Entities) or other limitations as imposed by applicable PRC laws, and may also be subject to substantial costs. The Registered Shareholders of our Consolidated Affiliated Entities have undertaken to us that if any minimum price is required to be paid by WFOEs or their respective nominee(s) to any of them, such price will be reimbursed to WFOEs or their respective nominee(s). However, the legality and enforceability of such undertakings are subject to the then applicable PRC laws and regulations. So long as the Contractual Arrangements have to be maintained, we will continue to face those risks relating to Contractual Arrangements as outlined above.

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We may lose the ability to use and enjoy assets and licenses held by the Consolidated Affiliated Entities that are important to the operation of our business if the Consolidated Affiliated Entities declare bankruptcy or becomes subject to a dissolution or liquidation proceeding.

The Consolidated Affiliated Entities hold certain assets that are related to our business operations. The Contractual Arrangements with Mediwelcome Beijing contain terms that obligate relevant parties to ensure the valid existence of the Consolidated Affiliated Entities and that the Consolidated Affiliated Entities may not be voluntarily liquidated. However, should relevant parties breach this obligation and voluntarily liquidate the Consolidated Affiliated Entities, or should the Consolidated Affiliated Entities declare bankruptcy, all or part of their assets may become subject to liens or rights of third-party creditors and we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition and results of operations.

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

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to challenge by the PRC tax authorities, additional taxes and interest may be imposed. We would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the Contractual Arrangements between WFOE and Mediwelcome Beijing were not conducted on an arm's length basis and make special tax adjustments on the Consolidated Affiliated Entities' tax position. Such adjustments may adversely affect us by increasing Mediwelcome Beijing's tax expenses without reducing the tax expenses of WFOE, subjecting Mediwelcome Beijing to late payment fees and other penalties. Our consolidated results of operations may be adversely affected if Mediwelcome Beijing's tax liabilities increase or if it is subject to late payment fees or other penalties.

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

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

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The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Mediwelcome Beijing, injunctive relief and/or winding up of Mediwelcome Beijing. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in Mediwelcome Beijing in case of disputes. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China. PRC laws do allow the arbitral body to grant an award of transfer of assets of or equity interests in Mediwelcome Beijing in favor of an aggrieved party. Therefore, in the event of breach of any agreements constituting the Contractual Arrangements by Mediwelcome Beijing, and if we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over Mediwelcome Beijing, which could negatively affect our ability to conduct our business.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

As all of our operations are conducted in China, we are vulnerable to adverse changes in economic, political and social conditions and government policies in China.

All of our business operations are located in China, and all of our revenue is derived from our business operations in China. Accordingly, our business, financial condition and results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in China. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange. The PRC Government's reform policies have emphasized the independence of enterprises and the use of market mechanisms. Since the introduction of these reforms, significant progress has been achieved in economic development, and enterprises have enjoyed an improved environment for their development. However, any changes in the political, economic or social conditions in China may materially and adversely affect our business, financial condition and results of operations.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

Our business is conducted in China and is governed by PRC laws and regulations. The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Additionally, written statutes in the PRC are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC Government has developed a comprehensive system of laws, rules and regulations in relation to economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent or

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predictable as in other more developed jurisdictions. As these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. Moreover, we cannot predict the effect of future developments in the PRC legal system. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that some rules may have a retroactive effect. Hence, we may not be aware of violation of these policies and rules until after such violation has occurred. Furthermore, the legal protections available to us and our investors under these laws, rules and regulations may be limited.

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

The Renminbi is not presently a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following completion of the Global Offering, do not require prior approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE. There is no assurance that we will be able to receive these approvals in time, or at all. This could restrict the ability of our PRC subsidiaries to obtain debt or equity financing in foreign currencies.

Fluctuations in the value of Renminbi and other currencies could have an adverse effect on our business, financial condition and results of operations.

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC Government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces and the PRC governmental policies will continue to impact Renminbi exchange rates going forward. The Renminbi may appreciate or depreciate significantly in value against the Hong Kong dollar, the U.S. dollar or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies.

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Even though substantially all of our revenue and expenses are denominated in Renminbi, fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets and earnings. In particular, proceeds from the Global Offering are made in Hong Kong dollars. Any unfavorable movement in the exchange rate of the Renminbi against the Hong Kong dollar may adversely affect the value of our proceeds from the Global Offering. In addition, any unfavorable movement in the exchange rate of the Renminbi against other foreign currencies may also lead to an increase in our costs, which could adversely affect our business, financial condition and results of operations.

We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax.

We are a company incorporated under the laws of Cayman Islands. The EIT Law provides that enterprises established outside the PRC whose “de facto management bodies” are located in China are considered “resident enterprises” and are generally subject to the uniform 25% enterprise income tax rate on their global income. “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 and July 2011, SAT issued several circulars to clarify certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. However, no official implementation rules have been issued regarding the determination of the “de facto management body” for foreign enterprises that are not controlled by PRC enterprises. Thus, it is unclear how PRC tax authorities will treat our case. Being regarded as a PRC resident enterprise may materially and adversely affect our profit and hence our retained profit available for distribution to our Shareholders.

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

Under the EIT Law, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are “non-resident enterprises,” which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

Under PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

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If we are treated as a PRC resident enterprise as described in “— We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax,” dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Circular No. 60, which was issued on August 27, 2015. According to the Circular No. 60, the preferential tax rate does not automatically apply. With respect to dividends, the “beneficial owner” tests under the Announcement of the State Administration of Taxation on Issues Concerning “Beneficial Owners” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would be subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

We rely principally on dividends paid by our subsidiaries for our cash needs and our financing requirements, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in China. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debts or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. The PRC laws and regulations require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRSs. The PRC laws and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

You may experience difficulty in effecting service of legal process or enforcing foreign judgments against us, our executive Directors and senior management residing in China.

Substantially all of our assets and all of our executive Directors and senior management reside in China. Therefore, it may not be possible to effect service of process within Hong Kong or elsewhere outside of China upon us or our executive Directors or senior management. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong

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Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against us, our executive Directors and senior management residing in China in order to seek recognition and enforcement of foreign judgments in China.

On 18 January 2019, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in China and those in Hong Kong, stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among others. Although the 2019 Arrangement has been entered into, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement. As a result, it may be difficult or impossible for investors to effect service of process against us, our executive Directors and senior management residing in China in order to seek recognition and enforcement of foreign judgments in China.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisitions or restructuring strategies.

On February 3, 2015, the SAT promulgated the Notice of the SAT on Issuing the Working Rules on the EIT on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局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 “**Circular No. 7**”), which provides comprehensive guidelines relating to, and heightened the PRC tax authorities’ scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise.

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There are uncertainties as to the application of the Circular No. 7. The Circular No. 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of the shares of our offshore subsidiaries, where non-resident enterprises being transferors were involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular No. 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular No. 7 for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material and adverse effect on our financial condition and results of operations.

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

On July 4, 2014, SAFE promulgated the Circular No. 37. According to the Circular No. 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to the SAFE or its local bureau to register foreign exchange for overseas investments before contributing to special purpose vehicles (the “SPVs”) with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the Circular No. 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the Circular No. 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the Circular No. 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

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PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

Any loans provided by us to our PRC subsidiaries are subject to PRC regulations and such loans must be registered with the local branch of SAFE. Additionally, our capital contributions must be filed with or approved by the MOFCOM or its local counterpart and registered with the State Administration for Market Regulation or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material and adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and there can be no assurance that an active market would develop or be sustained after the Listing. Furthermore, the price and trading of our Shares may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price for our Shares was the result of negotiations among us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

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Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price:

- our financial results;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- changes in laws and regulations in China;
- our inability to compete effectively in the market;
- our inability to obtain or maintain regulatory approval for our operations;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance;
- political, economic, financial and social developments in China and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. As a result, it is possible that our Shares may be subject to changes in price not directly related to our performance and as a result, investors in our Shares may suffer substantial losses.

Since there will be a gap of several days between the pricing and trading of our Offer Shares, the price of our Shares could fall below the Offer Price when trading commences during the period before trading of our Shares begins.

The Offer Price of our Offer Shares will be determined on the Price Determination Date which is expected to be on or around Friday, January 8, 2021. However, our Shares will not commence trading on the Stock Exchange until the Listing Date, which is expected to be on Tuesday, January 19, 2021. Accordingly, investors may not be able to sell or deal in our Shares during the seven business days between the Price Determination Date and the Listing Date. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

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We have discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return. Please refer to “Future Plans and Use of Proceeds” for details of our intended use of proceeds. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from the Global Offering.

The interests of our Controlling Shareholders may not align with those of our other Shareholders.

Immediately following the completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will directly and indirectly own an aggregate of 51.76% of our Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interest of our other Shareholders, the interests of our other Shareholders may be disadvantaged or harmed.

There may be difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

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There may be dilution because of issuance of new Shares or equity securities.

In spite of our current cash and cash equivalents and the net proceeds from the Global Offering, we may require additional funds due to changes in business conditions or other future developments relating to, inter alia, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing Shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced.

In addition, the Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution. Existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

Whether and when the dividends will be declared and paid cannot be assured.

For the year ended December 31, 2018, we declared and settled dividends of RMB54.2 million, of which RMB13.8 million was paid in cash and the remaining RMB40.4 million was paid in shares. No other dividend was paid or declared during the Track Record Period. As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. Under applicable laws and the constitutional documents of our operating subsidiaries, the payment of dividends may be subject to certain limitations. The calculation of certain of our operating subsidiaries' profit under applicable accounting standards differs in certain respects from the calculation under HKFRSs. As a result, our operating subsidiaries may not be able to pay a dividend in a given year even if they have profit as determined under HKFRSs. Accordingly, since our Company derives all of our earnings and cash flows from dividends paid to us by our operating subsidiaries, we may not have sufficient distributable profit to pay dividends to our Shareholders. In addition, any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and PRC laws, including (where required) the approvals from our shareholders and our Directors. Our shareholders at a general meeting must approve any declaration of dividends, which must not exceed the amount recommended by our Board. Moreover, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial

RISK FACTORS

requirements, or special dividends of such amounts and on such dates as they think appropriate. As a result, we cannot assure you that we will make any dividend payments on our Shares in the future. Please refer to “Financial Information — Dividends” for further details of the dividends of our Company.

Certain statistics contained in this Prospectus are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain statistics contained in this Prospectus relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third-party reports. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this Prospectus. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this Prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

Investors should read the entire Prospectus carefully and should not consider any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information contained in this Prospectus.

Prior to the publication of this Prospectus, there has been coverage in the media regarding us and the Global Offering, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this Prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Prospectus only.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that, except as otherwise permitted by the Stock Exchange at its discretion, a listing applicant applying for a primary listing on the Stock Exchange must have sufficient management presence in Hong Kong, and this normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

In addition, Guidance Letter HKEX-GL9-09 (the “**GL9-09**”) provides that the listing applicant should normally have the following arrangements for maintaining regular communication with the Stock Exchange for the purpose of its granting waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules: (a) the authorized representatives of the listing applicant will act as the principal channel of communication with the Stock Exchange; (b) the authorized representatives of the listing applicant should have means for contacting all its directors promptly at all times as and when the Stock Exchange wishes to contact the directors on any matters; (c) each director of the listing applicant who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; (d) the compliance adviser(s) of the listing applicant will act as an additional channel of communication with the Stock Exchange; and (e) each director of the listing applicant will provide their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the Stock Exchange.

Since our Group’s principal business and operations are located, managed and conducted in the PRC, and all of our Group’s management functions are carried out in the PRC, we consider that it would be impractical and commercially unnecessary for our Company to appoint executive Directors based in Hong Kong. As all of the executive Directors currently reside in the PRC, our Company does not, and for the foreseeable future, will not, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules, and the following arrangements have been made for maintaining regular and effective communication with the Stock Exchange:

- (a) we have appointed two authorized representatives (the “**Authorized Representatives**”) pursuant to Rule 3.05 of the Listing Rules, who will act as our Company’s principal channel of communication with the Stock Exchange. The authorized representatives are Mr. Shi Wei (施煒), the chairman of the Board and executive Director, and Ms. Leung Wai Ling, Wylie (梁慧玲), one of the joint company secretaries of our Company, who is ordinarily resident in Hong Kong;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (b) any meeting between the Stock Exchange and the Directors will be arranged through the Authorized Representatives within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in the Authorized Representatives;
- (c) each of the Authorized Representatives will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email;
- (d) our Directors, who are not ordinarily resident in Hong Kong, have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to meet with the Stock Exchange within a reasonable period of time, and each of the Authorized Representatives has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters. To enhance the communication between the Stock Exchange, the Authorized Representatives and the Directors, our Company has implemented a policy that (i) each Director provides his/her respective office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the Authorized Representatives; and (ii) all the Directors and the Authorized Representatives have provided, if available, his/her respective office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the Stock Exchange; and
- (e) we have appointed Shanxi Securities International Capital Limited (山證國際融資有限公司) as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules to act as an additional channel of communication with the Stock Exchange for a period commencing from the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The compliance adviser of our Company will have full access at all times to the Authorized Representatives and the Directors.

JOINT COMPANY SECRETARIES

Rule 8.17 of the Listing Rules provides that a listing applicant must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that the company secretary of a listing applicant must be a person who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (a) a member of The Hong Kong Institute of Chartered Secretaries; (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); (c) a certified public accountant (as defined in the Professional Accountants Ordinance

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

(Chapter 50 of the Laws of Hong Kong)) and (d) an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have appointed Ms. Leung Wai Ling, Wylie (梁慧玲) and Ms. Zhao Luyang (趙魯陽) as our joint company secretaries. Ms. Zhao Luyang (趙魯陽) is appointed as one of our joint company secretaries due to her management experience within our Group and her thorough understanding of the internal administration, business operations and corporate culture of our Group. Please refer to “Directors and Senior Management” for her biographical information for details.

As Ms. Zhao does not have the qualifications stipulated under Rules 3.28 of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. We have appointed Ms. Leung, who is ordinarily resident in Hong Kong and who has the requisite knowledge and experience under Rules 3.28 and 8.17 of the Listing Rules, to act as the joint company secretary and assist Ms. Zhao in discharging her duties as our company secretary. The appointment of Ms. Leung as one of our joint company secretaries will end on the expiry of the three-year period after the Listing Date. We will also implement procedures to provide Ms. Zhao with appropriate training in order to enable her to acquire such necessary experience upon the expiry of the three-year period.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with requirements of Rules 3.28 and 8.17 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. Leung ceases to provide such assistance or ceases to meet the requirements under Rule 3.28 of the Listing Rules, or if there are material breaches of the Listing Rules by our Company. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Zhao having had the benefit of Ms. Leung’s assistance for three years, will have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which would constitute non-exempt continuing connected transactions of our Company under Chapter 14A of the Listing Rules following the completion of the Global Offering. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to the non-exempt continuing connected transactions. Details of such non-exempt continuing connected transactions and the waiver are set out in “Contractual Arrangements” and “Connected Transaction.”

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief that (i) the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this Prospectus misleading; and (iii) all opinions expressed in this Prospectus have been arrived at after due and careful considerations, and are founded on bases and assumptions that are fair and reasonable.

PROSPECTUS ISSUED IN CONNECTION WITH HONG KONG PUBLIC OFFERING ONLY

This Prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this Prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering.

Neither the delivery of this Prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as at any date subsequent to the date of this Prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the Shares or exercising any rights attached to them.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between this Prospectus and its Chinese translation, this Prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this Prospectus in both the Chinese and English languages, and in the event of any inconsistency, the Chinese versions shall prevail.

ROUNDING

Amounts and percentage figures, including share ownership and operating data in this Prospectus, may have been subject to rounding adjustments. In this Prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

EXCHANGE RATE CONVERSION

In this Prospectus, unless otherwise stated, amounts denominated in RMB have been translated into Hong Kong dollars at an exchange rate of RMB0.8456 to HK\$1.00 for illustrative purposes only. Such conversions shall not be construed as representations that amounts in RMB were or could have been or could be converted into Hong Kong dollars at such rates or any other exchange rates on such date or any other date.

INFORMATION ABOUT THE GLOBAL OFFERING

Issuer	Mediwelcome Healthcare Management & Technology Inc. (麥迪衛康健康醫療管理科技股份有限公司)
Global Offering	Global Offering of initially 50,000,000 Offer Shares (subject to adjustment and excluding the Shares to be issued pursuant to the exercise of the Over-allotment Option) comprising (i) Hong Kong Public Offering of initially 5,000,000 Offer Shares (subject to adjustment); and (ii) International Offering of initially 45,000,000 Offer Shares (subject to adjustment and excluding the Shares to be issued pursuant to the exercise of the Over-allotment Option).
Maximum Offer Price	HK\$4.00 per Offer Share.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Over-allotment Option and Stabilization	Up to 7,500,000 additional Shares to be offered by our Company. Details of the arrangements for Over-allotment Options and related stabilization exercise are set out in “Structure of the Global Offering.”
Lock-up undertakings by our Controlling Shareholders	Please refer to “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings given to the Stock Exchange pursuant to the Listing Rules — By our Controlling Shareholders” for further details.
Board lot	800 Shares.
Dividend policy	<p>Please refer to “Financial Information — Dividends” for further details.</p> <p>Unless we determine otherwise, dividend, if declared, will be paid in Hong Kong dollars to our Shareholders, as recorded in our register of members, by ordinary post, at our Shareholders’ own risks, to the registered address of each such Shareholder, or in the case of joint holders, the first-named holder.</p>
Voting rights	Each Share entitles its holder to one vote on a poll at our Shareholders’ meeting. Please refer to “Appendix III — Summary of the Constitution of our Company and Cayman Companies Act” for further details.
Stamp duty	Dealings in the Shares registered in our register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sales of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.
Register of members	Our Company’s branch share register will be maintained by the Hong Kong Share Registrar. All of the Shares issued pursuant to the Global Offering will be registered on our branch share register.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Application for the Listing on the Stock Exchange

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares to be issued by us pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Shares to be issued upon the exercise of the options granted under the Share Option Scheme).

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, January 19, 2021. Except as disclosed in this Prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as at the date of this Prospectus. All the Offer Shares will be registered on our register of members maintained by the Share Registrar in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

Restrictions on offers and sales of the Offer Shares

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Offer Shares described in this Prospectus and the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

Fully underwritten

The listing of the Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Joint Bookrunners. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the pricing of the Offer Shares. Please refer to “Underwriting” for further information regarding the Underwriters and the underwriting arrangements.

Price Determination Date

On or around Friday, January 8, 2021, and in any event, no later than Monday, January 11, 2021. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Monday, January 11, 2021, the Global Offering will not become unconditional and will not proceed and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Admission to CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

Procedures for applying for Hong Kong Offer Shares

Please refer to “How to Apply for Hong Kong Offer Shares” for further details.

Conditions of the Global Offering

Please refer to “Structure of the Global Offering — Conditions of the Global Offering” for further details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Shi Wei (施煒)	2035, District C, Yosemite Wenyuzhuangyuan Shunyi District Beijing PRC	Chinese
Mr. Yang Weimin (楊為民)	2-005, Meiguiyuan Road Baolilongshang No. 9, Litang Road Tangshan Town Changping District, Beijing PRC	Chinese
Mr. Wang Liang (王亮)	Building 307, Yujing Garden Yuyang Road, Houshayu Shunyi District, Beijing PRC	Chinese
Mr. He Jiyong (賀繼永)	No. 14 Zhongnan Road Wuchang District, Wuhan Hubei Province PRC	Chinese
Mr. Wang Wei (王偉)	2401 Building 2 Yijiajiayuan, No. 8 Yard Tonghui South Road Tongzhou District Beijing PRC	Chinese
Mr. Sui Huijun (睚輝俊)	Room 502, No. 95, Nong 962 Zhenguang Road, Putuo District Shanghai PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Non-executive Directors

Ms. Zhang Yitao (張藝濤)	Room 301, No. 13 Building Minghuyuan Dongfangtaiyangcheng Renhe Town Shunyi District Beijing PRC	American
Mr. Liu Xia (劉夏)	National Satellite Ocean Application Service No. 8, Dahuisi, Haidian District Beijing PRC	Chinese

Independent Non-executive Directors

Mr. Song Ruilin (宋瑞霖)	Room 202, Unit 4, Building 3 No. A28, Guangqumenwai Street Chaoyang District Beijing PRC	Chinese
Mr. Fei John Xiang (費翔)	Room D, 22/F, Building 2A 8 Wui Cheung Road, The Austin Tsim Sha Tsui, Kowloon Hong Kong	American
Mr. David Zheng Wang (王正)	3630 E Indigo CIR Mesa, Arizona The United States	American
Mr. Yang Xiaoxi (楊曉曦)	No. 303, 2/F 11 Minzu University South Road Haidian District Beijing PRC	Chinese

Please refer to “Directors and Senior Management” for further details of each member of our Board.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor and Sole Global
Coordinator**

**CEB International Capital Corporation
Limited**

22/F, AIA Central
No. 1 Connaught Road
Central
Hong Kong

Joint Bookrunners

**CEB International Capital Corporation
Limited**

22/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

Aristo Securities Limited

Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

BOCOM International Securities Limited

15/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead managers

CEB International Capital Corporation Limited

22/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

Aristo Securities Limited

Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

BOCOM International Securities Limited

15/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Ruibang Securities Limited

9/F Sang Woo Building
227-228 Gloucester Road
Wanchai
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Wonderland International Securities Limited

26/F Tung Hip Commercial Building
252 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal Advisers to our Company

As to Hong Kong law:

Sidley Austin

Level 39

Two International Finance Centre

8 Finance Street

Central

Hong Kong

As to PRC law:

Global Law Office

15F, Tower 1, China Central Place

No. 81, Jianguo Road

Chaoyang District

Beijing

PRC

As to Cayman Islands law:

Campbells

Floor 35, Room 3507, Edinburgh Tower

The Landmark

15 Queen's Road Central

Hong Kong

Legal Advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law:

Deacons

5th Floor, Alexandra House

18 Chater Road

Central

Hong Kong

As to PRC law:

Yingke Law Firm

L58, China World Tower B

No. 1 Jianguomenwai Ave.

Beijing

PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditor and Reporting Accountants

Moore Stephens CPA Limited
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
801-806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Industry Consultant

**China Insights Industry Consultancy
Limited**
10F, Block B, Jing'an International Center
88 Puji Road, Jing'an District
Shanghai
PRC

Compliance Adviser

**Shanxi Securities International Capital
Limited**
Unit A, 29/F, Tower 1, Admiralty Center
18 Harcourt Road
Admiralty
Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office	Floor 4, Willow House Cricket Square Grand Cayman KY1-9010 Cayman Islands
Headquarters	10/F-12/F, Parkview Place 2 East 4th Ring Road, Chaoyang District Beijing PRC
Principal Place of Business in Hong Kong	Room 2204, 22/F Fu Fai Commercial Centre 27 Hillier Street Hong Kong
Company's Website	<u>www.mediwelcome.com</u> <i>(information on this website does not form part of this Prospectus)</i>
Joint Company Secretaries	Ms. Zhao Luyang (趙魯陽) 6-2-3, 18 Fenhe Street Huanggu District, Shenyang Liaoning Province PRC Ms. Leung Wai Ling, Wylie (梁慧玲) <i>(HKICPA)</i> Flat A 1/F Tower 19 One Beacon Hill 1 Beacon Hill Road Kowloon Tong Kowloon Hong Kong
Authorized Representatives	Mr. Shi Wei (施煒) 2035, District C, Yosemite Wenyuzhuangyuan Shunyi District Beijing PRC Ms. Leung Wai Ling, Wylie (梁慧玲) Flat A 1/F Tower 19 One Beacon Hill 1 Beacon Hill Road Kowloon Tong Kowloon Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Yang Xiaoxi (楊曉曦) (<i>Chairman</i>) Mr. Fei John Xiang (費翔) Mr. Song Ruilin (宋瑞霖)
Remuneration Committee	Mr. Fei John Xiang (費翔) (<i>Chairman</i>) Mr. Song Ruilin (宋瑞霖) Mr. David Zheng Wang (王正)
Nomination Committee	Mr. Shi Wei (施煒) (<i>Chairman</i>) Mr. David Zheng Wang (王正) Mr. Fei John Xiang (費翔)
The Cayman Islands Principal Share Registrar and Transfer Office	Campbells Corporate Services Limited Floor 4, Willow House, Cricket Square Grand Cayman KY1-9010 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bank	Bank of Communications Yuhui East Road Branch 1/F, Yayun Garden 12 Xiaoying Road Chaoyang District Beijing PRC

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this Prospectus relating to the industry in which we operate are derived from the CIC Report prepared by CIC, an independent industry consultant which was commissioned by us. The information extracted from the CIC Report should not be considered as a basis for investments in the Offer Shares or as an opinion of CIC to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the CIC Report or any of the other reports which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties (other than CIC) involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. Unless and except for otherwise specified, the market and industry information and data presented in this section is derived from the CIC Report⁽¹⁾.

INTEGRATED HEALTHCARE MARKETING SOLUTIONS INDUSTRY IN CHINA

Overview

The healthcare industry is an aggregate of sectors that provides goods and services with the goal of providing patients with the best medical treatment by high quality medical professionals. In China, the healthcare system is often associated with inefficiencies and limitations, and is characterized by the uneven distribution of medical resources. Hospitals in China are organized according to a three-tier system, with Grade 3 hospitals being the highest

⁽¹⁾ We commissioned CIC, an independent advisory firm with relevant industry experience, to conduct an analysis of, and to report on, the China's integrated healthcare marketing solutions industry. The report we commissioned, or the CIC Report, has been prepared by CIC independent of our influence. We agreed to pay CIC a fee of RMB700,000, which we consider reflects market rates. Our payment of such fee is not contingent upon the results of the report or the analysis therein. CIC's independent research was undertaken through both primary and secondary research using various resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, including the International Monetary Fund, National Bureau of Statistics of China, Ministry of Health of the PRC, National Medical Products Administration, company reports and CIC's internal database. The CIC Report was based on the following assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) related key industry drivers are likely to propel continued growth in China's integrated healthcare marketing solutions industry throughout the forecast period; (iii) the negative impact caused by COVID-19 outbreak in 2020 on the industry is expected to be limited, taking into account the COVID-19 outbreak has been substantially under control and estimated market growth for 2020 in a conservative manner based on the industry and economic recovery in China in the second quarter of 2020; and (iv) there is no extreme force majeure or unforeseen industry regulations in which the market may be affected in either a dramatic or fundamental way.

CIC is an investment consulting company originally established in Hong Kong. Its services include industry consulting services, commercial due diligence, strategic consulting, and so on. Its consultant team has been tracking the latest market trends in agriculture, chemicals, consumer goods, culture and entertainment, energy and industry, finance and related services, healthcare, technology, media and telecom, transportation, among others.

INDUSTRY OVERVIEW

tier in terms of physician expertise, management and technologies. Most Grade 3 hospitals are located in first tier cities, such as Beijing and Shanghai, as well as more economically-developed provinces, such as Guangdong, Jiangsu and Zhejiang. Grade 3 hospitals have concentrated a significant majority of high quality medical resources in China. In contrast, there are only a few Grade 3 hospitals in less economically-developed provinces, such as Henan and Hebei, although these provinces are heavily populated and require significant medical services.

In addition, there are many ungraded hospitals in China, which refers to hospitals that are inapplicable to be included in China's hospital grade review system due to their limited sizes and service capabilities. In 2019, Grade 3 hospitals, which accounted for only 8.0% of the hospitals in China, handled 53.6% of total medical consultations in China in the same year. In contrast, Grade 1 hospitals and ungraded hospitals, which collectively accounted for 62.8% of the hospitals in China, only handled 11.5% of total medical consultations in China in 2018. The result of such uneven distribution of medical resources in China is overcrowding, long lines, limited interaction with physicians for patients and overstretched physicians in Grade 3 hospitals, while hospitals in lower-tier cities and rural areas are equipped with less-experienced physicians who usually lack high-quality training.

The integrated healthcare marketing solutions industry exists to make the healthcare industry more efficient, optimized and accessible by bridging gaps between key constituents in the healthcare industry, namely, physicians, patients, pharmaceutical companies, medical NGOs and hospitals. There are over 500 of medical NGOs in China which primarily consist of medical associations and foundations. Medical associations are responsible for setting and encouraging the adoption of guidelines, standards of care and clinical pathways in medical practice, while the mission of medical foundations is to raise funds for public healthcare projects. Promoting official healthcare policies is the core role of medical NGOs in China, according to relevant PRC regulations. Please refer to "Regulatory Overview — Laws and Regulations Applicable to NGO" for details. Some government-led public welfare projects, such as poverty alleviation projects, which are carried out by medical NGOs, receive government fundings, as they act as one of the performers of government-led public welfare projects. On the other hand, medical NGOs do not receive any government funding for self-planned and self-led projects as they achieve their public objectives and promote public interests by utilizing non-government fundings. Integrated healthcare marketing solutions encompasses a wide range of services that primarily include medical conference services, patient education and screening services and marketing strategy and consulting services.

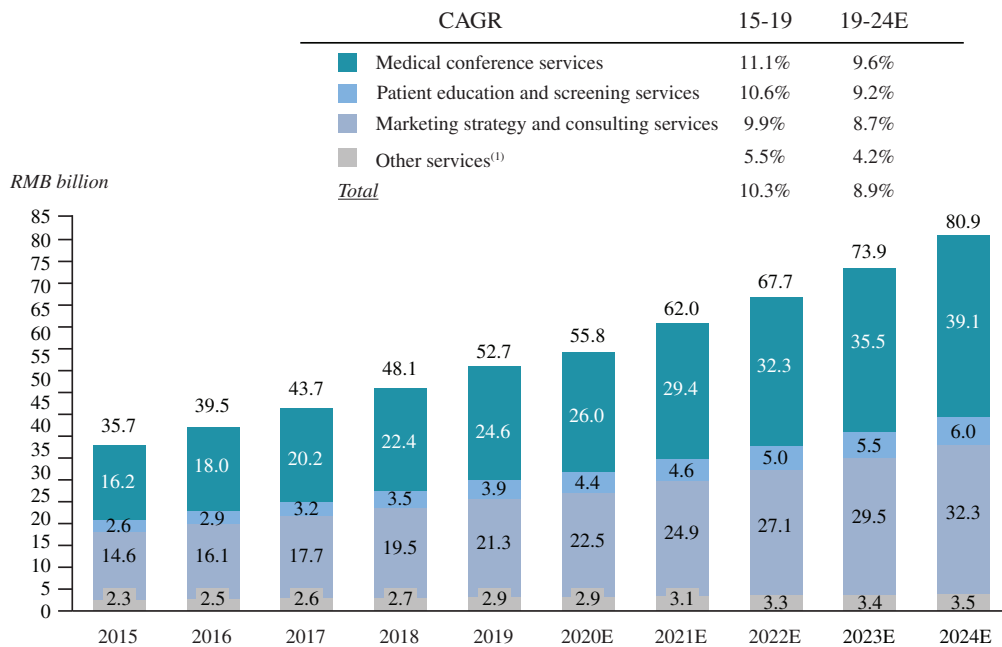
- Medical conference services refers to organization of academic conventions, seminars, conferences and events that serve as CME for physicians, especially those in lower-tier cities and rural areas, to enrich their medical knowledge and practice. These services also provide a platform for interaction and dialog between physicians, medical associations and pharmaceutical companies, which assist medical associations in setting and encouraging the adoption of guidelines, standards of care and clinical pathways in medical practice and help pharmaceutical companies and physicians to share experience in medical practice.

INDUSTRY OVERVIEW

- Patient education and screening services refers to disease education, screening and management for patients to obtain treatment and optimize treatment results. These services are offered to assist busy physicians in patient education to monitor patients' adherence to treatment regimens prescribed by physicians in order to lower the burden on the healthcare system in the long run.
- Marketing strategy and consulting services refers to formulation and implementation of marketing and branding strategies for pharmaceutical companies. These services are offered to assist pharmaceutical companies to enhance their brand and product awareness.

Market Size

China's integrated healthcare marketing solutions industry in terms of revenue experienced significant growth from RMB35.7 billion in 2015 to RMB52.7 billion in 2019 at a CAGR of 10.3%. The growth was primarily due to the PRC Government's continuous efforts to address uneven distribution of medical resources in China, as well as the increasing expenditure on healthcare due to rising awareness of health issues and higher disposable incomes in China. Driven by favorable government policies to establish a hierarchical medical system in China, revenue of China's integrated healthcare marketing solutions industry is expected to further increase to RMB80.9 billion in 2024 from 2019, representing a CAGR of 8.9%. The following diagram illustrates the actual and forecast market size of integrated healthcare marketing solutions industry in China in terms of revenue for the period indicated.



Note:

- (1) Primarily include public relation services, government relation services and crisis management services.

INDUSTRY OVERVIEW

- *Medical conference services.* Medical conference services has been a significant sector in China's integrated healthcare marketing solutions industry. Demand for medical conference services experienced significant growth from 2015 to 2019 as the PRC Government continues to address the uneven distribution of medical resources in China. The PRC Government issued The Outline for National Medical and Healthcare Service System Plan (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020年)》) and Guiding Opinions on Propelling the Building of a Hierarchical Diagnosis and Treatment System (關於推進分級診療制度建設的指導意見), both aiming to provide better training for physicians in China, especially those in lower-tier cities. Market size of medical conference services in China in terms of revenue increased from RMB16.2 billion in 2015 to RMB24.6 billion in 2019 at a CAGR of 11.1%. Pharmaceutical companies' demand for interacting with physicians through medical conferences is intensifying due to stringent limitations on pharmaceutical companies' interaction with physicians, such as requiring physicians to interact with pharmaceutical sales representatives in designated areas in hospitals. Market size of medical conference services in China in terms of revenue is expected to increase to RMB39.1 billion in 2024, representing a CAGR of 9.6% from 2019.
- *Patient education and screening services.* As a result of the limited physician-patient interaction and the lack of disease-specific education, both patients and physicians have a strong demand for patient education and screening services. In order to effectively lower the burden on the healthcare system in the long run, medical NGOs have a strong demand for more patient education and screening projects as well. Patient education and screening is especially critical for chronic disease patients who require adherence to a lifetime of treatment regimens and disease management. The most prevalent chronic diseases in China include CCVDs, diabetes and respiratory diseases. In China, the patient population of CCVDs, diabetes and respiratory diseases increased from 336.0 million, 109.6 million and 121.3 million, respectively in 2015 to 380.9 million, 119.0 million and 139.5 million, respectively in 2019. It is expected that the patient population in China of CCVDs, diabetes and respiratory diseases will further increase to 428.6 million, 129.2 million and 156.4 million in 2024, respectively, representing a CAGR of 2.4%, 1.7% and 2.3% from 2019, respectively. As patient population continues to increase, the PRC Government has introduced various policies to lower the burden on the healthcare system in China in the long run, including China's Medium- to Long-term Plan for the Prevention and Treatment of Chronic Diseases (2017-2025) (中國防治慢性病中長期規劃(2017-2025年)), which has led medical NGOs to initiate more patient education and screening projects, especially disease risk screening to enhance awareness of health issues and diagnosis rates. As a result, market size of patient education and screening services in China in terms of revenue increased from RMB2.6 billion in 2015 to RMB3.9 billion in 2019 at a CAGR of 10.6%, and is expected to increase to RMB6.0 billion in 2024 at a CAGR of 9.2%.

INDUSTRY OVERVIEW

- *Marketing strategy and consulting services.* There has always been strong demand from pharmaceutical companies for marketing strategy and consulting services to enhance brand and product awareness. Pharmaceutical companies prefer to seek assistance from integrated healthcare marketing solutions providers to formulate and implement business strategies, partially due to the close relationships with physicians and proven project implementation capabilities of such service providers. Considering limitations on pharmaceutical companies' interaction with physicians in China and favorable policies issued by the PRC Government to encourage domestic research and development of new and innovative drugs, market size of marketing strategy and consulting services in China in terms of revenue increased from RMB14.6 billion in 2015 to RMB21.3 billion in 2019 at a CAGR of 9.9%, and is expected to increase to RMB32.3 billion in 2024 at a CAGR of 8.7%.

INTEGRATED HEALTHCARE MARKETING SOLUTIONS INDUSTRY FOR CCVDs IN CHINA

Overview of CCVDs

CCVDs are disorders of heart and blood vessels in supplying blood to the brain, and commonly include hypertension, coronary heart disease, stroke, heart failure and cardiomyopathy. CCVDs are one of the most prevalent diseases and leading cause of death in China. The cause of CCVDs is usually a combination of behavioral risk factors, such as tobacco use, unhealthy diet, lack of physical activities, obesity, alcohol consumption, hypertension, diabetes and hyperlipidemia, accumulated over a prolonged period of time.

CCVDs are chronic diseases that have no immediate threat to life, but are long-term and persistent diseases that often lead to a gradual deterioration of health if not properly managed. The key to managing CCVDs involves early detection and diagnosis, addressing behavioral risk factors through lifestyle changes and long-term treatment and disease surveillance. However, CCVD diagnosis rate in China was significantly lower than that in the United States. For example, in 2019, the diagnosis rate of hypertension, the most common type of CCVDs, was 47.0% in China, compared to 84.1% in the United States.

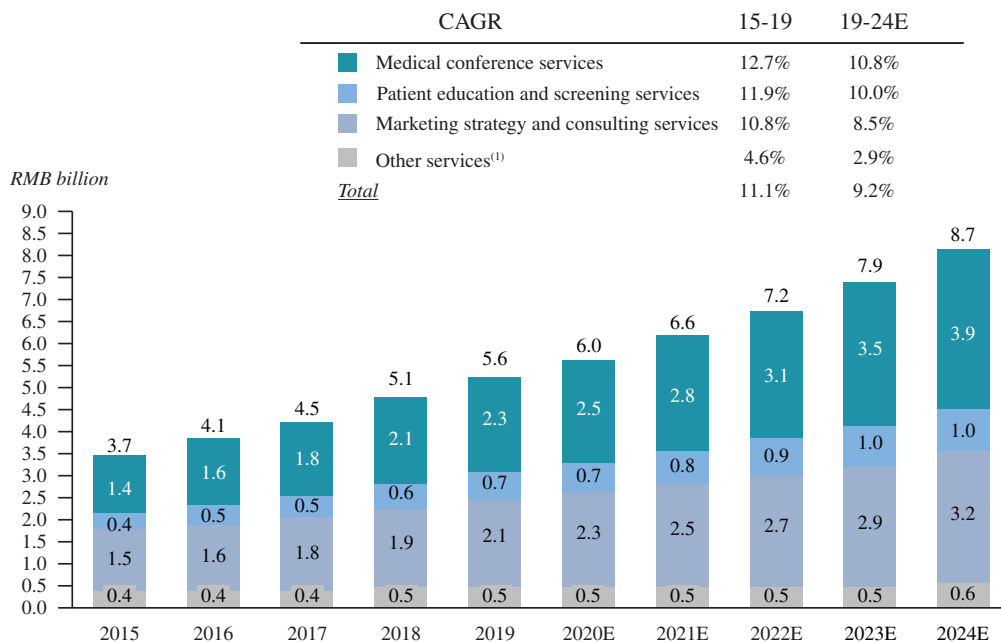
In China, CCVDs are a steadily growing disease area. The number of CCVD patients in China increased from 336.0 million in 2015 to 380.9 million in 2019, representing 26.8% of the total population in China, and the number of CCVD patients in China is expected to further increase to 428.6 million in 2024, representing 29.8% of the total population in China. The increase in patient population is primarily due to aging population that have higher risks for CCVDs and increasingly unhealthy lifestyle of younger generations. Please refer to “Business — Competitive Strengths — China’s largest providers in the Integrated Healthcare Marketing Solutions Market for CCVDs” for details.

INDUSTRY OVERVIEW

As CCVDs emerge as an epidemic and a major public health concern in China, the PRC Government has been implementing policies to increase diagnosis rates and enhance awareness, as well as to encourage improved standards of care and healthcare quality provided by physicians and hospitals. Moreover, pharmaceutical companies are expected to introduce more drugs targeting CCVDs to meet market demand.

Market Size

In line with these market trends, the integrated healthcare marketing solutions industry for CCVDs in China in terms of revenue has increased from RMB3.7 billion in 2015 to RMB5.6 billion in 2019 at a CAGR of 11.1%, and is expected to further increase to RMB8.7 billion in 2024, representing a CAGR of 9.2% from 2019. Primarily attributable to the continuous increase in CCVD prevalence, the integrated healthcare marketing solutions industry for CCVDs demonstrates a higher growth rate than the overall integrated healthcare marketing solutions industry. The following diagram illustrates the actual and forecast market size of integrated healthcare marketing solutions industry for CCVDs in China in terms of revenue for the period indicated.



Note:

(1) Primarily include public relation services, government relation services and crisis management services.

INDUSTRY OVERVIEW

Competitive Landscape

The integrated healthcare marketing solutions industry for CCVDs is highly fragmented in China. In 2018, there were thousands of industry participants in China, most of whom operate on a local scale and are generally not capable of providing integrated solutions encompassing medical conference services, patient education and screening services and marketing strategy and consulting services. We compete with our competitors primarily on the basis of service quality, industry experience, reputation, physician and customer network and technology platform capabilities.

Among the top five industry participants in the integrated healthcare marketing solutions industry for CCVDs in China, which collectively held a 6.7% market share in terms of revenue in 2019, we are the largest industry participant with a 4.9% market share as shown in the following table.

Company name	Founded	Revenue in 2019 ⁽¹⁾ (in millions of RMB)	Market share (%)	Major services type	Main business	Technology platforms	Listing status
Our Group	2000	274.7	4.9	Medical conference services; Patient education and screening services; Marketing strategy and consulting services	Based in Beijing and primarily engaged in providing integrated healthcare marketing solutions with the goal to address the unmet needs of each key constituent of the CCVD healthcare ecosystem.	Conference management platform; Patient management platform	Not listed

INDUSTRY OVERVIEW

Company name	Founded	Revenue in 2019 ⁽¹⁾ (in millions of RMB)	Market share (%)	Major services type	Main business	Technology platforms	Listing status
Company A	2008	approximately 40.0	approximately 0.7	Medical conference services; Patient education and screening services; Marketing strategy and consulting services	Based in Shanghai and primarily engaged in providing comprehensive integrated marketing services to multinational pharmaceutical and medical device companies through offline activities and its own online media platform.	Conference management platform; Patient education and screening platform	Listed on NEEQ
Company B	2007	approximately 22.0	approximately 0.4	Medical conference services	Based in Shanghai and primarily engaged in hosting various professional academic conferences and providing organizers with online conference publishing, process management, data statistics, live broadcast and other services.	Conference management platform	Listed on NEEQ

INDUSTRY OVERVIEW

Company name	Founded	Revenue in 2019 ⁽¹⁾ (in millions of RMB)	Market share (%)	Major services type	Main business	Technology platforms	Listing status
Company C	2008	approximately 22.0	approximately 0.4	Medical conference services; Other services	Based in Shanghai and primarily engaged in providing services for conferences and exhibitions, advertisements designs, public relations consulting and corporate management consulting.	N/A	Not listed
Company D	2009	approximately 17.0	approximately 0.3	Medical conference services; Marketing strategy and consulting services	Based in Beijing and primarily engaged in design, production, distribution and publishing of advertisements, organizing cultural and artistic exchange activities, and providing conference and exhibition services and film and television planning services.	N/A	Not listed

Note:

(1) Represents revenue from services in relation to CCVDs.

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Entry Barriers

Key entry barriers for China's integrated healthcare marketing solutions industry include:

- *Physician resources.* A strong network of influential and well-recognized physicians is crucial for integrated healthcare marketing solutions providers to offer comprehensive services. Physicians are key participants of medical conferences and recipients of CME. Moreover, these physicians are able to access a substantial patient pool that are valuable to patient education and screening services and marketing strategy and consulting services. Close relationships with physicians also enable integrated healthcare marketing solutions providers to stay abreast of changing market trends and obtain strategic advice on business development. It takes time for new entrants to develop a physicians network.
- *Long-term customer relationships.* Medical NGOs, hospitals and pharmaceutical companies generally engage integrated healthcare marketing solutions providers that they have established long-term business relationships with. As such, it is difficult for new entrants to secure customers and market opportunities.
- *Specialized medical knowledge.* Integrated healthcare marketing solutions providers need to possess specialized medical knowledge to provide high quality services. Successful integrated healthcare marketing solutions providers are generally equipped with professional medical teams with deep understanding of the disease and industry, which is critical to their ability to provide highly technical advice and value-added services. It is challenging for new entrants to build professional medical teams with these capabilities.

Market Drivers and Future Trends

The primary market drivers and future trends for China's integrated healthcare marketing solutions industry for CCVDs include the following:

- *Increasing prevalence and patient base.* As one of the most common chronic diseases in China, CCVDs have a vast patient population. The number of CCVD patients in China is expected to increase from 380.9 million in 2019 to 428.6 million in 2024 at a CAGR of 2.4%, primarily driven by an aging population that have higher risks for CCVDs and increasingly unhealthy lifestyle choices of young generations. The increase in patient base is also attributable to the increasing diagnosis rates for CCVDs in China. As the healthcare system in China develops and policies are implemented to control CCVDs, it is expected that the diagnosis rate for CCVDs will increase significantly in the future. Diagnosis rate for hypertension is expected to increase from 47.0% in 2019 to 49.6% in 2024 and demand for integrated healthcare marketing solutions for CCVDs is expected to increase in the future.

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- *Government efforts to lower burden of CCVDs.* The PRC Government has introduced a series of policies to control the CCVD epidemic and address the uneven distribution of medical resources in China. According to China's Medium-to-Long-term Plan for the Prevention and Treatment of Chronic Diseases (2017-2025), the PRC Government aims to reduce the death rate for CCVDs by 10% in 2020 and by 15% in 2025. In addition, according to The Outline for a Healthy China 2030 Plan (“健康中國2030”規劃綱要), the PRC Government aims to reduce the premature mortality of common chronic diseases, such as CCVDs, from 19.1% in 2015 to 13.4% by 2030. Moreover, according to State Council's Opinions on Implementing Healthy China Program (《國務院關於實施健康中國行動的意見》), the PRC Government aims to reduce the mortality of CCVDs to below 0.2% in 2030. These favorable policies are expected to enhance disease awareness and increase diagnosis and treatment rates, which will further stimulate demand for integrated healthcare marketing solutions for CCVDs in China.
- *Focus on lower-tier cities and rural areas.* In order to address the uneven distribution of medical resources in China, the PRC Government has introduced a series of policies to redistribute high-quality medical resources to lower-tier cities and rural areas in China, and to enhance disease awareness of patients in these regions with the aim of lowering the burden on the healthcare system in the long run. According to Guidance on the Construction of a Hierarchical Medical System (關於推進分級診療制度建設的指導意見), the PRC Government aims to optimize treatment results for patients of chronic diseases, such as CCVDs, in hospitals in lower-tier cities and rural areas. It is expected that lower-tier cities and rural areas in China would become the focus of medical NGOs. Therefore, more medical seminars are needed to provide quality training to physicians in lower-tier cities and rural areas to enrich their medical knowledge and practice and implement more disease risk screening projects to increase awareness and diagnosis rates. Moreover, as more patients are identified, medical NGOs are expected to initiate more patient education events because these events typically commence after disease risk screening is completed. In addition, The Pilot Program of the Centralized Procurement and Use of Drugs (藥品集中採購和使用試點方案) has required centralized procurement of drugs for public hospitals in 11 major cities in China and is expected to lead to pharmaceutical companies redirecting their focus to lower-tier cities and rural areas. As such, demand of medical NGOs for integrated healthcare marketing solutions for CCVDs is expected to increase significantly in lower-tier cities and rural areas in China.
- *Increasing demand from PRC pharmaceutical companies.* In recent years, the PRC Government has introduced a series of policies, including The Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見) and The Guidance of Strengthening and Promoting Science and Technology Innovation in Food and Drug (關於加強和促進食品藥品科技創新工作的指導意見), to encourage domestic research and development of innovative drugs

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in China and globally through accelerating the approval process for new drugs and generic drugs. These policies are expected to lead to a growing pipeline of innovative drugs, including CCVD drugs, from PRC pharmaceutical companies. As these companies begin to market their drugs, marketing strategy and consulting services are expected to increase in demand. Expenditure of PRC pharmaceutical companies on integrated healthcare marketing solutions for CCVDs is expected to increase from RMB2.2 billion in 2019 to RMB4.5 billion in 2024 at a CAGR of 15.2%.

- *Market consolidation.* Due to the fragmented market, major providers of integrated healthcare marketing solutions for CCVDs are expected to consolidate smaller industry participants to increase their market share, expand their service portfolio, and cover new diseases areas.

INTEGRATED HEALTHCARE MARKETING SOLUTIONS INDUSTRY FOR DIABETES AND RESPIRATORY DISEASES IN CHINA

Overview of Diabetes and Respiratory Diseases

Diabetes and respiratory diseases are chronic diseases that require long-term treatment, strict disease control and regular physician consultations. Both diabetes and respiratory diseases have a high prevalence in China. Due to low diagnosis and treatment rates, an aging population and increasing risk of diabetes due to unhealthy lifestyle choices of young generations, the number of diabetics increased from 109.6 million patients in 2015 to 119.0 million in 2019 and is expected to increase further to 129.2 million in 2024. The number of respiratory disease patients has increased from 121.3 million in 2015 to 139.5 million in 2019, and is expected to increase to 156.4 million by 2024, primarily driven by low diagnosis and treatment rates, growing smoking population and worsening air pollution.

Market Size

As patient population of diabetes and respiratory diseases is expected to increase, China's integrated healthcare marketing solutions industry for diabetes and respiratory diseases will experience stable growth in the future. The integrated healthcare marketing solutions industry for diabetes in terms of revenue is expected to increase from RMB1.3 billion in 2019 to RMB2.1 billion in 2024, representing a CAGR of 10.9%. During the same period, the integrated healthcare marketing solutions industry for respiratory diseases in terms of revenue is expected to increase from RMB1.9 billion to RMB2.8 billion, representing a CAGR of 8.5%.

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Market Drivers and Future Trends

Patient population of diabetes in China is growing steadily due to aging population and unhealthy lifestyle choices of young generations. Patient population of respiratory diseases is also growing, primarily due to increasing smoking population and air pollution in China. Moreover, respiratory diseases often do not have any cures and have low diagnosis rates due to lack of symptoms in early stages of the disease.

In light of growing patient populations, the PRC Government has issued a series of policies, including The Outline for a Healthy China 2030 Plan (“健康中國2030”規劃綱要) and the Prevention and Treatment of Chronic Diseases (2017-2025) (中國防治慢性病中長期規劃(2017-2025年)), to control the incidence of diabetes and respiratory diseases in China. According to various policies, the PRC Government aims to reduce death rate for diabetes by 10% in 2020 and by 20% in 2025 and 30% in 2030. The PRC Government has also issued policies such as The 13th Five-year Plan on Public Healthcare (“十三五”衛生與健康規劃), which has encouraged the inclusion of pulmonary tests in regular physical check-ups with the aim of increasing diagnosis rates and awareness for respiratory diseases. Demand for integrated healthcare marketing services to manage patients and control disease is therefore expected to grow.

INTERNET HOSPITAL SERVICES INDUSTRY IN CHINA

Internet hospital services refer to the application of the internet in the healthcare industry, and primarily includes online consultation and diagnosis, e-prescription and patient follow-up.

Market Drivers

Benefiting from the development of internet technologies, patients' preference for convenient healthcare services and the PRC Government's efforts to address the uneven distribution of medical resources, internet hospital services such as online consultations and e-prescriptions are expected to experience significant growth in the future. Once patients are diagnosed with chronic diseases, such as CCVDs, diabetes and respiratory diseases, which require long-term medical treatments, the patients can be effectively managed without face-to-face consultations with physicians, and instead, through routine check-ups and close surveillance provided by internet hospitals. CCVD patients are expected to become major users of internet hospital services.

Market Outlook

Since the establishment of the first internet hospitals in 2014, the internet hospital service market has developed rapidly, with a number of regulations and policies implemented by PRC governmental authorities to standardize and foster the market and services. In 2019, there were approximately 342 internet hospitals in operation in China, and is expected to grow to over 500 in 2020. The PRC market for internet hospital services in terms of revenue is expected to increase from RMB16.8 billion in 2019 to RMB80.4 billion in 2024 at a CAGR of 36.7%.

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Entry Barriers

Major entry barriers of the internet hospital market in China include stringent and complex regulations, high technology capabilities and the need for significant physician and patient resources. Firstly, it may be difficult for new market entrants to obtain the requisite license for internet hospital operation, which requires cooperation with a qualified hospital. Secondly, internet hospital operation requires IT capability to handle and manage data which involves capital investment and operational expertise. Thirdly, strong relationships with physicians and hospitals, as well as a significant user base of physicians and patients are crucial for internet hospital operation.

CRO SERVICES INDUSTRY IN CHINA

CROs are companies that provide research services outsourced by pharmaceutical or biotechnology companies, including biologic assay development, biopharmaceutical development, pre-clinical studies and clinical research and management of clinical trials.

Market Drivers

Demand for CRO services is driven by the increasing expenditure in the healthcare industry. Total expenditure in healthcare in China experienced significant growth from RMB3,531.2 billion in 2014 to RMB5,912.2 billion in 2018. Sales revenue of drugs have increased from RMB1,117 billion in 2014 to RMB1,628 billion in 2018, and is expected to continue its growth. The increased expenditure in healthcare is also in line with the increase in number of new drugs under development in China, with more investigational new drug applications being filed in recent years after the PRC Government reformed the drug approval process. As more investment is being made in the healthcare industry, demand for CRO services is expected to increase.

Market Outlook

The market size for CRO services increased from RMB2.8 billion in 2015 to RMB6.0 billion in 2019, and is expected to further increase to RMB14.2 billion in 2024. The growth is primarily driven by increasing demand for new drugs and growing investment in new drug research. As drug developers engage in more new drug research, demand for CRO services to improve drug development efficiency, is expected to increase. The competitive landscape for CRO services in China is relatively fragmented, with over hundreds of market participants. The top five CRO service providers held an aggregate market share of approximately 20% to 25% in terms of revenue in recent years.

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Entry Barriers

Strong relationships with pharmaceutical companies facilitate capture of business opportunities in their drug development. Moreover, a physicians network can provide a significant patient base. In addition, CRO service providers should have an experienced professional team with deep knowledge in the medical and pre-clinical/clinical research field.

COST STRUCTURE

An integrated healthcare marketing solutions provider's cost (comprised mainly of project implementation cost, speaker fee, staff costs, travel costs, venue costs, lodging costs and material and equipment costs) in China may vary from project to project. The amount of cost is largely affected by the scale of the project, location of the project and customers' other project specific requirements, among other factors.

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REGULATIONS IN RELATION TO FOREIGN INVESTMENT

Restrictions on Foreign Investment

Foreign investment in the PRC by foreign investors and foreign-invested enterprises shall abide by the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “**Foreign Investment Catalog**”) jointly promulgated by the Ministry of Commerce of the PRC (“**MOFCOM**”) and the National Development and Reform Commission of the PRC (“**NDRC**”) on June 28, 1995 and successively amended on December 31, 1997, April 1, 2002, November 30, 2004, October 31, 2007, December 24, 2011, March 10, 2015 and June 28, 2017. The Foreign Investment Catalog classifies industries into “the encouraged foreign-invested industries” and “the foreign-invested industries which are subject to the Special Administrative Measures for Access of Foreign Investment (the Negative List for Access of Foreign Investment).” Except as otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries not in the restricted or prohibited categories. The Special Administrative Measures for Access of Foreign Investment (the Negative List for Access of Foreign Investment) under the Foreign Investment Catalog was replaced by the Special Administrative Measures for Access of Foreign Investment (the Negative List) (《外商投資准入特別管理措施(負面清單)》) (the “**Negative List**”) jointly promulgated by the MOFCOM and NDRC on June 28, 2018 and took effect on July 28, 2018, which was amended on June 30, 2019 and June 23, 2020, and the encouraged foreign-invested industries list under the Foreign Investment Catalog was replaced by the Encouraged Foreign Investment Catalog (2019 version) (《鼓勵外商投資產業指導目錄(2019年版)》) which was promulgated by the NDRC on June 30, 2019 and took effect on July 30, 2019. According to the Negative List, foreign investment in online audio-visual program services are prohibited, and foreign equity share in a value-added telecommunication business shall not exceed 50% (excluding e-commerce, domestic multi-party communication, store-and-forward, and call center), and the basic telecommunication services shall be controlled by the Chinese party. Medical institutions are limited to joint venture and co-operation, and the equity ratio or interests attributable to the Chinese party of such medical institutions in the form of joint venture or co-operation shall not be less than 30%.

According to the Regulations for the Administration of Foreign-Invested Telecommunication Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016, foreign-invested value-added telecommunication enterprises in the PRC shall be established as sino-foreign equity joint ventures, and the ultimate foreign equity ownership in a foreign-invested value-added telecommunication enterprise shall not exceed 50%. In addition, the foreign investor who intends to acquire equity interest in the value-added telecommunication businesses in the PRC shall comply with strict requirements on financial results and operating experience, such as a good track record and experience in operating value-added telecommunication businesses overseas. Moreover, foreign investors that meet these requirements shall obtain approvals from the MIIT and the MOFCOM, or their authorized local counterparts.

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On March 15, 2019, the Second Session of the 13th National People's Congress ("NPC") of the PRC passed and promulgated the FIL, which came into force on January 1, 2020. The FIL further expands the opening up, promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the FIL, the foreign investment refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations ("**Foreign Investors**") in the PRC, including the following: (a) Foreign Investors establishing foreign-invested enterprises in the PRC alone or collectively with other investors; (b) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (c) Foreign Investors investing in new projects in the PRC alone or collectively with other investors; and (d) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. Foreign-invested enterprise refers to enterprise that are wholly or partially invested by foreign investors and registered in the PRC under the PRC laws.

The State adopts the administrative system of pre-establishment national treatment and Negative List for foreign investment. A Foreign Investor shall not invest in any field prohibited from foreign investment under the Negative List. A Foreign Investor shall meet the investment conditions stipulated under the Negative List for any restricted fields under the Negative List. For fields not mentioned in the Negative List, domestic and foreign investments shall be treated equally.

For foreign investment, the State established a foreign investment information reporting system. Foreign Investors or foreign-invested enterprises shall submit investment information to the competent commerce authorities through the enterprise registration system and the enterprise credit information publicity system. The foreign investment security review system was also in place, and security reviews will be conducted on foreign investment that affects or may affect national security.

Upon the implementation of the FIL, the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) and the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) will be annulled. The foreign-invested enterprises established according to the former laws may retain their original form of organizations within five years after the FIL comes into effect. The specific implementing measures will be prescribed by the State Council.

Establishment and Change of Foreign-invested Enterprises

The Interim Measures for the Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理辦法》), promulgated on October 8, 2016 and amended on June 29, 2018 by the MOFCOM, are applicable to foreign-invested enterprises that are not subject to the special administrative measures for access of foreign investment according to relevant PRC laws. For the purpose of incorporation of a foreign-invested enterprise, the representative designated by all investors (or the board of directors of the foreign-invested company) or the agent jointly entrusted by them

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shall file the incorporation and filing information of foreign-invested enterprise online when carrying out the registration of incorporation and change with the administrations of industry and commerce and market regulation. In the case of a change of information of the foreign-invested enterprises, the representative designated by or the agent entrusted by such foreign-invested enterprise shall complete the Application Form for the Recordation of Modification of Foreign-invested Enterprises (《外商投資企業變更備案申報表》) and submit it together with the relevant documents online through the integrated administration system within 30 days after occurrence of such changes to complete the recordation formalities in respect of the modification.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation issued the Measures of Information Report of Foreign Investment (《外商投資信息報告辦法》). Upon its implementation on January 1, 2020, the Interim Measures for the Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理辦法》) was annulled at the same time. According to the Measures of Information Report of Foreign Investment (《外商投資資訊報告辦法》), foreign investors establishing foreign investment enterprises in China shall submit an initial report through the Enterprise Registration System at the time of completion of registration formalities for establishment of foreign investment enterprises. Where there is a change in the information in the initial report which involves change registration (filing) of the enterprise, the foreign investment enterprise shall submit the change report through the enterprise registration system at the time of completion of change registration (filing) for the enterprise.

REGULATIONS IN RELATION TO VALUE-ADDED TELECOMMUNICATION SERVICES

According to the Administrative Measures for the Licensing of Telecommunication Business (《電信業務經營許可管理辦法》) (the “**Telecom Licensing Measures**”) promulgated by the MIIT on March 5, 2009, last amended on July 3, 2017 and took effect on September 1, 2017, the telecommunication business may be operated only after a business permit has been obtained from the telecommunication administrative department according to the law. Telecommunication services are divided into basic telecommunication services and value-added telecommunication services. The telecommunication business operator shall indicate its business license number on a prominent place such as the main business premise, website homepage and business promotion materials. In addition, the holder of a value-added telecommunication services license is required to obtain approval from the original issuing authority in respect of any change of its operating entity, business scope or shareholders.

In addition, according to the Telecommunication Industry Classification Catalog (2015 version) (《電信業務分類目錄(2015年版)》) which came into force on March 1, 2016 and amended on June 6, 2019 by MIIT, “B25 Information Services” under category “B Value-added Telecommunication Services” refer to the information services provided for users via the public communication network or the internet and by the information collection, development, processing and construction of information platforms. By technical service methods of information organization, transmission, etc., information services are classified into

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information release platforms and transmission services, information retrieval and inquiry services, information community platform services, instant information interaction services as well as information protection and processing services, etc.

Internet Information Services

According to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, internet information services are categorized as either commercial or non-commercial services. The commercial internet information services are subject to a permit system while the non-commercial internet information services to a record-filing system. Entities engaged in providing commercial internet information service shall apply for a license for value-added telecommunication services of internet information services with the competent telecom administrative authority or State Council’s department in charge of information industry. As for the operation of non-commercial internet information services, only a filing with the competent telecom administrative authority or State Council’s department in charge of information industry is required. In addition, the Internet Measures stipulate that, when the internet information service involves areas of news, publication, education, medical treatment, health, pharmaceuticals and medical equipment, and if required by laws, administrative regulations and relevant requirements, specific approval from the respective regulatory authorities must be obtained prior to applying for the business license or carrying on filing procedures.

According to the Circular on Strengthening the Administration of Foreign Investment in Value-added Telecommunication Services (《關於加強外商投資經營增值電信業務管理的通知》) promulgated by MIIT and took effect on July 13, 2006, foreign investors can only operate a telecommunication business in the PRC through establishing a foreign-invested telecommunication enterprise with a valid telecommunication business operation license; domestic license holders are prohibited from leasing, transferring or selling telecommunication business operation licenses to foreign investors in any form, or providing any resource, sites or facilities to foreign investors to facilitate the unlicensed operation of telecommunication business in the PRC.

Mobile Internet Application Information Services

In addition to the Internet Measures above, mobile internet applications are specifically regulated by the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (the “**Mobile Application Administrative Provisions**”), which was promulgated by the Cyberspace Administration of the PRC (the “**CAC**”) on June 28, 2016 and took effect on August 1, 2016. Pursuant to the Mobile Application Administrative Provisions, application information service providers shall obtain the relevant qualifications prescribed by laws and regulations, strictly implement their information security management responsibilities and carry out certain duties, including

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establishing and completing users' information security protection mechanism and information content inspection and management mechanism, protecting users' right to know and right to choose in the process of usage, and recording users' log information and keeping it for 60 days.

Furthermore, on December 16, 2016, the MIIT promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (《移動智能終端應用軟件預置和分發管理暫行規定》) (the “**Mobile Application Interim Measures**”), which came into force on July 1, 2017. The Mobile Application Interim Measures requires that the internet information service providers must ensure that the content of the application are legal, users' rights are protected, and relevant information of the application are expressed clearly, and the mobile application, as well as its ancillary resource files, configuration files and user data, among others, can be uninstalled by the users on a convenient basis, unless it is a basic function software, which refers to a software that supports the normal operation of hardware and operating system of a mobile smart device.

REGULATIONS IN RELATION TO INTERNET HOSPITAL BUSINESS

General Regulations and Policies in Relation to Internet Hospital Business

According to the Guiding Opinions of the State Council on Actively Propelling the “Internet Plus” Action Plan (《國務院關於積極推進“互聯網+”行動的指導意見》) issued by the State Council on July 1, 2015, the new mode of online medical treatment and public health shall be promoted. It is imperative to develop online medical treatment and public health services based on the internet, support third-party institutions to build the service platforms for sharing medical information such as medical image, health archives, testing reports, electronic medical records and other medical information, and gradually set up the standard system for cross-hospital sharing and exchange of medical data. The mobile internet shall be vigorously used to provide online appointment for diagnosis and treatment, reminder of waiting for diagnosis, pricing and payment, inquiry about diagnosis and treatment reports, drug delivery and other services. Medical institutions shall be guided in providing basic-level examination, higher-level diagnosis and other remote medical treatment to small and medium-sized cities and rural areas. Internet enterprises shall be encouraged to cooperate with medical institutions in establishing online medical information platforms, strengthen the integration of regional medical treatment and public health service resources, make full use of the internet, big data and other means, and improve the capability to prevent and control major diseases and public health emergencies. Internet-extended doctor's advice, electronic prescription and other internet medical service applications shall be vigorously explored. The qualified medical inspection institutions and medical service institutions shall be encouraged to collaborate with internet enterprises to develop gene testing, disease prevention and other health service modes.

In April 2018, the Opinions on Promoting the Development of “Internet Plus Health Care” (《關於促進“互聯網+醫療健康”發展的意見》) issued by the General Office of the State Council encouraged medical institutions to apply the internet and other information technologies to expand the space and content of medical services, developed an online and offline integrated medical service model that covers the whole process of medical service.

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Internet hospitals under the support of medical institutions shall be allowed. Medical institutions may use internet hospital as their secondary name and, based on the physical hospitals, use Internet technology to provide safe and appropriate medical services, allowing follow-up online diagnosis for some common diseases and chronic diseases. After acquiring documents on the medical records of patients, physicians shall be allowed to prescribe online for some common diseases and chronic diseases.

On July 17, 2018, the National Health Commission and the National Administration of Traditional Chinese Medicine jointly promulgated three documents, including the Measures for the Administration of Internet Diagnosis and Treatment (Trial) (《互聯網診療管理辦法(試行)》), the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》) and the Specifications for the Administration of Remote Medical Services (Trial) (《遠程醫療服務管理規範(試行)》). Pursuant to the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》), “internet hospitals” include: (a) internet hospitals as the second name of physical medical institutions, and (b) internet hospitals that are independently established on the support of physical medical institutions.

Establishment Requirements of Internet Hospital

According to the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》), the PRC implements access management for internet hospitals pursuant to the Administrative Regulations on Medical Institutions (《醫療機構管理條例》) and the Implementation Measures of the Administrative Regulations on Medical Institutions (《醫療機構管理條例實施細則》). Before implementing access for internet hospitals, provincial health administrative departments shall establish provincial internet medical service supervision platforms to connect with information platforms of internet hospitals to achieve real-time supervision. Establishing an internet hospital is governed by the administrative approval process as stipulated in the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》). According to the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》), applying for establishing an internet hospital is required to submit an application to the practice registration authority of its supported physical medical institution, and submit the application form, the feasibility study report on the establishment, the address of the supported physical medical institution, and the agreement jointly signed by the applicant and the supported physical medical institution in relation to establishing an internet hospital through cooperation. If an internet hospital information platform is set up through cooperation with a third-party institution, the relevant cooperation agreement should be submitted. For an internet hospital sets up through cooperation, if the cooperation partner changes or other factors exist that will invalidate the cooperation agreement, reapplication for establishing an internet hospital is required.

On January 7, 2019, the Health Commission of Ningxia Autonomous Region issued the Implementation Measures for the Administration of Internet Hospitals in Ningxia Hui Autonomous Region (Trial) (《寧夏回族自治區互聯網醫院管理實施辦法(試行)》) (“**Measures for Internet Hospitals in Ningxia**”). In terms of access of internet hospitals, on the basis of the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管

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理辦法(試行)》), the Measures for Internet Hospitals in Ningxia clearly stipulate that the autonomous region should establish a provincial internet medical service supervision platform and its internet hospitals should connect with relevant information platform to achieve real-time supervision. Where an internet hospital is established under the support of a physical medical institution, it shall submit an application for practice registration to the license issuing authority of that physical medical institution, together with relevant cooperation agreement and materials about the connections between the physical medical institution and the internet medical service supervision platform of the autonomous region.

General Policies about the Regulation and Supervision of Internet Hospital

The health administrative department of the State Council and the competent departments of Chinese medicine shall be responsible for the supervision and administration of the internet hospitals across the PRC. The local health administrative departments at all levels (including the competent departments of Chinese medicine) shall be responsible for the supervision and management of internet hospitals within their respective jurisdictions.

In terms of practicing rules on internet hospitals, the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》) provide that where a third-party institution jointly establishes an internet hospital under the support of a physical medical institution, it shall provide the physical medical institution with professional services such as physicians and pharmacists, and information technology support services, and well-define the responsibilities and rights of all parties in respect of medical services, information security, and privacy protection through agreements and contracts. In terms of supervision and management of internet hospitals, the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》) clarify that provincial health administrative departments and the registration authorities for internet hospitals jointly implement supervision on internet hospitals through the provincial internet medical service supervision platform, focusing on the supervision on internet hospitals' personnel, prescriptions, treatment behaviors, patients' privacy protection and information security. Additionally, the Basic Standards for Internet Hospitals (Trial) (《互聯網醫院基本標準(試行)》) as attached to the Measures for the Administration of Internet Hospitals (Trial) set forth requirements for diagnosis and treatment items, departments, personnel, buildings and device and equipment, and rules and regulations of internet hospitals.

In terms of supervision and management and basic standards of internet hospitals, the Measures for Internet Hospitals in Ningxia put forward stricter requirements when compared with the Measures for the Administration of Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》). For example, the former requires that physicians providing medical services in internet hospitals shall have independent clinical working experience of more than five years and have been qualified with intermediate titles. For one applying for establishing an internet hospital, its supported physical medical institution must be a medical institution above the second level, with independent corporate capacity and corresponding qualifications assessed by the expert committee.

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Patient Diagnosis Service

According to the Measures for the Administration of Internet Diagnosis and Treatment (Trial) (《互聯網診療管理辦法(試行)》), internet diagnosis and treatment activities shall be provided by medical institutions which have obtained a “Practicing License for a Medical Institution.” Physicians and nurses carrying out internet diagnosis and treatment activities shall be able to be found in the national electronic registration system of physicians and nurses. A medical institution shall conduct electronic real-name verification for the medical staff members carrying out internet diagnosis and treatment activities.

Internet hospitals must inform patients about risks of internet hospitals and obtain their consents for internet diagnosis and treatment. When a patient receives medical treatment in a physical medical institution and the attending physician consults other physicians through internet hospitals, the physicians providing consultation may issue diagnosis opinions and a prescription; and when a patient does not receive medical treatment in a physical medical institution, a physician may only provide follow-up diagnosis for a patient of some common diseases and chronic diseases through internet hospitals, internet hospitals may provide signing service for contract of family doctors. When a patient’s condition changes or there are other circumstances under which online diagnosis and treatment services are inappropriate, the physician shall refer the patient to a physical medical institution. internet diagnosis and treatment activities shall not be allowed for any patient receiving initial diagnosis.

Management of Prescription and Medical Records

Internet hospitals who provides internet diagnosis and treatment activities shall strictly comply with the Measures for the Administration of Prescriptions (《處方管理辦法》) and other provisions on the administration of prescriptions. Before issuing a prescription online, the physician shall have the patient’s medical records and issue a prescription online for the same disease diagnosed after confirming that the patient is specifically diagnosed in a physical medical institution to have a common disease or chronic disease or several common diseases or chronic diseases. The physicians are subject to making prescription recommendations to patients based on treatment standards and drug instructions. Under any of the following circumstances, the health administrative department at or above the county level shall request the medical institutions to make corrections within a grace period, and may impose a fine no more than RMB5,000; and under serious circumstances, Practice License for Medical Institutions (醫療機構執業許可證) shall be revoked: (i) prescribing by a pharmacist who has not obtained the right to prescribe or whose prescription right has been canceled; (ii) prescribing narcotic drugs and the psychotropic drugs of category I by pharmacists who have not obtained the prescription right for such narcotic drugs and psychotropic drugs; (iii) employing persons who have not obtained the qualifications for the professional and technical positions of pharmaceutical science to conduct the prescription adjustment. If the medical practitioners issue prescriptions without obtaining prescription rights at a medical institution not registered in their licenses, during their practicing activities, they will be given a warning or be ordered to suspend their practicing activities for a period of not less than six months but not more than one years and under the serious circumstances, their Practice Certificates for

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Medical Practitioners will be revoked. In addition, for the standardization of prescription verification in medical institutions, National Health Committee (國家衛生健康委員會), State Administration of Traditional Chinese Medicine (國家中醫藥管理局) and Logistics Department of the Military Commission of the CPC Central Committee (中央軍委後勤保障部) jointly issued the Rules for Prescriptions Verification in Medical Institution (《醫療機構處方審核規範》), which provides for detailed requirements for prescription verification from different perspectives, including but not limited to the validity, standardization and appropriateness of prescription.

Electronic signatures of physicians must be affixed to all online diagnoses and prescriptions. An e-prescription is valid only after examined by the pharmacist. The medical institution and the drug business enterprise may entrust a third-party institution meeting the conditions to distribute the drugs. No prescription of any narcotic drug, psychotropic drug, or any other drug with relatively high risk of drug use and under other special control shall be issued online. The physician issuing an e-prescription for a young child (under the age of six) shall confirm that the child is accompanied by a guardian and a relevant professional physician.

An internet hospital carrying out internet diagnosis and treatment activities shall, in accordance with the requirements of the Provisions on the Administration of Medical Records in Medical Institutions (《醫療機構病歷管理規定》), the Basic Specifications for Electronic Medical Records (for Trial Implementation) (《電子病歷基本規範(試行)》), and other relevant documents, set up electronic medical records for patients and conduct management according to the provisions. Patients may check his/her medical records such as examination and test results and materials, diagnosis treatment plans, prescriptions, doctors' advice, etc.

Practicing Physicians

On June 26, 1998, the SCNPC issued the Law on Licensed Practicing Physicians of the PRC (the “**Practicing Physicians Law**”) (《中華人民共和國執業醫師法》), effective on May 1, 1999, and amended on August 27, 2009. According to the Practicing Physicians Law, when taking medical, preventive or healthcare measures and when signing relevant medical certificate, the practicing physicians shall conduct diagnosis and investigation personally and fill out the medical files without delay as required. No practicing physicians may conceal, forge or destroy any medical files or the relevant data. On November 5, 2014, the National Health and Family Planning Commission of PRC (the “**NHFPC**”, now known as the National Health Commission of PRC), the NDRC, the Ministry of Human Resources and Social Security, the State Administration of Traditional Chinese Medicine, and the China Insurance Regulatory Commission (now known as the China Banking and Insurance Regulatory Commission), jointly issued Several Opinions on Promoting and Standardizing Multi-Place Practice of Physicians (《推進和規範醫師多點執業的若干意見》), which puts forward to simplify the registration procedure of the multiple place practice and proposes the feasibility of exploring the “record management.” According to Administrative Measures for the Registration of Practicing physicians (《醫師執業註冊管理辦法》), promulgated by the NHFPC on February 28, 2017, effective on April 1, 2017, practicing physicians shall obtain the practice certificate for practicing physicians to practice upon registration. Person who fails to obtain the practice

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certificate for practicing physicians shall not engage in medical treatment, prevention and healthcare activities. A medical practitioner who practices for multiple institutions at the same place of practice shall determine one institution as the main practicing institution where he or she practices, and apply for registration to the administrative department of health and family planning approving the practice of such institution; and, for other institutions where the medical practitioner is to practice, respectively apply for recordation to the administrative health and family planning authority.

Protection of Patients' Information

Internet hospitals shall strictly comply with the relevant laws and regulations in the PRC on information security and confidentiality of medical data, and appropriately keep patients' information, and shall not illegally trade or disclose patients' information. When patients' information and medical data are illegally or improperly disclosed, a medical institution shall report to the competent health administrative department in a timely manner and immediately take effective rectification.

Medical Liability Insurance

According to the Law on the Promotion of Basic Medical and Health Care of the PRC (《中華人民共和國基本醫療衛生與健康促進法》) issued by SCNPC on December 28, 2019, medical institutions are encouraged to participate in medical liability insurance or establish medical risk funds. If any damage is caused to a patient in the course of medical diagnosis and treatment due to the fault of the medical institution or its employees and registered physicians, according to the Article 1218 of PRC Civil Code (《民法典》) and the Article 54 of Tort Law of the PRC (《侵權責任法》), the medical institution shall be liable to pay compensation. Therefore, If the medical institution fails to purchase medical liability insurance, it may suffer severe losses when there is a claim against it or its registered physicians or staff, which may materially and adversely affect its operations and financial results.

REGULATIONS IN RELATION TO RADIO AND TELEVISION PROGRAM PRODUCTION

According to the Provisions for the Administration of the Production and Distribution of Radio and Television Programs (《廣播電視節目製作經營管理規定》) which were promulgated by the State Administration of Radio, Film and Television (now known as National Radio and Television Administration) on July 19, 2004, came into effect on August 20, 2004 and amended on August 28, 2015, the state adopts a licensing system regarding the establishment of the institutions that produce and distribute radio and television programs or engaging in production and distribution of radio and television programs. License to Produce and Distribute Radio or Television Programs shall be obtained for establishing institutions that produce and distribute radio and television programs or engaging in production and distribution of radio and television programs. The state encourages domestic social organizations, enterprises and institutions (excluding wholly foreign-owned enterprises or Sino-foreign cooperative joint ventures established in China) to establish institutions that

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produce and distribute radio and television programs or engage in production and distribution of radio and television programs. The local broadcasting and television administrations and the license holders shall not rent, transfer or sell such license to any third parties. Those who violate the Provisions for the Administration of the Production and Distribution of Radio and Television Programs shall be punished according to the Regulations on the Administration of Radio and Television (《廣播電視管理條例》). Any act that constitutes a crime shall be subject to prosecution for criminal responsibility.

REGULATIONS IN RELATION TO INTERNET AUDIO-VISUAL PROGRAMS

According to provisions of the Administrative Regulations on Internet Audio-Visual Program Services (《互聯網視聽節目服務管理規定》) which were promulgated by the State Administration of Radio, Film and Television and the Ministry of Information Industry (now known as MIIT) on December 20, 2007 and amended on August 28, 2015, the internet audio-visual program services mean producing, editing and integrating of audio-visual programs, supplying audio-visual programs to the public via the internet, and providing audio-visual programs uploading and transmission services to others. To provide internet (including mobile internet) audio-visual program services to the public in China, it is required to obtain the License for Internet Transmission of Audio-visual Programs issued by the authorities in charge of radio, film and television according to these provisions or complete certain registration procedures. Any entity or individual fails in doing so is not allowed to engage in any internet audio-visual program services. According to the current Negative List in effect, the internet audio-visual program services are prohibited business for foreign investment.

REGULATIONS IN RELATION TO INFORMATION SECURITY AND PRIVACY PROTECTION

Internet content in China is regulated and restricted from a state security standpoint. According to the Decisions on Maintaining Internet Security (《關於維護互聯網安全的決定》) which were promulgated by the Standing Committee of NPC (“SCNPC”) on December 28, 2000 and amended on August 27, 2009, violators may be subject to criminal punishment in China for any effort to: (a) use the internet to market fake and substandard products or carry out false publicity for any commodity or service; (b) use the internet for the purpose of damaging the commercial goodwill and product reputation of others; (c) use the internet for the purpose of infringing on the intellectual property of others; (d) use the internet for the purpose of fabricating and spreading false information that affects the trading of securities and futures or otherwise jeopardizes the financial order; or (e) create any pornographic website or webpage on the internet, providing links to pornographic websites, or disseminating pornographic books and magazines, movies, audiovisual products, or images. If any network operator violates relevant provisions, it may be ordered by competent authorities to suspend its operations or close its websites, and its relevant permit or business license may be revoked. According to the Provisions on the Technical Measures for the Protection of the Security of the Internet (《互聯網安全保護技術措施規定》) which were promulgated by the Ministry of Public Security on December 13, 2005 and took effect on March 1, 2006, the internet service providers and

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network user organizations shall take technical measures for the protection of the internet security, including anti-virus, data back-up and other related measures, and keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, terminate transmission of such information, and keep relevant records.

PRC governmental authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. In December 2012, the SCNPC promulgated the Decisions on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the internet. In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), which took effect on September 1, 2013, to regulate the collection and use of users' personal information in the provision of telecommunications services and internet information services in China. Telecommunication business operators and internet service providers are required to establish its own rules for collecting and use of users' information and cannot collect or use users' information without users' consent. Telecommunication business operators and internet service providers are prohibited from divulging, tampering with, damaging, selling or illegally providing others with personal information collected.

On November 7, 2016, the SCNPC published the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》), which took effect on June 1, 2017 and requires network operators to perform certain functions related to cyber security protection and the strengthening of network information management. Under its provisions, network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC and their purchase of network products and services that may affect national securities shall be subject to national cyber security review. On May 2, 2017, the CAC issued the Measures for the Security Review of Network Products and Services (Trial) (《網絡產品和服務安全審查辦法(試行)》), which took effect on June 1, 2017, to provide for more detailed rules regarding cyber security review.

According to the Regulations for Medical Institutions on Medical Records Management (《醫療機構病歷管理規定》) released by the NHFPC and the National Administration of Traditional Chinese Medicine on November 20, 2013 and took effect on January 1, 2014, the medical institutions and medical practitioners shall strictly protect the privacy information of patients, and any leakage of patients' medical records for non-medical, non-teaching or non-research purposes is prohibited. The NHFPC released the Measures for Administration of Population Health Information (Trial) (《人口健康信息管理辦法(試行)》) on May 5, 2014, which refers the medical health service information as the population healthcare information, and stipulates that such information cannot be stored in offshore servers, and the entities in charge shall not host or lease offshore servers.

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In order to strengthen the management of health medical big data service, promote the development of “Internet + Healthcare” and give full play to the role of health medical big data as an important fundamental strategic resource of the PRC, the National Health Commission promulgated the Administrative Measures Regarding National Health Medical Big Data Standards, Safety and Service Management (Trial) (《國家健康醫療大數據標準、安全和服務管理辦法》(試行)) on July 12, 2018 which took effect on the same date and further standardize the standard management, security management, service management and management, supervision of the data related to health care produced in the course of disease treatment and health management.

REGULATIONS IN RELATION TO FOREIGN EXCHANGE

General Provisions on Foreign Exchange

Due to the foreign exchange control policy of the PRC, cross-border currency transactions in the business activities and dividend distribution to the foreign investors of our PRC Subsidiaries shall comply with various administration of foreign exchange in the PRC.

The principal regulation governing foreign exchange in the PRC are the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) which were promulgated by the State Council on January 29, 1996, came into force on April 1, 1996 and amended on January 14, 1997 and August 5, 2008, respectively. Under these rules, the current account incomes of foreign exchanges can be retained or sold to financial authorities which manage exchange settlement and sale and purchase of foreign exchange. However, approval from the State Administration of Foreign Exchange (the “SAFE”) or its local branches is required for the relevant capital account transactions of the foreign invested enterprises, such as the capital increase and decrease. Foreign invested enterprises may purchase foreign exchange without the approval of the SAFE for trade and service related foreign exchange transactions by providing documents evidencing such transactions. In addition, foreign exchange transactions involving direct investment, loans and investment in securities outside the PRC are subject to limitations and require approvals from the SAFE.

According to the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for 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》) which was promulgated by the SAFE on February 13, 2015 and took effect on June 1, 2015, the SAFE has canceled (a) confirmation of foreign exchange registration under domestic direct investment and confirmation of foreign exchange registration under overseas direct investment; (b) registration for confirmation of the non-cash capital contribution of foreign investors under domestic direct investment and the registration for confirmation of the capital contribution made by foreign investors for acquisition of the equity interests of the Chinese side; (c) filling of overseas re-investment; and (d) annual inspection on direct investment foreign exchange.

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According to the Circular of the SAFE 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範資本項目結匯管理政策的通知》) which was promulgated on June 9, 2016 and took effect on the same day, the settlement of foreign exchange under the capital account (including foreign exchange capital, external debts, funds repatriated from overseas listing, etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks for real business needs. The use of foreign exchange under capital accounts of a domestic institution and the RMB funds obtained thereby from foreign exchange settlement are prohibited from the following uses: (a) direct or indirect expenditure beyond the enterprise's business scope or expenditure prohibited by laws and regulations of the State; (b) direct or indirect investments in securities or other investments than banks' principal-secured products, unless otherwise provided; (c) granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (d) construction or purchase of real estate for purposes other than self-use (except for real estate enterprises).

Dividend Distribution

According to the Notice of the SAFE on Issuing the Provisions on the Foreign Exchange Administration of Service Trade (《國家外匯管理局關於印發服務貿易外匯管理法規的通知》) which was promulgated by the SAFE on July 18, 2013 and took effect on September 1, 2013 and the Circular of the SAFE on Repealing and Revising the Regulatory Documents concerning the Reform for Registered Capital Registration System (《國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知》) which was promulgated on May 4, 2015, remittance of profits, dividends and bonuses shall fall into the scope of current foreign exchange receipts and payments under trade in services, and shall be subject to the regulations of foreign exchange of trade in services. For external payments of profits, dividends and bonuses in an amount over US\$50,000, the payer shall submit the resolutions of the board of directors on the distribution of profits in connection with the remittance to banks for their review.

According to the Circular of the SAFE on Further Facilitating Trades and Investments and Improving Authenticity Check (《國家外匯管理局關於進一步促進貿易投資便利化完善真實性審核的通知》) which was promulgated on April 26, 2016, when handling outward remittance of profits exceeding equivalent USD50,000 (exclusive) for a domestic institution, a bank shall, based on the real transaction principle, review the board resolution on profit distribution in connection with the remittance, original of the tax registration form and financial statements proving the profits. Upon completion of the remittance, the bank shall affix the seal and endorsement to the original of the tax registration form stating the actual amount remitted and date of remittance.

Foreign Exchange Registration of Offshore Investment by PRC Residents

On July 4, 2014, the SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investment Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內

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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》) (“**Circular No. 37**”), which replaced the Notice of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Investment and Return Investment through Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“**Circular No. 75**”) promulgated on October 21, 2005 and took effect on November 1, 2005.

Pursuant to Circular No. 37, (a) “a special purpose vehicle” is defined as offshore enterprise directly established or indirectly controlled by domestic residents (including domestic institution and individual resident) with their legally owned assets or equity of domestic enterprises, or legally owned offshore assets or equity, for the purpose of offshore investment and financing; (b) a domestic resident must register with the SAFE before he or she contributes assets or equity interests to a special purpose vehicle; (c) following the initial registration, any major changes such as change in the overseas special purpose vehicle’s domestic resident shareholders, names of the special purpose vehicle and terms of operation or any increase or reduction of the special purpose vehicle, registered capital, share transfer or swap, merger or division, or similar development, shall be reported to the SAFE for registration in time, and failing to comply with the registration procedures as set out in Circular No. 37 may result in penalties.

REGULATIONS IN RELATION TO MERGER AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

According to the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (“**Circular No. 10**”) which were jointly adopted by the MOFCOM, the SAFE and other four ministries on August 8, 2006, took effect on September 8, 2006 and amended on June 22, 2009, “mergers and acquisitions of domestic enterprises by foreign investors” refers to: (a) a foreign investor converts a non-foreign invested enterprise (domestic company) to a foreign invested enterprise by purchasing the equity interest from the shareholder of such domestic company or the increased capital of the domestic company (“**Equity Merger and Acquisition**”); or (b) a foreign investor establishes a foreign invested enterprise to purchase the assets from a domestic enterprise by agreement and operates the assets therefrom; or (c) a foreign investor purchases the assets from a domestic enterprise by agreement and uses these assets to establish a foreign invested enterprise for the purpose of operation of such assets (“**Assets Merger and Acquisition**”).

Circular No. 10 provides that mergers and acquisitions of domestic enterprises by foreign investors shall be subject to the approval of the MOFCOM or its delegates at provincial level. In the event that any domestic company, enterprise or natural person merges or acquires a domestic company that has affiliated relationship with it through an overseas company legally established or controlled by such domestic company, enterprise or natural person, the merger and acquisition applications shall be submitted to the MOFCOM for approval. Any circumvention on the requirement including domestic re-investment of a foreign invested enterprise is not allowed. Circular No. 10 also provides that the listing transaction overseas of special purpose vehicles shall be approved by the China Securities Regulatory Commission.

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REGULATIONS IN RELATION TO TAXATION

Enterprise Income Tax

On March 16, 2007, the National People's Congress passed the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the “**Enterprise Income Tax Law**”) with effect from January 1, 2008. The SCNPC amended the Enterprise Income Tax Law on February 24, 2017 and December 29, 2018. According to the Enterprise Income Tax Law, the enterprise income tax rate is 25%, and that for high and new technology enterprise is 15%. A non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not within the PRC but which has offices or establishments within the PRC; or which does not have any offices or establishments within the PRC but has income sources in the PRC, and shall pay enterprise income tax on its incomes derived from the PRC at a rate of 20%. The Implementing Regulations of the PRC Enterprise Income Tax Law (《企業所得稅法實施條例》) which were promulgated by the State Council on December 6, 2007 and amended on April 23, 2019 reduced the tax rate applicable to the aforesaid non-resident enterprises from 20% to 10%.

According to the Arrangement between mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) which was signed on August 21, 2006 and came into force from July 1, 2007 in mainland China, a resident living in either region who receives dividends distributed by an enterprise from the other region may be subject to tax of the region where the resident lives. However, if the enterprise distributing the dividends is located at the same region of the resident, the taxation law of that region shall apply. If the individual receiving the dividend is the resident of the other region, the taxation amount shall not exceed: (a) 5% of the total dividend in case the individual receiving the dividends directly owns at least 25% of the shares of the enterprise distributing the dividends; (b) 10% of the total dividend in other circumstances.

According to the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》) which was promulgated by the SAT on August 27, 2015, took effect on November 1, 2015 and amended on June 15, 2018, any non-resident taxpayer fulfilling conditions for enjoying the convention treatment may be entitled to the convention treatment on its own when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Value Added Tax

The Interim Value-Added Tax Regulations of the PRC (《中華人民共和國增值稅暫行條例》) (the “**VAT Regulations**”) were promulgated by the State Council on December 13, 1993, implemented on January 1, 1994, and amended on November 5, 2008, February 6, 2016 and

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November 19, 2017. Under the VAT Regulations, entities and individuals selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be identified as taxpayers of value-added tax, and shall pay value-added tax.

According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《關於全面推開營業稅改徵增值稅試點的通知》) which was promulgated on March 23, 2016 and came into force on May 1, 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay value-added tax instead of business tax.

Urban Maintenance and Construction Tax

According to the Provisional Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) promulgated and implemented by the State Council on February 8, 1985 and revised on January 8, 2011 and August 11, 2020, which would take effect on September 1, 2021, all tax payers that pay value-added tax or business tax, whether entities or individuals, are subject to urban maintenance and construction tax. The tax rate is 7% for the taxpayers who are located in the urban areas, 5% for the taxpayers who are located in the county and town, and 1% for the taxpayers who are not located in the urban area, county or town. According to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign Invested Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》) (Guo Fa [2010] No. 35) (the “**System of Surcharge Circular 35**”) promulgated by the State Council on October 18, 2010, the Provisional Regulations of the PRC on Urban Maintenance and Construction Tax promulgated by the State Council in 1985 is applicable to foreign invested enterprises, foreign enterprises and foreign individuals from December 1, 2010. The rules and regulations and policies relating to urban maintenance and construction tax promulgated by the State Council and competent authorities under the State Council with regard to finance and tax since 1985 are all applicable to foreign invested enterprises, foreign enterprises and foreign individuals.

Education Surcharges

According to the Provisional Regulations for Imposition of Education Surcharges (《徵收教育費附加的暫行規定》) promulgated by the State Council on April 28, 1986 and implemented on July 1, 1986, and revised on June 7, 1990, August 20, 2005 and January 8, 2011, all tax payers that pay value-added tax or business tax, whether entities or individuals, are subject to education surcharges at the rate of 3%, unless the relevant tax payers have paid rural education surcharges in accordance with the Circular of the State Council on Raising Funds for Running Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》).

According to System of Surcharge Circular 35, the Provisional Regulations for Imposition of Education Surcharges promulgated on April 28, 1986 is applicable to foreign invested enterprises, foreign enterprises and foreign individuals from December 1, 2010. The

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rules and regulations and policies relating to education surcharges promulgated by the State Council and competent authorities under the State Council with regard to finance and tax since 1986 are all applicable to foreign invested enterprises, foreign enterprises and foreign individuals.

REGULATIONS IN RELATION TO INTELLECTUAL PROPERTY

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》) was issued by the SCNPC on September 7, 1990, and revised on October 27, 2001, February 26, 2010 and November 11, 2020 respectively, which would take effect on June 1, 2021. The amended Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Centre of China.

In order to further implement the Regulations on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and revised on January 8, 2011 and January 30, 2013 respectively, the National Copyright Administration promulgated the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration administers the management of software copyright registration, and accredits the Copyright Protection Center of China as the software registration agency. The Copyright Protection Center of China should grant registration certificates to qualified applicants of computer software copyrights.

Domain Names

According to the Internet Domain Name Regulations (《互聯網域名管理辦法》) issued by the MIIT on August 24, 2017 and effective on November 1, 2017, a “domain name” refers to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the internet protocol (IP) address of such computer. The principle of “first come, first serve” applies to domain name registration. The applicant of domain name registration should provide its true, accurate and complete domain name information and enter into registration agreements with the domain name registration service agencies. After completing the domain name registration, the applicant will become the holder of the registered domain name. Furthermore, the applicant should pay the operating expense of the registered domain name on schedule.

Patents

The Patent Law of the PRC (《中華人民共和國專利法》) was issued by the SCNPC on March 12, 1984, and revised on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020 respectively, which would take effect on June 1, 2021. A patentable

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invention, utility model or design must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. A patent is valid for a twenty-year term for an invention and a ten-year term for a utility model or design, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Trademarks

The PRC Trademark Law (《中華人民共和國商標法》) which was promulgated by the SCNPC in 1982 and subsequently amended in February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 and effective from November 1, 2019, and the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council in August 3, 2002, amended on April 29, 2014 and effective from May 1, 2014, both provide legal protection for holders of registered trademarks. In China, registered trademarks include commodity trademarks, service trademarks, collective marks, and certification marks.

Registered trademarks are valid for a period of ten years. The registered owner should proceed with renewal procedures with 12 months before the expiry of the valid period to be able to continue the use of the registered trademarks upon its expiry, with a six-month grace period allowed. The valid period for every renewed registration is ten years from the next day of the expiry of the trademark's last valid period.

According to the PRC Trademark Law, any of the following behaviors will be regarded as an infringement of the proprietary rights of registered trademarks, including: (a) using the same trademark as a registered trademark on the same type of product without the license of the owner of the registered trademark; (b) using a similar trademark to the registered trademark on the same type of product, or using the same trademark with or a similar trademark to the registered trademark on a similar product which easily leads to misleading, without the license of the owner of the registered trademark; (c) selling products that infringe on the proprietary rights of registered trademarks; (d) forging or unauthorized producing the logos of others' registered trademarks, or selling such forged or unauthorized produced logos; (e) replacing the registered trademarks and putting such products with replaced trademarks to market without the consent of its registered owner; (f) knowingly facilitating the infringement on the proprietary rights of others' trademarks, and helping in the conduct of infringing the proprietary rights of a trademark; (g) otherwise damaging the proprietary rights of others' registered trademarks.

Any infringement of proprietary rights of registered trademarks in violation of the provisions of the PRC Trademark Law will be subject to fines, confiscation and destruction of the infringing goods and the tools used for manufacturing the infringing goods and counterfeiting the registered trademark, and will be imposed a penalty of less than 5 time of

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the illegal business income if the illegal business income exceeds RMB50 thousand, or a penalty of less than RMB250 thousand if there is no illegal business income or the illegal business income is less than RMB50 thousand.

REGULATIONS IN RELATION TO LABOR AND SOCIAL BENEFITS

The labor and human resources of PRC enterprises are mainly governed by the following PRC laws and regulations: the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》) and other relevant laws, regulations, rules and regulatory documents.

The principal regulations governing labor contracts is the Labor Contract Law of the PRC, which was promulgated by the SCNPC on June 29, 2007 and was amended on December 28, 2012 and came into effect on July 1, 2013. Pursuant to the Labor Contract Law of the PRC, employers establish employment relationship with employees on the date that they start employing the employees. A written labor contract shall be concluded in the establishment of an employment relationship. Furthermore, Labor Contract Law of the PRC provides clear provisions for the probation period and liquidated damages of employees to safeguard employees' rights and interests.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated on October 28, 2010 by the SCNPC and implemented on July 1, 2011, and amended on December 29, 2018, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums promulgated and implemented (《社會保險費徵繳暫行條例》) on January 22, 1999, and amended on March 24, 2019 by the State Council, the Interim Measures Concerning the Maternity Insurance of Employees of an enterprise (《企業職工生育保險試行辦法》) promulgated on December 14, 1994 and implemented on January 1, 1995 by the Ministry of Labor (now known as the Ministry of Human Resources and Social Security), the Regulation on Occupational Injury Insurances (《工傷保險條例》) promulgated on April 27, 2003 and implemented on January 1, 2004 and amended on December 20, 2010 by the State Council, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated and implemented on January 22, 1999, and other relevant laws, regulations, rules and regulatory documents, employers in China are obliged to provide pay or withhold relevant social insurance premiums for or on behalf of employees, including pension insurance, unemployment insurance, maternity insurance, work injury insurance, and medical insurance by processing social insurance registration with local administrative authorities. Where an employer fails to handle social insurance registration, the relevant administrative authorities shall order it to make correction within a prescribed time limit; and if it fails to do so within the prescribed time limit, the relevant administrative authorities shall impose a fine of 1-3 times the amount of the social insurance premiums payable upon it, and impose a fine of not

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less than RMB500 but not more than RMB3,000 upon the directly liable person in charge and other directly liable persons. Where an employer fails to pay social insurance premiums on time or in full amount, the relevant administrative authorities shall order it to pay or make up the deficit of premiums within a prescribed time limit, and impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; and if it still fails to pay the premiums within the prescribed time limit, the relevant administrative authorities shall impose a fine of 1-3 times the outstanding amount upon it.

Pursuant to the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated and implemented on April 3, 1999 and amended on March 24, 2002 and March 24, 2019 by the State Council, employers in China are obliged to undertake registration of payment and deposit of the housing provident fund, and open a housing provident account on behalf of its employees in a commissioned bank. Where an employer fails to make deposit registration of the housing provident fund or fails to open a housing provident fund account for its employees, it shall be ordered by the housing provident fund management center to make up the procedures within a time limit; if it fails to make up the procedures within the time limit, it shall be given a fine of RMB10,000 to RMB50,000. Where an employer fails to deposit the housing provident fund within the time limit or in full amount, it shall be ordered by the housing provident fund management center to deposit the fund within a time limit; if it fails to deposit the fund within the time limit, it may apply to the people's court for enforcement.

REGULATIONS IN RELATION TO THE LEASING OF PROPERTY

Pursuant to the Administrative Measures for the Leasing of Commodity Housing (《商品房屋租賃管理辦法》) issued by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010 and coming into force on February 1, 2011, within 30 days after the execution of the housing lease contract, parties to the leasing of housing shall handle the registration and filing procedure of the leasing of housing at the departments in charge of construction (real estate) of the governments in the municipality directly under the Central Government, city and county where the leased housing is located. Parties to the leasing of housing may entrust in writing another party to handle the registration and filing procedure of the leasing. In the event that parties to the leasing of housing fail to handle the registration and filing procedure of the leasing of housing, the department in charge of construction (real estate) of the people's government in the municipality directly under the Central Government, the cities or the counties shall order rectification within a time limit. If rectification is not made by an individual within the time limit, a fine of less than RMB1,000 shall be imposed. If rectification is not made by an entity within the time limit, a fine of more than RMB1,000 but less than RMB10,000 shall be imposed.

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LAWS AND REGULATIONS APPLICABLE TO NGO

According to the General Rules of the Civil Law of the PRC (《中華人民共和國民法總則》) issued by the NPC on March 15, 2017 and became effective on October 1, 2017, a legal entity that is established for public welfare or other non-profit purposes and does not distribute profits to its investors, founders or members is a non-profit legal entity. Non-profit legal entities (including Medical NGOs) include public institutions, social organizations, foundations, and social service organizations. PRC Medical NGOs shall (i) comply with the Regulations on the Registration of Social Organizations (《社會團體登記管理條例》), the Regulations for the Management of Foundations (《基金會管理條例》) and other relevant PRC laws and regulations; and (ii) receive their membership fees and/or donations according to the relevant PRC laws and regulations. According to the Work Rules on National Association of CAST (《中國科學技術協會全國性學會組織工作條例》) and the General Rules on National Association of CAST (Trial) (《中國科協全國學會組織通則(試行)》) issued by the CAST as the group rules, the national associations shall unite and mobilize their members and scientific workers to promote the prosperity, development and popularization of science and technology, the growth and improvement of scientific and technological talents, and the combination of science and technology and economy so as to serve the construction of socialist. The main mission of national associations are to carry out academic exchanges, popularize scientific knowledge and disseminate scientific ideas and methods, carry out non-governmental international scientific and technological exchange activities, hold exhibitions of science and technology, initiate public welfare projects including public healthcare in compliance with the articles of association of the associations and beneficial for the development of science and technology. Articles of association shall be formulated in accordance with the law in establishment of a social organization legal entity, members' meetings or member representatives' meetings shall be established as its authority body, and a council shall be established as its executive body. Responsible persons such as the president of the council or chairman of the meetings shall act as the legal representative in accordance with the articles of association of the legal entity.

Social Organizations

According to the Regulations on the Registration and Management of Social Organizations (《社會團體登記管理條例》), which has been issued and became effective on October 25, 1998 and lastly amended on February 6, 2016 by the State Council, social organizations refer to non-profit organizations voluntarily formed by Chinese citizens in order to achieve the collective desires of members, and conduct activities according to their articles of association, and all groups other than state bureaus may join as institutional members. A social organization shall obtain the examination and approval of its competent governing authority, i.e. the relevant ministries under the State Council and local people's governments at county level and above, organizations in the related discipline or business as authorized by the State Council or people's governments at county level or above, and the social organization shall register according to stipulations in this regulation with the Ministry of Civil Affairs or the administration of civil affairs at or above the county level. In establishing social organizations, the following conditions shall be met: (i) at least 50 individual members or 30

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institutional members; in cases of a mixture of both individual members and institutional members, the total number of members shall not be less than 50; (ii) a standard name and corresponding organizations; (iii) a fixed residence; (iv) full-time staff members in line with the organization's business activities; (v) a legal source of property and funds. National social organizations shall have over RMB100,000 in activity funds, and local social organizations and cross-administrative-district social organizations shall have over RMB30,000 in activity funds; and (vi) the ability to independently assume civil liabilities. The origin of a social organization's assets must be legitimate. A social organization's expenses and income lawfully obtained from activities conducted in compliance with relevant laws and regulations in the PRC and in accordance with its articles of association, must be used for business activities stipulated by its articles of association and must not be distributed to the members. Receipt of donations or funds of social organizations must be in compliance with the articles of association and agreements as made with the donors and sponsors. Social organizations shall report related information to their business governing authorities regarding the receipt and use of contributions and donations, and publicize relevant information to the public in appropriate means. Social organizations must implement the national regulations regarding financial management systems. For assets that come from state allocations of funds, public contributions or donations, the organization shall also accept supervision of auditing authorities (審計機關).

According to the Law of the PRC on Donations for Public Welfare (《中華人民共和國公益事業捐贈法》) promulgated on June 28, 1999 by the SCNPC and implemented on September 1, 1999, foundations, charitable organizations and other social organizations legally established for the purpose of promoting public welfare and education institutions, scientific research institutions, medical and health institutions, social public cultural institutions, social public sports institutions and social welfare institutions, etc., that are legally established and engaged in public welfare without the purpose of profit may accept donations in compliance with this Law.

According to the Circular on Issues Related to the Regulation of Charging Activities of Social Organizations (《關於規範社會團體收費行為有關問題的通知》) that was jointly released and implemented on November 21, 2007 by the Ministry of Civil Affairs, the NDRC and the Ministry of Supervision, formulation or modification of the standards of a social organization on membership fees shall be discussed at the members' meeting (or member representatives' meeting), and the resolutions may be approved and take effect by voting of at least half of the members (or member representatives) present. The membership fees standards shall not be formulated or revised in any form other than the members' meeting (member representatives' meeting), and the members' meeting (member representatives' meeting) shall not adopt the telecommunication voting method. For collection of membership dues, the receipts of membership dues for social organizations printed (supervised) by the Ministry of Finance or the financial departments of provinces, autonomous regions and municipalities directly under the Central Government shall be used. With the exception of membership dues, no receipt of membership dues for social organizations may be used for any other charging act. Social organizations shall charge operating service fees in accordance with the relevant provisions of the Circular of the Ministry of Finance and the State Planning Commission on the Administration of Charges of Public Institutions and Social Organizations (《關於事業單

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位和社會團體有關收費管理問題的通知》)。Social organizations shall collect operating service charges that are not compulsory or monopolistic under the principles of voluntariness, fairness and openness. They shall not provide services or collect charges against others' wills, or subcontract or entrust servicing to enterprises or public institutions that have direct interests with the persons in charge of social organizations. The charging standards shall be made public. To engage in any kind of fee-charging business, a social organization shall conform to the business scope as prescribed in its articles of association, and go through the procedures as prescribed in its articles of association. All income from such fees must be used for non-profit undertakings as prescribed in articles of association, and the surplus must not be distributed among the members of the social organization, except for the necessary costs for organization and management, carrying out business activities as well as other reasonable expenses related to the organization. Social organizations shall purchase and use relevant tax invoices from designated tax governing departments and pay taxes in accordance with law for their various charges except those that are exempt from tax in accordance with the tax laws, administrative regulations, provisions of the Ministry of Finance and the SAT.

According to the Circular on Canceling Record-filing of the Standards for Membership Fees of Social Organizations for Regulation of Administration of Membership Fees (《關於取消社會團體會費標準備案規範會費管理的通知》) which was released and implemented by the Ministry of Civil Affairs and the MOF on July 25, 2014, social organizations which are established upon approval of authorities in charge of social organization registration may collect membership fees from individual members and entity members. The standards of membership dues may be reasonably formulated on the basis of such factors as business scope and work costs specified in the articles of association of the social organization.

According to the Notice of the General Office of the State Council on Department Leaders Comrades Shall Not Hold Joint Leadership Positions in Social Organizations (the “**1994 Notice**”) (《國務院辦公廳關於部門領導同志不兼任社會團體領導職務問題的通知》(「1994通知」)), which was issued by the General Office of the State Council and took effective on April 13, 1994, leaders in the State Council's ministries and commissions, institutions or direct affiliates shall not concurrently hold leadership positions in social organizations since the 1994 Notice became effective; for those who had concurrently held leadership positions in social organizations, and shall resign from such leading positions in accordance with the procedures as specified by the articles of association of such social organization. Any special circumstance that necessitates the joint positions shall be submitted to the State Council for approval.

The Circular of the General Office of the Communist Party of China (“**CPC**”) and the General Office of the State Council on Prohibition of Leaders of Party Organs/Government Departments from Concurrently Holding Leadership Positions in Social Organizations (the “**1998 Circular**”) (《中共中央辦公廳、國務院辦公廳關於黨政機關領導幹部不兼任社會團體領導職務的通知》(「1998通知」)), which was jointly issued and implemented by the General Office of the CPC and the General Office of the State Council on July 2, 1998, further stipulates that current leaders of prefecture (division) level or above in Party organs, People's Congresses, administrative authorities, the Chinese People's Political Consultative Conference, judiciary agencies and district attorneys' offices and their affiliate departments at the prefecture

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level or above, shall not take leadership positions in social organizations (including overseas ones), which shall include the principal of a social organization's branch, president (president of the council or chairman), vice president (vice president of the council or vice chairman), general secretary, president of the subsidiary (directing commissioner), vice president of the subsidiary (vice directing commissioner) but exclude honorary offices, member of the standing council and council members; any special circumstance that necessitates the joint positions shall be submitted for approval with reference with the authority of the leader, and relevant procedures as stipulated by the articles of association of the social organization shall be complied with before filing relevant registration with the competent authorities for such social organization. The leaders who had taken the joint leaderships without approval shall resign from the jointly held offices in social organizations within six months from the issuance of the 1998 Circular. Any joint leadership position in a social organization that had been approved and necessitated by special circumstances shall be subject to procedures for new approval in accordance with the 1998 Circular. In order to further explain the 1998 Circular, the Ministry of Civil Affairs issued the Explanation by the Ministry of Civil Affairs on The Circular of the General Office of the CPC and the General Office of the State Council on Prohibition of Leaders of Party Organs/Government Departments from Concurrently Holding Leadership Positions in Social Organizations (《民政部關於對中共中央辦公廳、國務院辦公廳關於黨政機關領導幹部不兼任社會團體領導職務的通知有關問題的解釋》) on November 3, 1998, which stipulates that leaders of Party and government organs, including those currently holding leadership positions at deputy prefecture (division) level or above and those who are holding non-leadership positions by appointment), where it necessitates the concurrent holding of leadership positions in social organizations, it may be approved in light of actual situations, provided that the social organization has importance in the country, the region, the industry and social and political life, that it has certain influence among agency organizations, that the key leadership position cannot be taken by other suitable candidates at that moment, that the leaders have not taken any other social leadership positions, and that the concurrently held leadership positions are relevant to leaders' occupational businesses. Moreover, the Notice of the Organization Department of the CPC Central Committee on Issues Relating to Approval of Joint Leadership Positions taken by Leaders Centrally Managed 《中共中央組織部關於審批中央管理的幹部兼任社會團體領導職務有關問題的通知》 issued by the Organization Department of the CPC Central Committee on October 8, 1999 provides that leaders who take the joint leadership positions of a secretary general or the level above in social organizations shall be in good health conditions and be able to persistently work normally. Generally, the tenure of office shall not exceed two terms and over the leader's age shall not be over 70. Leaders shall not serve as the legal representative for two or more social organizations at the same time. The leadership positions of foundations shall not be taken by current government staff.

The Regulations on Certain Issues Relating to Regularization on Cooperative Activities (《關於規範社會團體開展合作活動若干問題的規定》) Launched by Social Organizations issued by the Ministry of Civil Affairs under the State Council on September 27, 2012 regulates activities jointly conducted by social organizations with other civil subjects. Any cooperative activities conducted by social organizations shall, in accordance with their articles of association, be submitted respectively to discussion and decision by the members' meeting

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(member representatives' meeting), the council (standing council) and the president's executive meeting. Screening and selection shall be made against the potential cooperative party with respect to their qualifications, capabilities and credibility. The contents of the cooperation agreement shall be carefully reviewed. The cooperation project shall be supervised at all stages. These activities shall also be subject to supervision and inspection of the competent authorities for registration, the competent department for the industry, and the relevant functional departments, and to supervision of the general public.

Foundations

The Regulations for the Management of Foundations (《基金會管理條例》) is adopted by the State Council on March 8, 2004 and took effect on June 1, 2004 to regulate activities of public and private foundations, which refer to non-profit legal entities (非營利性法人) established with the purpose of engaging in public welfare careers that utilizes assets donated by natural persons (自然人), legal entities or other organizations. The Ministry of Civil Affairs under the State Council and the departments of civil affairs in provincial, autonomous regions' and directly administered municipalities' governments are the registration and management authorities for foundations. The following conditions must be met in order to establish a foundation: (i) Establishment is for the objective of a specific public interest; (ii) Corresponding requirements of original funds for national or local public fundraising foundations and non-public fundraising foundations shall be respectively satisfied; (iii) There shall be a name in compliance, articles of association, organizational bodies and full-time staff in line with activities to carry out; (iv) It must have a fixed place of residence; (v) It can assume civil liabilities independently. The Regulations provide that the council is the decision-making body of a foundation and that decisions concerning major issues must be voted upon and take effect only by votes of two thirds or more of members of council present. A foundation shall use its assets in accordance with its articles of association and the donation agreements. Donors have the right to make inquiries to a foundation about how their donation was used and managed. If foundations are in violation of donation agreements concerning the use of donated assets, the donor has the right to ask the court to revoke the donation and terminate the donation agreement. A foundation adhere to the principles of legality, safety and effectiveness to realize value preservation and appreciation of funds. The amount of money spent annually by foundations on public interest activities as stipulated in the articles of association and the expenditures to cover staff wages and benefits as well as administrative and office overheads shall comply with the proportions as provided in the Regulations.

The Notice of the Ministry of Civil Affairs on Further Enhancing Management on Special Funds of Foundations (《民政部關於進一步加強基金會專項基金管理工作的通知》) issued by the Ministry of Civil Affairs on December 24, 2015 further specifies that the Foundations shall enter into an agreement with founders and specify therein the objective of establishment, usage of assets, rights and obligations of all parties, termination conditions and disposal of the remaining assets of special funds. For expensing of administrative costs, where it is agreed in the donation agreement, such agreement shall be followed; if not agreed therein, generally such amount shall not exceed 10% of the total annual expenditure of the special fund, unless it is necessitated by realization of the public interest purposes of the social funds. Information such

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as on establishment and termination of the special fund, its management structure and staff, the fundraising activities conducted and the public interest donation projects shall be fully disclosed on a timely basis in accordance with relevant laws and regulations.

The Certain Regulations on Governing the Conducts of Foundations (Trial) (《關於規範基金會行為的若干規定(試行)》) issued by the Ministry of Civil Affairs on July 10, 2012 stipulates that where the donation agreements and fundraising announcements agree that the staff wages and benefits, administrative and office overheads and operating costs may be expensed out of public donations, the expenses shall be made accordingly; the accumulative expenses to cover staff wages and benefits and administrative and office overheads of the foundation shall not exceed 10% of its total expenditure for that year. If a foundation makes entrusted investments, it shall engage banks or other financial institutions. Foundations shall not directly engage in promotion, marketing and sales of brands and products of an enterprise, nor provide guarantee for reputation or quality of the enterprise or its products.

Charitable Organizations

According to the Charity Law of the PRC (《中華人民共和國慈善法》), which has been adopted by the NPC on March 16, 2016 and took effect from September 1, 2016, charitable organizations may take the form of foundations, social organizations, social service agencies, etc. Assets of Charitable organizations, including gains in realization of preservation and appreciation of asset values through investment, shall all be used for charitable purposes in accordance with the articles of association and the donation agreements, and shall not be distributed among the founders, donors or members of the organization. Major investment plans of charitable organizations shall be approved by at least two thirds of all members of the decision-making body, except for assets of government aids or where a donation agreement provides otherwise, so that investments of its assets are prohibited. The principal and the staff of charitable organizations shall not work part-time with or receive compensations from the enterprises in which the charitable organizations invested. Where the founders, major donors and management staff of a charitable organization are involved in a business transaction with that organization, they shall not participate in the decision-making of the charitable organization concerning that transaction and relevant circumstances of the transaction shall be made public.

The Notice on Issuing the Provisions on the Annual Expenditures for Conducting Charitable Activities and Administration Expenses of Charitable Organizations (《關於印發關於慈善組織開展慈善活動年度支出和管理費用的規定的通知》), which has been jointly issued by the Ministry of Civil Affairs, the MOF and the SAT and took effect from October 11, 2016, provides that the annual expenditures for conducting charitable activities and administration expenses of foundations, social organizations and social service agencies qualified for public fundraising shall meet the specific requirements on the ratios of such expenses to the total expenditure for that year. For the organizations above not qualified for public fundraising, the annual expenditures for conducting charitable activities and administration expenses shall meet the requirements per the net assets at the end of the previous year. For any special circumstance

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which makes compliance with the requirements relating to annual administrative expenses difficult, the organization shall report to the registration and management authority and make a public statement of the circumstances.

Laws and Regulations Applicable to Commercial Bribery

According to the Interim Provisions of the State Administration for Industry and Commerce on the Prohibition of Commercial Bribery (《國家工商行政管理局關於禁止商業賄賂行為的暫行規定》), commercial bribery refers to an act of offering money or assets or other means by an operator to another entity or individual for the purposes of selling or buying goods. According to the provisions of the Anti-Unfair Competition Law (《反不正當競爭法》), an operator shall not offer money or assets or other means to bribe the following entity or individual in order to seek trading opportunities or competitive advantages: (i) the staff of the counterparty to the transaction; (ii) the entity or individual entrusted by the counterparty to the transaction to handle the relevant affairs; (iii) the entity or individual that use his power or influence to influence transactions. If an operator bribes others in violation of the foregoing provisions, the supervision and inspection department shall confiscate the illegal income and impose a fine of not less than RMB100,000 but not more than RMB3.0 million. If the circumstances are serious, the business license shall be revoked.

In the case of the tightening of policies related to sponsorship arrangements, some provinces and municipalities have issued documents to restrict pharmaceutical companies to sponsor academic conferences such as “Notice on No Longer Accepting the Meeting and Training Expenses Provided by Enterprises or Distributors of Pharmaceuticals, Medical Devices, Medical and Sanitary Materials and Other Pharmaceutical Products” (《關於不再接受藥品、醫療器械、醫用衛生材料等醫藥產品生產、經營企業或經銷人員提供會議及培訓費用的通知》) issued by the Yunnan Medical Association, and “Measures for the Treatment of Commercial Bribery in Medical Purchase and Sale for Medical and Health Institutions (Trial)” (《醫療衛生機構醫藥購銷領域商業賄賂處理辦法(試行)》) promulgated by Heilongjiang Province. According to the “2020 Key Points for Correcting Malpractices in Medical Purchase and Sales and Medical Services” (《2020年糾正醫藥購銷領域和醫療服務中不正之風工作要點》) jointly issued by the National Health and Health Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Finance, the Ministry of Commerce, the State Administration of Taxation, the State Administration for Market Regulation, the State Medical Security Administration, and the State Administration of Traditional Chinese Medicine on June 5, 2020, improper conducts of profit transmission through academic conferences, scientific research collaborations, academic support and donations should be severely cracked down. However, it is allowed to carry out medical and commercial interactions and establish and improve the entire process of management system of pre-announcement, in-process supervision and post filing for bilateral cooperation in compliance with laws and regulations.

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LAWS AND REGULATIONS APPLICABLE FOR CRO SERVICES

Liabilities and obligations for CRO

According to the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on the Several Issues regarding the Application of Law in the Handling of Criminal Cases of False Application Materials for the Registration of Drugs and Medical Devices (the “**Interpretation of the Supreme People's Court**”) (《最高人民法院、最高人民檢察院關於辦理藥品、醫療器械註冊申請材料造假刑事案件適用法律若干問題的解釋》(「最高院解釋」)) issued by the Supreme People's Court and the Supreme People's Procuratorate on August 14, 2017 and took effect on September 1, 2017, “contract research organizations” means entities engaged in the design of trial program, data statistics, analysis and testing, monitoring and inspection, and other activities relevant to non-clinical drug researches or clinical trials upon commission of the entities applying for the registration of drugs or medical devices, non-clinical drug research institutions, and clinical drugs or medical devices trial institutions.

According to the Provisions for Drug Registration (《藥品註冊管理辦法》), which has been issued by the State Food and Drug Administration (the “**SFDA**”) on July 10, 2007 and amended on January 22, 2020, which took effect on July 1, 2020, where an applicant of drug registration entrusts any other institution to conduct drug study, separate experiment, testing, trial manufacturing or production of samples etc., it shall enter into a contract with the trustee and state clearly in the registration application. The applicant shall be responsible for the authenticity of the drug study data in the application materials. After completion of a clinical trial, the applicant shall submit a clinical trial final report, a statistical analysis report and its database to the SFDA.

According to the Good Clinical Practice (《藥物臨床試驗質量管理規範》) (the “**GCP**”), which has been issued by the SFDA on April 23, 2020, the applicant shall be responsible for initiation, application, organization, supervision and examination of a clinical trial and provide the fee for the trial. The applicant shall submit the application for clinical trial to the SFDA. They may engage CROs to perform certain tasks during the clinical trial.

According to the Technical Guidance for Clinical Trial Data Management (《臨床試驗數據管理工作技術指南》), which has been issued by the SFDA on July 27, 2016, an applicant may entrust all or part of its tasks for the clinical trial to a CRO, while the applicant shall always bear the ultimate responsibility for the quality and integrity of the trial data. Quality assurance and quality control shall be made for CRO. The applicant shall at first state clearly the scope of the outsourced data management. If it is planned to outsource the data management, a suitable CRO shall be selected by assessing various conditions of the potential CRO such as its quality and capabilities. The following factors should be considered in assessing the potential CRO: quality of the CRO, track record and capabilities of performing the contract, quality control, procedures for quality assurance, verification of data management system and the related facilities, Standard Operating Procedure (SOP) for data management and proof of compliance with SOP, quality of the staff, understanding of SOP and the training

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record records for document revising and controlling procedures and the system of document maintenance. When a CRO is selected, the applicant will enter into a valid contract with the CRO, which shall specify obligations, rights and benefits. The application for the trial shall provide relevant training to the CRO when necessary to ensure that the services provided by the CRO comply with the requirements for quality by the applicant. During the process of data management for the clinical trial, the applicant for the trial shall perform timely management, communication and checking on the activities by the CRO to ensure that the CRO comply with the requirements for procedures as agreed by the parties. The quality management plan of the applicant shall include information on quality management on the CRO and shall specify the procedures and the expected results.

According to the Interpretation of the Supreme People's Court, staff of the non-clinical drug research institutions, clinical drugs or medical devices trial institutions or the CRO who deliberately provide false information in the non-clinical drug research report, clinical drugs trial report or other relevant reports shall be deemed as committing the acts of "intentionally providing false Supporting documents" as prescribed in Article 229 of the Criminal Law (《中華人民共和國刑法》).

Protection of Privacy of subjects

According to the Technical Guidance for Clinical Trial Data Management (《臨床試驗數據管理工作技術指南》), the privacy of the subjects shall be fully protected. The information which shall be protected include names, date of birth, working place, address, ID card, driving license or other identity numbers, phone numbers, facsimile numbers, email address, number of medical insurance clinical record, accounts, biometrics (fingerprints, retina, voice, etc.), photos, preferences or religions. Protection of privacy shall be considered at the technical level during the process of designing the database. These medical information fall into protection shall be excluded on the principle of maintaining the integrity of data and GCP. For examples, full names of the subjects shall be excluded from the database, when the full names should be replaced by a designated code.

According to the GCP, personal rights of the subjects shall be fully protected and rationality and reliability shall be maintained during the process of drug clinical trial. The rights and interests, safety and health of the subjects must be above the consideration of scientific and social interests. The researcher or its designated representative shall state clearly full information on the relevant clinical trial, which shall include: (i) the subject enrolled in the trial is on a voluntary basis and shall have the right to withdraw from any stage of the trial without discrimination or revenge, when his/her treatment and rights shall not be affected following the withdrawal; (ii) the subject must be informed that the personal data will be kept confidential when joining the trial or the trial is ongoing; The drug supervision and management departments, the ethics committee or the applicant shall have the right to access the information of the subject in accordance with the relevant laws and regulations; (iii) The subject shall be informed of objectives, procedures and duration of the trial, inspection and operation, the anticipated benefit and the risk to the subject and the groups that he may be assigned; (iv) Sufficient time must be given to the subjects for them to consider if they will join

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the trial. For those who are incapable of indicating their wills, information on these introduction and description shall be given to their legal representatives. During the process of obtaining informed consent, comprehensive languages or words to the subjects or their legal representatives shall be used. The subjects shall have the right to access to the data related to them from time to time during the trial; (v) Where there is injury or damage to the subjects during the trial, the subjects shall be entitled to treatments and appropriate compensation.

According to the Guidelines for the Management of Phase I Clinical Trials of Drugs (Trial) (《藥物I期臨床試驗管理指導原則(試行)》) promulgated by the SFDA and took effect on December 2, 2011, in the Phase I trial, the rights and interests and safety of the subjects must be protected. The method of recruitment of the subjects shall be examined by the ethics committee. Most of the subjects in Phase I trial are healthy adults. If it is necessary to select special groups, such as children, the elderly, pregnant women, patients or other vulnerable groups, the applicant shall have reasonable reasons and take corresponding safeguard measures. Before the start of a trial, the subjects shall be fully informed and sign a letter of informed consent. During the implementation of a trial, good communication should be kept with the subjects so as to improve the subjects' compliance and timely discover adverse events. If an informed consent letter needs to be amended during a trial, the amended informed consent letter must be approved by the ethics committee and the informed consent of the subjects must be obtained again. In a Phase I trial in which a subject usually does not receive any benefit from treatment, the applicant shall provide a reasonable financial compensation to the subject. For a subject who suffers from harm caused by his/her participation in the trial, the applicant shall bear the relevant treatment expenses and reasonable compensation.

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We are the largest provider in the Integrated Healthcare Marketing Solutions Market for CCVDs in China in terms of revenue in 2019, with a market share of 4.9% in the highly fragmented integrated healthcare marketing solutions industry for CCVDs, according to the CIC Report. Our business can be tracked back to September 2000, when one of our five founders, Mr. Chen Chuan (陳川), who then had nearly 10 years experiences in the healthcare industry, saw the potential business opportunity of providing integrated healthcare marketing solutions. With the experience and expertise of our other founders in the fields such as advertising and marketing, we started to provide medical conference services and marketing strategy and consulting services. Since 2013, we commenced our patient education and screening services and moved toward the next growth stage in the integrated healthcare marketing solution business. Currently, we primarily provide (i) medical conference services, (ii) patient education and screening services, and (iii) marketing strategy and consulting services with the goal to address the unmet needs of each key constituent of the CCVD healthcare ecosystem, including physicians, patients, pharmaceutical companies, medical NGOs and hospitals, and to bridge the gaps among these constituents. In addition to providing integrated healthcare marketing solutions, we also began to offer CRO services and internet hospital services in late 2019. We have been committed to enabling better medical service and patient experience, improved disease control and lower the burden on the healthcare system in the long run.

In September 2016, Mediwelcome Beijing successfully listed on the NEEQ. Nonetheless, having considered our future business strategy and opportunities that can be offered by the Hong Kong capital market, we de-listed Mediwelcome Beijing from the NEEQ in February 2019. In preparation for the Listing, we undertook a corporate reorganization between February 2019 and May 2019, upon which our Company became the holding company and the listing vehicle of our Group. Please refer to “— Our Major Subsidiaries and Operating Entities — Mediwelcome Beijing — Increase in registered capital and listing on the NEEQ in 2016” below for details.

MILESTONES OF DEVELOPMENT

The following is a summary of our major business development milestones:

Year	Event
2000	Mediwelcome Beijing was established in September
2016	Mediwelcome Beijing was listed on NEEQ
2018	We invested in Weiliandong in May, to conduct online seminar business through the Giraffe Platform owned by Weiliandong
2019	<ul style="list-style-type: none">• Mediwelcome Beijing was de-listed from NEEQ in February• We acquired the remaining equity interest in Weiliandong in March, which holds an ICP License and a Radio and Television Program Production License, to conduct video production service• Mediwelcome Beijing acquired ICP License in July• We established Ningxia Subsidiary and acquired the Practice License for Medical Institutions (醫療機構執業許可證) in August to conduct internet hospital services

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OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

Our major subsidiaries and members of our Group which have made significant contributions to our results of operations during the Track Record Period and their major business activities, dates of establishment, registered capital and direct shareholder(s) are set out as below:

<u>Name of entity</u>	<u>Principal business activities</u>	<u>Date of establishment</u>	<u>Registered capital</u>	<u>Direct shareholder(s)</u>
Mediwelcome Beijing	Medical conference services, patient education and screening services, marketing strategy and consulting services ⁽¹⁾	September 11, 2000	RMB54.2 million	Registered Shareholders
Beijing Chuangyan	Medical conference services, patient education and screening services, marketing strategy and consulting services	August 4, 2011	RMB10.0 million	WFOE

Note:

- (1) After entering into the Contractual Arrangements on July 5, 2019, Mediwelcome Beijing transferred certain businesses to WFOE or its subsidiaries. Please refer to “Contractual Arrangements — Background” for details.

Mediwelcome Beijing

Establishment in 2000

Mediwelcome Beijing, our first PRC Operating Entity, was established under the laws of the PRC on September 11, 2000 with an initial registered capital of RMB500,000. Upon establishment, it was owned as to 35% by Mr. Shi Wei (施煒), 20% by Mr. Chen Chuan (陳川), 20% by Mr. Li Yuyang (李宇陽), 20% by Mr. Yang Weimin (楊為民) and 5% by Mr. Wang Liang (王亮).

Equity transfer in 2001

In May 2001, pursuant to an equity transfer agreement entered into by and among Mr. Shi Wei, Mr. Chen Chuan, Mr. Li Yuyang, Mr. Yang Weimin and Mr. Wang Liang, Mr. Li Yuyang transferred all of his equity interest in Mediwelcome Beijing to Mr. Shi Wei, Mr. Chen Chuan, Mr. Yang Weimin and Mr. Wang Liang at a total consideration of RMB100,000. The

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consideration was determined with reference to the paid capital contribution of Mr. Li Yuyang. Upon completion of such equity interest transfer, Mediwelcome Beijing was owned as to 40% by Mr. Shi Wei, 25% by Mr. Chen Chuan, 25% by Mr. Yang Weimin and 10% by Mr. Wang Liang.

Increase in registered capital in 2007 and 2008

Pursuant to shareholders' resolutions dated February 7, 2007 and December 1, 2008, the shareholders of Mediwelcome Beijing resolved to increase the registered capital from RMB500,000 to RMB1,000,000 and then to RMB3,000,000, respectively. The increased registered capital was subscribed by Mr. Shi Wei, Mr. Chen Chuan, Mr. Yang Weimin and Mr. Wang Liang on a pro rata basis.

After completion of the increases in registered capital, Mediwelcome Beijing was owned as to 40% by Mr. Shi Wei, 25% by Mr. Chen Chuan, 25% by Mr. Yang Weimin and 10% by Mr. Wang Liang.

Equity transfer in 2009

In May 2009, pursuant to an equity transfer agreement entered into by and among Mr. Chen Chuan and Ms. Zhang Yitao, Mr. Chen Chuan transferred his entire equity interest in Mediwelcome Beijing to his spouse, Ms. Zhang Yitao, at nil consideration due to family arrangement. Upon completion of such share transfer, Mediwelcome Beijing was owned as to 40% by Mr. Shi Wei, 25% by Ms. Zhang Yitao, 25% by Mr. Yang Weimin and 10% by Mr. Wang Liang.

Increase in registered capital in 2010 and 2012

Pursuant to shareholders' resolutions dated December 1, 2010, and August 28, 2012, the shareholders of Mediwelcome Beijing resolved to increase the registered capital from RMB3,000,000 to RMB5,000,000 and then to RMB10,000,000, respectively. The increased registered capital was subscribed by Mr. Shi Wei, Ms. Zhang Yitao, Mr. Yang Weimin and Mr. Wang Liang on a pro rata basis.

After completion of the increases in registered capital, Mediwelcome Beijing was owned as to by 40% by Mr. Shi Wei, 25% by Ms. Zhang Yitao, 25% by Mr. Yang Weimin and 10% by Mr. Wang Liang.

Increase in registered capital and listing on the NEEQ in 2016

In order to improve Mediwelcome Beijing's management, corporate governance and brand awareness as well as to obtain alternative financing, Mediwelcome Beijing proposed to list on the NEEQ. In preparation for the listing on the NEEQ, pursuant to a shareholders' resolution dated March 13, 2016, Mediwelcome Beijing was converted into a joint stock company, with its net assets converted into 10,000,000 issued shares at a nominal value of RMB1.0 each attributable to its then shareholders in proportion to their original shareholdings.

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On April 29, 2016, the registered share capital of Mediwelcome Beijing was further increased from RMB10,000,000 to RMB12,500,000 by way of private placement. Among the 2,500,000 private placement shares, a total number of 1,053,610 shares were subscribed by Daohe Yilu, an Independent Third Party, and Ms. Yan Jing, Ms. Zhang Yitao's mother, at a price of RMB2.0 per share. In order to provide incentives and align the interests among shareholders, directors, management and core employees of Mediwelcome Beijing, the remaining 1,446,390 shares were allotted and subscribed by Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang and other 145 individual shareholders at a price of RMB2.0 per share. As at May 18, 2016, Mediwelcome Beijing had received RMB5.0 million, from which RMB2.5 million was counted toward to the registered share capital and RMB2.5 million was saved as capital reserve.

Immediately after the private placement and before the listing on the NEEQ, the shareholding structure of Mediwelcome Beijing is set out as below:

<u>Name of shareholder</u>	<u>Number of shares</u>	<u>Percentage of shareholding</u>
Mr. Shi Wei	4,300,000	34.40%
Mr. Yang Weimin	2,687,500	21.50%
Ms. Zhang Yitao	2,500,000	20.00%
Mr. Wang Liang	1,075,000	8.60%
Daohe Yilu ²	866,110	6.93%
Ms. Yan Jing ³	187,500	1.50%
145 individual shareholders ⁴	883,890	7.07%

On September 22, 2016, Mediwelcome Beijing was listed on the NEEQ (NEEQ: 839176).

Equity transfers from November 2016 to September 2017

Between November 2016 and June 2017, 16 employees resigned and transferred a total of 44,000 shares to Mr. Wang Liang at a price of RMB2.0 per share. On August 29, 2017, 24 employees transferred a total 73,285 shares to Mr. Wang Liang at a price of RMB7.2 per share.

² Daohe Yilu is a private equity fund, having Hsia Taohoe as its general partner and having Mr. Qiu Jianguo (邱建國) and Mr. Mao Jiachen (毛嘉晨) as its limited partners. Mr. Qiu Jianguo and Mr. Mao Jiachen invested in Daohe Yilu and became beneficially interested in Mediwelcome Beijing in September 2017 because (i) Daohe Yilu subscribed the shares in Mediwelcome Beijing in April 2016; (ii) Mediwelcome Beijing was listed on NEEQ in September, 2016; (iii) in September 2017, Mr. Qiu Jianguo and Mr. Mao Jiachen intended to invest in Mediwelcome Beijing because they were optimistic with Mediwelcome Beijing's future development prospect; and (iv) at the time of investing in Daohe Yilu, Mr. Qiu Jianguo and Mr. Mao Jiachen proposed to use Daohe Yilu as an investment platform for other investments in consideration of future cooperation opportunities with Hsia Taohoe, a professional investment institution, and increase in investment space in the future.

³ Ms. Yan Jing (閻靜) is the mother of Ms. Zhang Yitao, one of our Controlling Shareholders.

⁴ The 145 individual shareholders are senior management and employees of Mediwelcome Beijing.

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On September 20, 2017, ten employees resigned and transferred a total 26,325 shares to Mr. Wang Liang at a price of RMB2.0 per share. The above considerations were determined with reference to the original subscription price and based on the employment status of the respective employees.

Upon completion of the above equity transfers on September 20, 2017, the shareholding structure of Mediwelcome Beijing is set out as below:

Name of shareholder	Number of shares	Percentage of shareholding
Mr. Shi Wei	4,300,000	34.40%
Mr. Yang Weimin	2,687,500	21.50%
Ms. Zhang Yitao	2,500,000	20.00%
Mr. Wang Liang	1,218,610	9.75%
Daohe Yilu ²	866,110	6.93%
Ms. Yan Jing ³	187,500	1.50%
95 individual shareholders ⁵	740,280	5.92%

Pre-IPO Investments in October 2017

We undertook the Pre-IPO Investments for the business development of our PRC Operating Entities. Four investors, namely Xiamen Guodu, Ningbo Yurongsheng, Mr. Luo Shuai and Tongling Lizhi subscribed approximately 3.69%, 2.46%, 1.48% and 1.47% of equity interest in Mediwelcome Beijing at a consideration of RMB15,007,200, RMB10,004,800, RMB6,008,800 and RMB5,979,200, respectively. Please refer to “— Pre-IPO Investments” below for further details of the Pre-IPO Investments and information of our existing Pre-IPO Investors.

Upon completion of the Pre-IPO Investment on November 13, 2017, the shareholding structure of Mediwelcome Beijing is set out as below:

Name of shareholder	Number of shares	Percentage of shareholding
Mr. Shi Wei	4,300,000	31.27%
Mr. Yang Weimin	2,687,500	19.55%
Ms. Zhang Yitao	2,500,000	18.18%
Mr. Wang Liang	1,218,610	8.86%
Daohe Yilu	866,110	6.30%
Xiamen Guodu	507,000	3.69%
Ningbo Yurongsheng	338,000	2.46%
Mr. Luo Shuai	203,000	1.48%

⁵ the 95 individual shareholders are senior management and employees of Mediwelcome Beijing.

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<u>Name of shareholder</u>	<u>Number of shares</u>	<u>Percentage of shareholding</u>
Tongling Lizhi	202,000	1.47%
Ms. Yan Jing	187,500	1.36%
95 individual shareholders ⁵	1,071,390	5.38%

Beijing Chuangyan

Establishment

Beijing Chuangyan was established under the laws of the PRC on August 4, 2011 and its registered capital was RMB500,000 upon establishment. It was owned as to 40% by Mr. Shi Wei, 25% by Ms. Zhang Yitao, 25% by Mr. Yang Weimin and 10% by Mr. Wang Liang. Beijing Chuangyan was founded as an enterprise under collective ownership (集體所有制企業) and was changed to a limited liability company on December 7, 2015.

Increase in registered capital in 2012 and 2014

Pursuant to shareholders' resolutions dated April 11, 2012 and February 8, 2014, the shareholders of Beijing Chuangyan resolved to increase the registered capital from RMB500,000 to RMB5,000,000 and then to RMB10,000,000, respectively. After completion of the increases in the registered capital, the shareholding structure of Beijing Chuangyan remained the same.

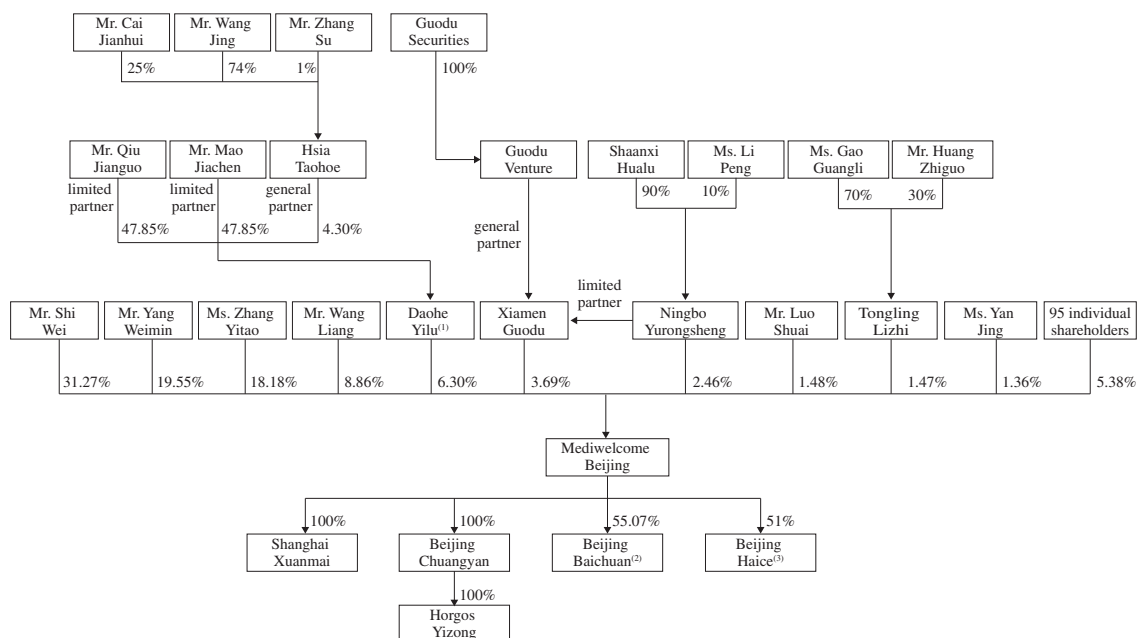
Equity transfer in 2015

Pursuant to an equity transfer agreement dated December 22, 2015, Mr. Shi Wei, Ms. Zhang Xiaoyan which acquired the equity interests in Beijing Chuangyan held by Mr. Yang Weimin in May 2012 at a consideration of RMB1,250,000, Ms. Zhang Yitao and Mr. Wang Liang transferred all their equity interests in Beijing Chuangyan to Mediwelcome Beijing at a total consideration of RMB4,400,000, RMB2,750,000, RMB2,750,000, RMB1,100,000, respectively. The consideration was determined based on the net asset value of Beijing Chuangyan. Following completion of the said equity transfer, Beijing Chuangyan became a wholly-owned subsidiary of Mediwelcome Beijing.

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OUR GROUP STRUCTURE PRIOR TO REORGANIZATION

The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganization:



Notes:

- (1) Pursuant to a written confirmation dated December 10, 2019, Hsia Taohoe, the general partner of Daohe Yilu, and its beneficial owners, namely Mr. Cai Jianhui, Mr. Wang Jing and Mr. Zhang Su confirmed that Hsia Taohoe held the equity interests in Daohe Yilu as a nominee for Mr. Qiu Jianguo and Mr. Mao Jiachen. The reason of the nominee arrangement is that if either of Mr. Qiu Jianguo and Mr. Mao Jiachen acquired all of the equity interests in Daohe Yilu held by Hsia Taohoe, he/she will become the general partner of Daohe Yilu and shall be liable to the unlimited joint and several liability to the debts of Daohe Yilu under the Partnership Laws of the PRC. They are limited partners under such nominee arrangements and are only liable to the debts of Daohe Yilu to the extent of the capital contribution committed to by them. Therefore, Hsia Taohoe, Mr. Cai Jianhui, Mr. Wang Jing and Mr. Zhang Su would not be Shareholders after the Reorganization. The nominee arrangement has been terminated because (i) Hsia Taohoe did not have intention to complete the overseas direct investment registration (the “**ODI Registration**”) required pursuant to the Administrative Measures for the Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC and Administrative Measures for Overseas Investment Management (《境外投資管理辦法》) promulgated by the MOFCOM and (ii) during the process of onshore reorganization, Mediawelcome Beijing advised that Mr. Qiu Jianguo and Mr. Mao Jiahui could hold the equity interests in Mediawelcome Beijing through Dongyuan Heyi and Defeng Qixiang, both of which were planning to compete the ODI Registration.
- (2) The remaining equity interest of Beijing Baichuan was owned by three Independent Third Parties, namely Mr. Gao Bin (高彬), Mr. Xu Yu (許鬱) and Mr. Li Hui (李輝), as to 35.16%, 6.51% and 3.26%, respectively.
- (3) The remaining equity interest of Beijing Haice was owned by three Independent Third Parties, namely Mr. Sun Jian (孫健), Ms. Duan Lili (段麗麗) and Mr. Cai Jianwei (蔡建偉), as to 41.65%, 4.9% and 2.45%, respectively.

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REORGANIZATION

In preparation for the Listing and to streamline our corporate structure, we underwent the Reorganization.

Offshore Reorganization

Incorporation of our Company

On February 21, 2019, our Company was incorporated in the Cayman Islands as an exempted company with limited liability and authorized share capital of US\$50,000 divided into 5,000,000 Shares of a nominal or par value of US\$0.01 each.

Re-denomination of authorized share capital and par value

On May 12, 2019, our Company resolved that the authorized share capital be re-denominate from US\$50,000 to HK\$380,000 by the creation of an additional 38,000,000,000 shares with a par value of HK\$0.00001 each.

Allotment and issue of Shares to offshore holding companies

On May 12, 2019, our Company allotted and issued an aggregate of 130,000,000 ordinary shares for cash at par to the offshore holding companies. Upon completion of the allotment and issue, the shareholding structure of our Company is set out as below:

<u>Name of Company</u>	<u>Name of shareholder</u>	<u>Number of shares</u>	<u>Percentage of shareholding</u>
Ji Ze Investment	Mr. Shi Wei	40,651,000	31.27%
Shun Jia Investment	Mr. Yang Weimin	25,415,000	19.55%
He Hui Wan Yi Investment	Ms. Zhang Yitao	25,415,000	19.55%
Tai Zhi Feng Investment	Mr. Wang Liang	12,038,000	9.26%
Blue Pond	Ms. Li Peng	4,316,000	3.32%
Soaring Roc	Mr. Mao Jiachen	4,225,000	3.25%
Alpha Champion	Mr. Qiu Jianguo	3,939,000	3.03%
He Sheng Kang Yuan Investment	Mr. Zhao Luyang, Ms. Liu Guijin, Mr. Sui Huijun, Mr. Yin Xingri and Mr. Wang Wei	3,913,000	3.01%
Trade Mountain	Ms. Li Peng	3,198,000	2.46%
Florescent East	Ms. Zhang Luping	3,055,000	2.35%
Southern Kirin	Mr. Luo Shuai	1,924,000	1.48%
Faith Respect	Mr. Huang Zhiguo	1,911,000	1.47%

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Incorporation of offshore subsidiaries

On March 1, 2019, Mediwelcome BVI was incorporated in the BVI as a wholly-owned subsidiary of our Company. On March 8, 2019, Mediwelcome HK was incorporated in Hong Kong as a wholly-owned subsidiary of Mediwelcome BVI. Mediwelcome HK is the holding company of WFOE, our PRC subsidiary.

Onshore Reorganization

De-listing from the NEEQ

The delisting of the shares of Mediwelcome Beijing from the NEEQ was a commercial and strategic decision made by our Directors. Our Directors consider that the listing on the Stock Exchange is more suitable to our Group for various reasons, including but not limited to the followings:

- the NEEQ is only open to qualified investors and currently has a low trading volume, making it difficult to reflect the underlying quality of the assets and management of Mediwelcome Beijing as it lacks open market;
- the lack of open market of the NEEQ inhibits our fund raising ability, either by equity or debt, to continuously support our business growth;
- as Hong Kong is a gateway between the PRC and the international market, listing on the Stock Exchange would give us a platform to be widely approached by international investors in the global market; and
- we could further raise our brand awareness, broaden the financing channels in the capital market to support our increasing financing needs for our further business expansion and strengthen the corporate governance of our Group should our Shares be listed on the Stock Exchange, which is regarded as a competitive and established exchange and with an established reputation as one of the leading stock exchanges globally.

Having considered the foregoing, our Directors are of the view that the de-listing of the shares of Mediwelcome Beijing from the NEEQ and the listing of our Shares on the Stock Exchange would be in the best interests of our Group and the shareholders of Mediwelcome Beijing. The shareholders of Mediwelcome Beijing resolved on January 14, 2019 to apply for the de-listing of Mediwelcome Beijing from the NEEQ. Accordingly, on February 13, 2019, Mediwelcome Beijing was de-listed from the NEEQ.

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Directors' Views

Our Directors are of the view that, and as advised by our PRC Legal Advisers, (a) Mediwelcome Beijing had been in full compliance with all applicable securities laws and regulations in China as well as rules and regulations of the NEEQ in all material respects during its quotation on the NEEQ; (b) none of Mediwelcome Beijing, its subsidiaries or their directors or senior management had been subject to any investigation or disciplinary actions by any relevant authorities or regulations in relation to Mediwelcome Beijing's quotation on the NEEQ; and (c) there are no other matters in relation to Mediwelcome Beijing's previous quotation on NEEQ that should be brought to the attention of the investors or regulators in Hong Kong.

Sole Sponsor's Views

The Sole Sponsor has (i) reviewed filings, announcements and annual reports of Mediwelcome Beijing posted on the website of NEEQ, (ii) conducted interviews and/or discussions with our management, our PRC Legal Advisers, and the case officers of the professional advisers engaged by Mediwelcome Beijing for its NEEQ listing, (iii) obtained representations from our Reporting Accountants in relation to accounting policies and treatments, and (iv) conducted public searches on the Directors, Controlling Shareholders, senior management and principal subsidiaries of the Group. Based on the aforementioned, the Sole Sponsor concurs with the Directors' views above.

Converting to a limited liability company and optimizing corporate structure

Pursuant to a shareholders' resolution dated on March 20, 2019, Mediwelcome Beijing converted from a joint stock company to a limited liability company and changed its name from "Mediwelcome Beijing Brand Management Consulting Inc." to "Mediwelcome Beijing Technology Co., Ltd." accordingly.

According to Article 24 of the Company Law of the PRC (which was last amended and implemented on October 26, 2018, hereafter referred to as "**Company Law**"), a limited liability company shall be established by no more than 50 shareholders. Due to such limitation, Dongyuan Heyi and Defeng Qixiang, two limited partnership, were established for the purpose of streamlining Mediwelcome Beijing's corporate structure. In consideration of factors such as taxation, corporate governance and profit distribution, Dongyuan Heyi and Defeng Qixiang are established as two limited partnerships instead of limited liability companies.

Pursuant to a share transfer agreement entered into by and among Daohe Yilu, Dongyuan Heyi and Mr. Qiu Jianguo (one of the limited partners of Daohe Yilu) on April 19, 2019, Daohe Yilu transferred 3.04% of equity interest in Mediwelcome Beijing to Dongyuan Heyi which in turn granted 55.79% of its equity interest to Mr. Qiu Jianguo.

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Pursuant to a share transfer agreement entered into by and among Daohe Yilu, Defeng Qixiang and Mr. Mao Jiachen (one of the limited partners of Daohe Yilu) on April 19, 2019, Daohe Yilu transferred 3.26% of equity interest in Mediwelcome Beijing to Dengfeng Qixiang which in turn granted 52.28% of its equity interest to Mr. Mao Jiachen.

Pursuant to a share transfer agreement entered into by and among the 95 individual shareholders and Dongyuan Heyi and Defeng Qixiang on April 19, 2019, the 95 individual shareholders transferred a total of 1,175,882 and 1,743,048 shares in Mediwelcome Beijing to Dongyuan Heyi and Defeng Qixiang, respectively, at a consideration of RMB2.2 per share. After completion of the above three transfers, Mediwelcome Beijing was owned as to 6.24% by Defeng Qixiang and 5.44% by Dongyuan Heyi, respectively.

Equity transfers due to FI Restrictions

The general partner of Xiamen Guodu, namely Guodu Venture, has certain non-PRC national shareholders. In order for Mediwelcome Beijing to be eligible to apply for certain license in relation to its business operation that are under FI Restrictions, Guodu Venture agreed to dispose of its investment in Mediwelcome Beijing through Xiamen Guodu. Guodu Venture further agreed with Ningbo Yurongsheng, the limited partner of Xiamen Guodu, to keep Ningbo Yurongsheng's investment in Mediwelcome Beijing. As a result, pursuant to a share transfer agreement dated on April 19, 2019, Xiamen Guodu ceased to be the shareholder of Mediwelcome Beijing, approximately 0.37% of the equity interest of Mediwelcome Beijing (representing the equity interest indirectly held by Guodu Venture through Xiamen Guodu) was transferred to Tianjin Qixing at a consideration of RMB3 million, and approximately 3.32% of the equity interest of Mediwelcome Beijing (representing the equity interest indirectly held by Ningbo Yurongsheng through Xiamen Guodu) was transferred back to Ningbo Yurongsheng.

Furthermore, on April 19, 2019, as a family arrangement, Ms. Zhang Yitao transferred her entire equity interest in Mediwelcome Beijing to her mother, Ms. Yan Jing, and ceased to be as a shareholder of Mediwelcome Beijing. There is no entrustment arrangement or other similar agreements, arrangements, commitments or undertakings between Ms. Zhang Yitao and her mother, Ms. Yan Jing. After such transfer, Ms. Zhang Yitao no longer holds any equity interest in Mediwelcome Beijing and the equity interest in Mediwelcome Beijing held by Ms. Yan Jing increased from 1.36% to 19.55%. However, Ms. Zhang Yitao continues to be a Controlling Shareholder pursuant to an acting in concert agreement entered between the Controlling Shareholders therefore such equity transfer does not affect our Group's compliance with the ownership continuity and control requirements pursuant to Rule 8.05(1) of the Listing Rules. For further details, please refer to the section headed "– Parties Acting in Concert." As Ms. Zhang Yitao obtained her U.S. citizenship in May 2011, such transfer was also a part of our onshore Reorganization in order for Mediwelcome Beijing to be eligible to apply for certain license in relation to its business operation that are under FI Restrictions for its business operation. In order to ensure that Ms. Yan Jing's successor will meet the requirements of any restrictions on foreign investment in respect of the businesses and operations of Mediwelcome Beijing and its subsidiaries, Ms. Yan Jing issued a letter of commitment on December 10, 2019, undertaking that she will make proper arrangements during the period when she is a

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shareholder of Mediwelcome Beijing, such that her successors will be able to comply with any restrictions on foreign investment under the prevailing Chinese laws and regulations in respect of the businesses and operations of Mediwelcome Beijing and its subsidiaries. If the successors cause Mediwelcome Beijing or its subsidiaries to be in breach of the requirements of any restrictions on foreign investment in respect of their businesses and operations, WFOE shall have the right to require Ms. Yan Jing to re-arrange accordingly, or require Ms. Yan Jing or her successor to transfer the equity interest held by him/her in Mediwelcome Beijing according to the Contractual Arrangements. In addition, Ms. Yan Jing, made an undertaking on April 30, 2020 to transfer all equity interests in Mediwelcome Beijing that she holds to Mr. Shi Wei, Mr. Yang Weimin and/or Mr. Wang Liang within 18 months from the Listing Date to ensure that the transferees of such equity interests in Mediwelcome Beijing held by her will comply with the FI Restrictions (as defined in the section headed “Contractual Arrangements”) in respect of business and operation of Mediwelcome Beijing and its subsidiaries.

Our PRC Legal Advisers are of the view that Ms. Yan Jing, as a shareholder of Mediwelcome Beijing, has taken appropriate measures to ensure that her successors will be able to comply with any foreign investment restrictions under the PRC laws and regulations relevant to our Group’s business and operations in China. Please refer to “Contractual Arrangements” for further details.

After the completion of the above share transfers on April 19, 2019 and as of the Latest Practicable Date, the shareholding structure of Mediwelcome Beijing was set out as below:

Name of shareholder	Number of shares	Percentage of shareholding
Mr. Shi Wei	16,954,947	31.27%
Mr. Yang Weimin	10,596,842	19.55%
Ms. Yan Jing	10,596,843	19.55%
Mr. Wang Liang	4,804,992	8.86%
Defeng Qixiang	3,382,763	6.24%
Ningbo Yurongsheng	3,130,135	5.77%
Dongyuan Heyi	2,951,248	5.44%
Mr. Luo Shuai	800,431	1.48%
Tongling Lizhi	796,488	1.47%
Tianjin Qixing	201,710	0.37%

As advised by our PRC Legal Advisers, except for Ms. Gao Guangli, Shaanxi Hualu, Ms. Zhang Yitao and Ms. Yan Jing, the shareholding structure of our Company is consistent with the respective equity interests held, directly or indirectly, by each beneficial owner of Mediwelcome Beijing, but not completely mirror. In terms of Ms. Gao Guangli and Shaanxi Hualu, they were financial investors and held minority shares of Mediwelcome Beijing, and did not involve in any management of Mediwelcome Beijing. Shaanxi Hualu was established in November 1999 in the PRC with a registered capital of RMB36.0 million and is wholly owned by Shaanxi Huasheng Enterprise (Group) Co., Ltd (陝西華聖企業(集團)股份有限公司). Shaanxi Hualu has ceased its then principal activities in the sale of new types of building

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materials since around 2010 due to its deregistration plan and therefore has waived its offshore rights as mentioned below. While our Company were in reorganization, Ms. Gao Guangli and Shaanxi Hualu confirmed that they did not hold any equity interests in our Company due to their respective commercial arrangements that they have voluntarily waived their rights to offshore investments. Therefore, it will not have a significant adverse impact on protection to our Company and its shareholders under the Contractual Arrangements.

Disposal of entities with no or minimal business operation

There are no disposals of subsidiaries of our Group since the inception of our Group.

Establishment of WFOE

On May 16, 2019, WFOE was established under the laws of the PRC with a registered capital of US\$20,000,000 and it is wholly-owned by Mediwelcome HK.

Acquiring Beijing Chuangyan, Shanghai Xuanmai, Beijing Haice and Beijing Baichuan

In May 2019, WFOE acquired the equity interest of four entities that are wholly-owned or controlled by Mediwelcome Beijing, to ensure our Contractual Arrangements are narrowly tailored under the requirement of the Stock Exchange. Pursuant to four equity transfer agreements dated May 21, 2019, WFOE acquired the equity interest of Beijing Chuangyan, Shanghai Xuanmai, Beijing Haice and Beijing Baichuan held by Mediwelcome Beijing at a consideration of RMB12,424,978.66, RMB4,097,753.66, RMB6,114,749.28 and RMB2,284,814.07, respectively. The consideration was determined based on the net asset value for the year ended December 31, 2018 of the respective entities and fully settled on June 24, 2019.

Acquiring Weiliandong and establishing Ningxia Subsidiary

In May 2018, Mediwelcome Beijing, through Guodu Weikang Health Industry Investment Private Equity Fund (國都衛康健康產業投資私募基金), a private equity fund controlled by Mediwelcome Beijing, invested in Weiliandong, to conduct online seminar business through the Giraffe Platform owned by Weiliandong. The Giraffe Platform is a video conferencing and online education tool that enables hospitals to host or attend online medical conferences and access training videos recorded by physicians. Pursuant to an equity interest subscription agreement dated May 2, 2018, Mediwelcome Beijing subscribed 18.37% of the equity interest in Weiliandong at a consideration of RMB4,500,000. The consideration was determined based on arm's length negotiations between parties. The consideration was fully settled on May 4, 2018. To further utilize the Giraffe Platform and leverage the development and research ability of Weiliandong, pursuant to an equity transfer agreement dated March 20, 2019, Mediwelcome Beijing further acquired the remaining 81.63% of the equity interest in Weiliandong from the then shareholders, namely Ms. Yang Liu (楊柳) and Ms. Li Na (李娜), two Independent Third Parties, at a total consideration of RMB2,667,001. The consideration was determined based on

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arm's length negotiations between the parties with reference to the capital contribution made by Ms. Li Na and taking into account the fact that Ms. Yang Liu did not pay up his subscribed capital. The consideration was fully settled on March 22, 2019.

To conduct internet hospital business, Mediwelcome Beijing and Mr. Chen Lei (陳磊), an Independent Third Party, jointly established Ningxia Subsidiary on May 21, 2019 which is 80% owned by Mediwelcome Beijing and 20% owned by Mr. Chen Lei.

Contractual Arrangements

On July 5, 2019, WFOE entered into a series of agreements with Mediwelcome Beijing and the Registered Shareholders in order to exercise and maintain control over the operation of Mediwelcome Beijing and its subsidiaries and to obtain economic benefits from Mediwelcome Beijing and its subsidiaries to prevent any leakage of assets and values to the Registered Shareholders. Please refer to "Contractual Arrangements" for further details.

Adoption of RSU Scheme

With a view of formalizing our grant and our proposal to grant share incentives to eligible management and employees of our Group, we approved and adopted a RSU Scheme on September 18, 2019, pursuant to which, 20,000,000 Shares of HK\$0.00001 each (representing 13.33% of the capital of our Company immediately before the completion of the Global Offering or 10% of the capital of our Company immediately following the completion of the Global Offering) were issued to the RSU nominee on September 18, 2019, who held the RSUs for the benefit of eligible management and employees pursuant to the RSU Scheme. Upon completion of the issue and allotment of the RSU Shares, the total issued shares of our Company was increased to 150,000,000 Shares.

As of the Latest Practicable Date, we have not granted any RSUs. The grant of RSUs will not involve any issue of new Shares or purchase of existing Shares after the Listing Date. Please refer to "Appendix IV — Statutory and General Information — D. Other Information — 2. RSU Scheme" for details and principal terms of the RSU Scheme.

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PRE-IPO INVESTMENTS

We undertook the Pre-IPO Investments in October 2017 for the business development of our PRC Operating Entities. The following table set forth the key particulars of the Pre-IPO Investments:

Name of Pre-IPO Investors	Ningbo Yurongsheng	Mr. Luo Shuai	Tongling Lizhi
Date of agreement	October 20, 2017	October 20, 2017	October 20, 2017
Number of shares subscribed	338,000 shares in Mediwelcome Beijing	203,000 shares in Mediwelcome Beijing	202,000 shares in Mediwelcome Beijing
Consideration paid	RMB10,004,800	RMB6,008,800	RMB5,979,200
Pre-money valuation of Mediwelcome Beijing	RMB370 million	RMB370 million	RMB370 million
Date on which the Pre-IPO Investments was fully settled	November 10, 2017	November 10, 2017	November 13, 2017
Cost per share paid by the Pre-IPO Investors and discount to the Offer Price	The cost per share was RMB29.60 and is equivalent to an approximately 46.6% discount to the maximum Offer Price		
Basis of consideration	<p>The consideration was determined based on arm's length negotiations between parties, with reference to a number of factors including:</p> <ul style="list-style-type: none"> (i) the profitability and growth prospects of Mediwelcome Beijing; and (ii) the market valuation of Mediwelcome Beijing 		
Use of proceeds from the Pre-IPO Investments	The proceeds from the Pre-IPO Investments served as the general working capital of our Group, which have been fully utilized as of the Latest Practicable Date		
Lock-up period	24 months from November 10, 2017		
Strategic benefits of the Pre-IPO Investors brought to our Group	Our Directors are of the view that our Company can benefit from the Pre-IPO Investors, commitment to our Group, additional capital provided by the Pre-IPO Investors and the Pre-IPO Investors' knowledge and experience, and their investments demonstrate their confidence in the operation of our Group and serve as an endorsement of our Group's performance, strengths and prospects.		

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In addition to the terms described above, the Pre-IPO Investors have been granted certain special rights, all of which have been terminated on the date of the submission of the Listing application.

Information about the Pre-IPO Investors

Tongling Lizhi was established as a limited liability company under the laws of the PRC in September, 2009. Tongling Lizhi is owned as to 70% and 30% by Ms. Gao Guangli (高光麗) and Mr. Huang Zhiguo (黃志國), respectively, who are both Independent Third Parties and have extensive investment experience. Ms. Gao Guangli currently serves as the chairman of the board of directors of Tongling Lizhi and primarily responsible for the strategic planning and decision making of Tongling Lizhi. Mr. Huang Zhiguo currently serves as the general manager of Tongling Lizhi and primarily responsible for the overall operation and management of Tongling Lizhi. Mr. Huang Zhiguo also currently serves as a director of Tongling Guoyuan Pawn Co., Ltd. (銅陵國元典當有限責任公司) and the chairman of the board of directors of Tongling Tongdu Pawn Co., Ltd. (銅陵銅都典當有限公司). Tongling Lizhi is a private investor mainly focusing on investing in companies that are listed on the NEEQ and is an Independent Third Party. Other than the investment in Mediwelcome Beijing, Tongling Lizhi also held 25% of the equity interests in Tongling Tongdu Pawn Co., Ltd. (銅陵銅都典當有限公司), 12.6% of the equity interests in Tongling Guoyuan Pawn Co., Ltd. (銅陵國元典當有限責任公司) and 0.02% of the equity interests in Yudu Supply Chain (Shandong) Co., Ltd. (宇都供應鏈(山東)股份有限公司), a NEEQ listed company (stock code: 832134) as of the Latest Practicable Date. The aggregate capital commitment of Tongling Lizhi to such companies is approximately RMB15.1 million. To the best knowledge of our Directors after making reasonable enquiries, as of the Latest Practicable Date, Tongling Lizhi did not have intention to make other business or equity investments going forward.

Ningbo Yurongsheng was established as a limited liability company under the laws of the PRC in April, 2017. Ningbo Yurongsheng was owned by Shaanxi Hualu and Ms. Li Peng (李鵬) as to 90% and 10% before the Reorganization. Due to its own plan of deregistration, Shaanxi Hualu transferred 80% and 10% of the equity interests in Ningbo Yurongsheng to Ms. Li Peng and Ms. Yang Yang (楊洋), who is the wife of Ms. Li Peng's nephew, at a consideration of RMB24.0 million and RMB3.0 million, respectively, pursuant to the equity transfer agreements entered into between Shaanxi Hualu and each of Ms. Li Peng and Ms. Yang Yang both dated September 1, 2019. Such considerations were based on arm's length negotiation by making reference to Shaanxi Hualu's original contribution of RMB27 million in Ningbo Yurongsheng and also the valuation of equity interests held by Shaanxi Hualu through Ningbo Yurongsheng and were fully settled on April 29, 2020. Shaanxi Hualu currently holds 1.19% equity interests in Huawen Media Group (華聞傳媒投資集團股份有限公司) (“**Huawen Group**”), a PRC company listed on the Shenzhen Stock Exchange (stock code: 000793), and 0.86% equity interests in Rightway Holdings Co., Ltd. (正源控股股份有限公司) (“**Rightway Holdings**”), a PRC company listed on the Shanghai Stock Exchange (stock code: 600321). In contemplation of its deregistration, Shaanxi Hualu intends to dispose of its equity interests in Huawen Group and Rightway Holdings in the stock market. As of the Latest Practicable Date, Shaanxi Hualu had not disposed the equity interests in Huawen Group and Rightway Holdings and its deregistration will start after such disposals are completed. According to an entrustment agreement reached between Ms. Li Peng and Ms. Yang Yang on September 1, 2019, Ms. Yang

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Yang held the 10% equity interests in Ningbo Yurongsheng as nominee for Ms. Li Peng. As confirmed by Shaanxi Hualu and according to the interviews with Ms. Li Peng and Ms. Yang Yang, except for the equity transfer agreements and the entrustment agreement as disclosed above, no other side arrangements, agreements or understanding has been made between Shaanxi Hualu, Ms. Li Peng and Ms. Yang Yang for interests in Mediwelcome Beijing, our Company and Ningbo Yurongsheng. Neither Ms. Li Peng nor Ms. Yang Yang has obtained any economic benefit since they acquired the equity interests in Ningbo Yurongsheng from Shaanxi Hualu in September 2019. Ningbo Yurongsheng is currently owned as to 90% and 10% by Ms. Li Peng and Ms. Yang Yang, respectively, who are both Independent Third Parties. Ms. Li Peng has been serving for Shaanxi Huasheng Enterprise (Group) Co., Ltd. (陝西華聖企業(集團)股份有限公司) (“**Shaanxi Huasheng**”) since October 1995 and currently acts as a director of Shaanxi Huasheng and a supervisor of Shaanxi Hualu. Ms. Yang Yang holds an MBA degree from Northwest University. She currently serves as an administrative manager of Shaanxi Huasheng. Ningbo Yurongsheng is a private investor mainly focusing on investing in companies in healthcare, medical, hi-tech and consumption sectors that are listed on the NEEQ and is an Independent Third Party. Other than the investment in Mediwelcome Beijing, Ningbo Yurongsheng also holds approximately 89.9% of the equity interests in Xiamen Guodu, which represents RMB90 million capital contribution, as a limited partner. To the best knowledge of our Directors after making reasonable enquiries, as of the Latest Practicable Date: (i) Xiamen Guodu holds 0.92% equity interests in Beijing Grand Vision Travel Service Co., Ltd. (北京九州風行旅遊股份公司) (formerly listed on NEEQ and delisted in December 2017); and (ii) Ningbo Yurongsheng did not have intention to make other business or equity investments going forward.

As advised by our PRC Legal Advisers, our Company has adopted sufficient measures, including entering into the Equity Pledge Agreement (as defined in the section headed “Contractual Arrangements”) to ensure the interest in Mediwelcome Beijing is properly safeguarded from being adversely affected by any actual or potential claims or litigation against any of the institutional shareholders of Mediwelcome Beijing or the performance of their respective other investment or business and potential new investment business in the future.

Pursuant to the Equity Pledge Agreement, all the shareholders of Mediwelcome Beijing shall pledge all of their respective equity interests in Mediwelcome Beijing to WFOE and complete the registration of pledge with the industrial and commercial registration administration department for such equity pledge. Notwithstanding that the equity interests held by a Registered Shareholder of Mediwelcome Beijing might be subject to measures such as judicial freezing when such Registered Shareholder (no matter individual shareholders or institutional shareholders) is involved in litigation or arbitration or other disputes in relation to foreign investments in companies other than Mediwelcome Beijing, WFOE shall be entitled to the priority in distribution of equity interests in Mediwelcome Beijing over other creditors.

Mr. Luo Shuai is an individual private investor and an Independent Third Party who from time to time participates in various investment opportunities in different target companies in various business sectors including business services, arts and culture, sports and entertainment. Mr. Luo obtained a bachelor’s degree of engineering from Tongji University (同濟大學) in 1990 and has completed the study of the postgraduate course majoring in financing from the

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Capital University of Economics and Business (首都經貿大學) in 2004. He served as a general manager in a company that is principally engaged in investing consulting business for nearly 5 years and has gained extensive experience in investment. Other than the investment in Mediwelcome Beijing, Mr. Luo Shuai has also invested in Xiamen Capital Shenrui Zhiyin Equity Investment Partnership (廈門國都申瑞智贏股權投資合作企業(有限合作)), Ningbo Yuanji Langshun Investment & Management Partnership (Limited Partnership) (寧波遠吉朗順投資管理合作企業(有限合作)), Haikou Yizi Industrial Limited (海口衣梓實業有限公司) and Zhongyan Media (Beijing) Co., Ltd. (北京中燕傳媒股份有限公司). The aggregate capital commitment of Mr. Luo Shuai to such companies is approximately RMB43.4 million.

Our Company got acquainted with the Pre-IPO Investors through the introduction by Guodu Securities in September 2017. There is neither past or present relationship among the Pre-IPO Investors nor any past or present relationship, including business, employment, family, financing or other relationship, between each of the Pre-IPO Investors and the Company and its subsidiaries, their respective controlling shareholders, directors and senior management, or any of their respective associates.

Public Float

The Shares indirectly held by (i) Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, being the ultimate Controlling Shareholders through Ji Ze Investment, Shun Jia Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment; and (ii) RSU Holdings, being a substantial Shareholder, will not be considered as part of the public float as they are core connected persons of the Company. The Shares held by the other existing Shareholders, including the Pre-IPO Investors under the Pre-IPO Investments, will be counted towards the public float upon the Listing for the purpose of Rule 8.08 of the Listing Rules. Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), there will be approximately 38.24% of the total issued Shares held by the public.

Compliance with Interim Guidance and Guidance Letters

After reviewing the Pre-IPO Investments documents, and given that (i) our Directors confirmed that the terms of the Pre-IPO Investments were determined based on arm's length basis; and (ii) the Pre-IPO Investments were completed more than 28 days before the submission of the application for the Listing, the Sole Sponsor confirms that the investments of the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investment issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

PARTIES ACTING IN CONCERT

Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, being our ultimate Controlling Shareholders, have been acting in concert with each other and collectively controlled, managed and supervised the entire business, operation, financial and other material key functions of our Group since May 22, 2009. From May 22, 2009 to April 8, 2016, although

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our ultimate Controlling Shareholders, being all the then shareholders of Mediwelcome Beijing, did not enter into any written acting in concert agreement, it was unanimously agreed pursuant to the shareholders' resolutions that our ultimate Controlling Shareholders were, in fact, acting in concert.

In light of the trust and confidence they have in each other, our ultimate Controlling Shareholders have agreed to formalize the acting in concert arrangement and to reach unanimous decisions among themselves on all management, material business matters of our Company and all of our subsidiaries until anyone among them cease to be a shareholder of our Company. On April 8, 2016, our ultimate Controlling Shareholders entered into an acting in concert agreement for the term of three years which will automatically renew for another three years upon its expiration if there is no objection from any of the contracting parties. The principal terms of the acting in concert agreement are as follows:

- (a) the parties herein shall act in concert when deciding Mediwelcome Beijing's operation and management issues at the general meeting of shareholders, the board of directors, etc., especially when exercising, convening, proposing and voting rights; and
- (b) before the expiration of this agreement, prior to exercise the rights of proposing or voting on major issues relating to the company's business development, the parties herein shall first discuss and consider the relevant proposals or voting issues internally. If the parties herein cannot reach an unanimous opinion, the opinion supported by the majority shall deem to be approved unanimously.

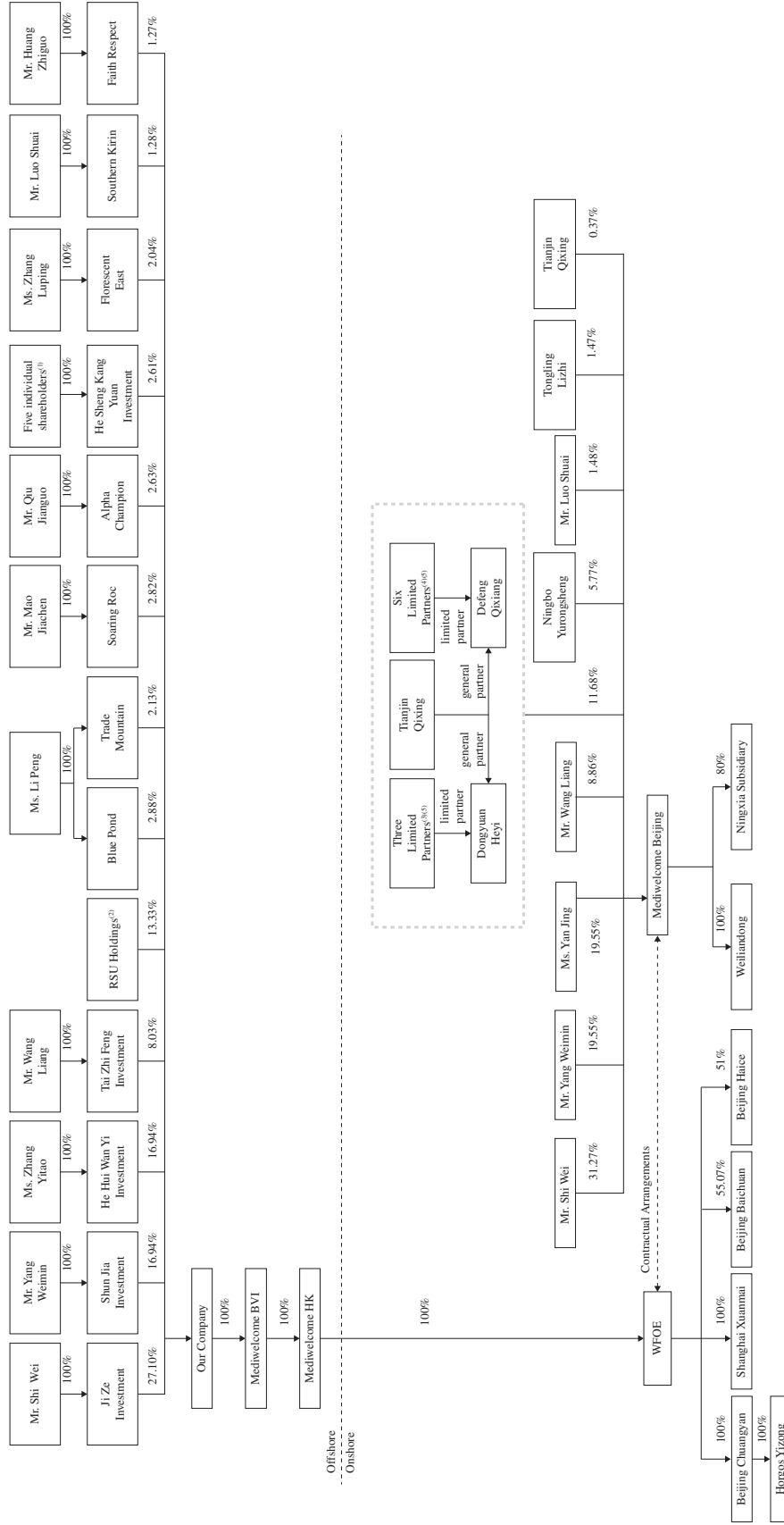
Upon the expiration of the said acting in concert agreement on April 7, 2019, our ultimate Controlling Shareholders entered into a new acting in concert agreement on October 13, 2019, to confirm our ultimate Controlling Shareholders' acting in concert arrangement since April 7, 2019 and will continue to act in concert upon the Listing to consolidate their control and management over our Group. The principal terms of the acting in concert agreement are as follows:

- (a) the parties herein shall act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of our Group;
- (b) the parties herein shall give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of our Group;
- (c) the parties herein shall cast unanimous vote collectively for or against all resolutions in all board and shareholders' meetings and discussions of our Group; and
- (d) the parties herein shall cooperate with one another to obtain and maintain and consolidate control and management of our Group.

CORPORATE STRUCTURES

Corporate Structure after the Reorganization and before the Global Offering

Our corporate and shareholding structure after the Reorganization and immediately before the completion of the Global Offering is as follows:



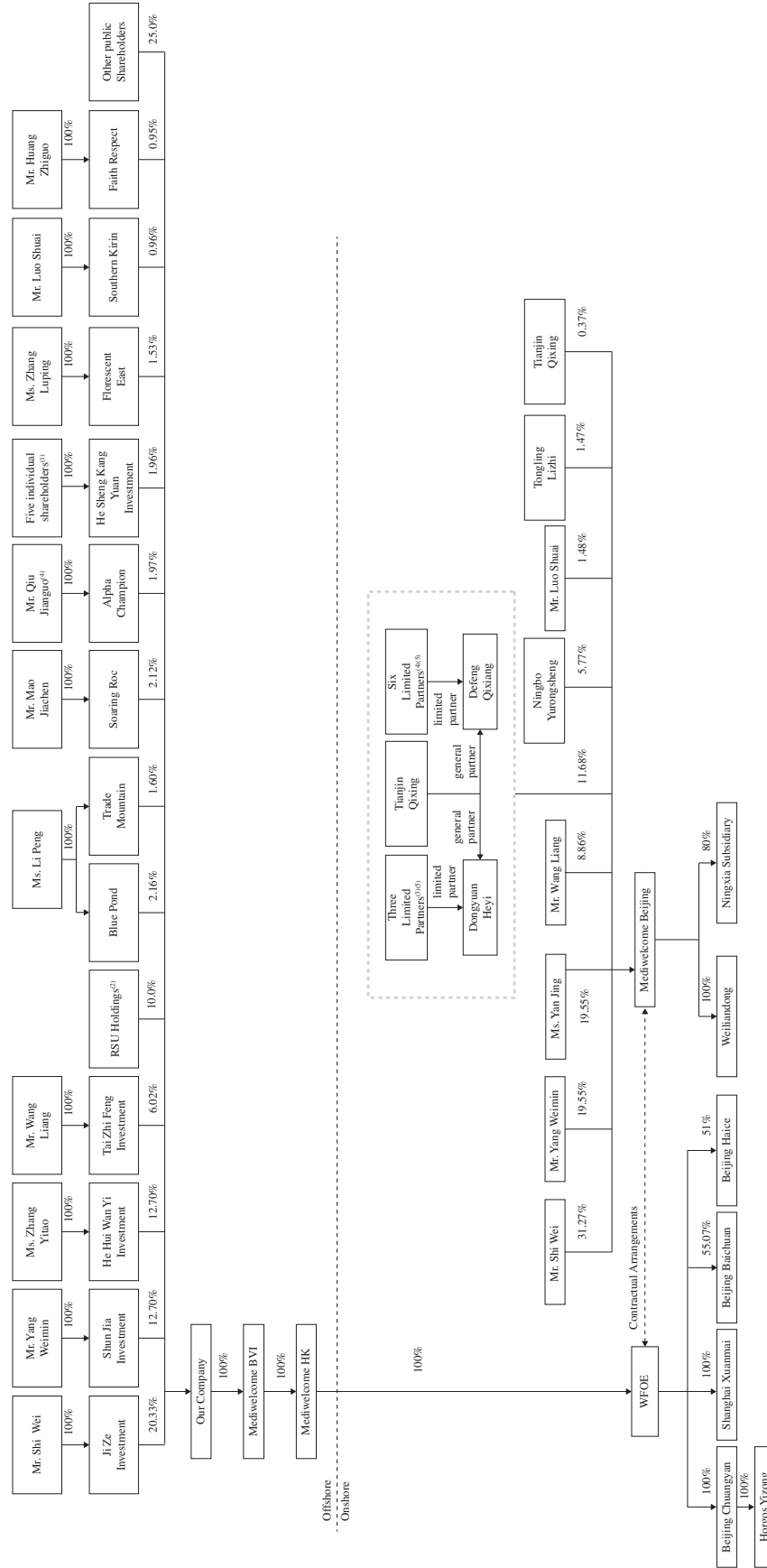
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Notes:

- (1) Five individual shareholders are Ms. Zhao Luyang, Ms. Liu Guijin, Mr. Sui Huijun, Mr. Wang Wei and Mr. Yin Xingri, who holds 38.84%, 35.69%, 10.32%, 10.32% and 4.83% of the equity interest of He Sheng Kang Yuan Investment, respectively.
- (2) RSU Holdings is wholly-owned by The Core Trust Company Limited, the trustee for the purpose of establishing and managing the RSU Scheme.
- (3) The general partner of Dongyuan Heyi is Tianjin Qixing, which is owned by Mr. Shi Wei, Mr. Yang Weimin and Mr. Wang Liang, each a Controlling Shareholder and an executive Director. Dongyuan Heyi has three limited partners that are Mr. Qiu Jianguo, Ms. Zhang Luping and Ms. Liu Guijin, each of whom holds 55.79%, 24.24% and 19.73% of the equity interest of Dongyuan Heyi, respectively. Ms. Zhang Luping and Ms. Liu Guijin are senior managements of Mediwelcome Beijing and Mr. Qiu Jianguo is a private investor.
- (4) The general partner of Defeng Qixiang is Tianjin Qixing, which is owned by Mr. Shi Wei, Mr. Yang Weimin and Mr. Wang Liang, each a Controlling Shareholder and an executive Director. Defeng Qixiang has six limited partners that are Mr. Mao Jiachen, Mr. Zhao Luyang, Ms. Zhang Luping, Mr. Sui Huijun, Mr. Wang Wei and Mr. Yin Xingri, who hold 52.28%, 18.73%, 16.50%, 4.98%, 4.98% and 2.33% of the equity interest of Defeng Qixiang, respectively. All of the limited partners are senior management of Mediwelcome Beijing except for Mr. Mao Jiachen, who is a private investor.
- (5) Prior to the Reorganization, Daohe Yilu held 6.3% shareholding interests of Mediwelcome Beijing and Mr. Qiu Jianguo beneficially owned 3.04% shareholding interests of Mediwelcome Beijing through Daohe Yilu, Mr. Qiu Jianguo still indirectly owned 3.04% shareholding interests of Mediwelcome Beijing through Dongyuan Heyi upon completion of the Reorganization. Similarly, prior to the Reorganization, Mr. Mao Jiachen beneficially owned 3.26% shareholding interests of Mediwelcome Beijing through Daohe Yilu, Mr. Mao Jiachen still indirectly owned 3.26% shareholding interests of Mediwelcome Beijing through Defeng Qixiang upon completion of the Reorganization.

Corporate Structure immediately following the Global Offering

Our corporate and shareholding structure immediately after the completion of the Global Offering will be as follows (taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme):



HISTORY AND REORGANIZATION

Notes:

- (1) Five individual shareholders are Ms. Zhao Luyang, Ms. Liu Guijin, Mr. Sui Huijun, Mr. Wang Wei and Mr. Yin Xingri, who holds 38.84%, 35.69%, 10.32%, 10.32% and 4.83% of the equity interest of He Sheng Kang Yuan Investment, respectively.
- (2) RSU Holdings is wholly-owned by The Core Trust Company Limited, the trustee for the purpose of establishing and managing the RSU Scheme.
- (3) The general partner of Dongyuan Heyi is Tianjin Qixing, which is owned by Mr. Shi Wei, Mr. Yang Weimin and Mr. Wang Liang, each a Controlling Shareholder and an executive Director. Dongyuan Heyi has three limited partners that are Mr. Qiu Jianguo, Ms. Zhang Luping and Ms. Liu Guijin, each of whom holds 55.79%, 24.24% and 19.73% of the equity interest of Dongyuan Heyi, respectively. Ms. Zhang Luping and Ms. Liu Guijin are senior managements of Mediwelcome Beijing and Mr. Qiu Jianguo is a private investor.
- (4) The general partner of Defeng Qixiang is Tianjin Qixing, which is owned by Mr. Shi Wei, Mr. Yang Weimin and Mr. Wang Liang, each a Controlling Shareholder and an executive Director. Defeng Qixiang has six limited partners that are Mr. Mao Jiachen, Mr. Zhao Luyang, Ms. Zhang Luping, Mr. Sui Huijun, Mr. Wang Wei and Mr. Yin Xingri, who hold 52.28%, 18.73%, 16.50%, 4.98%, 4.98% and 2.33% of the equity interest of Defeng Qixiang, respectively. All of the limited partners are senior management of Mediwelcome Beijing except for Mr. Mao Jiachen, who is a private investor.
- (5) Prior to the Reorganization, Daohe Yilu held 6.3% shareholding interests of Mediwelcome Beijing and Mr. Qiu Jianguo beneficially owned 3.04% shareholding interests of Mediwelcome Beijing through Daohe Yilu, Mr. Qiu Jianguo still indirectly owned 3.04% shareholding interests of Mediwelcome Beijing through Dongyuan Heyi upon completion of the Reorganization. Similarly, prior to the Reorganization, Mr. Mao Jiachen beneficially owned 3.26% shareholding interests of Mediwelcome Beijing through Daohe Yilu, Mr. Mao Jiachen still indirectly owned 3.26% shareholding interests of Mediwelcome Beijing through Defeng Qixiang upon completion of the Reorganization.

PRC LEGAL COMPLIANCE

SAFE Registration

Pursuant to the Circular No. 37 promulgated by the SAFE and came into force on July 4, 2014, a PRC citizen residing in the PRC or an overseas individual who does not hold a Chinese identity document but has a habitual residence in China due to economic interests (a “**PRC Resident**”) must register with the local branch of SAFE before he contributes legal assets or equity interests in China or overseas in an oversea special purpose vehicle, which is directly incorporated or indirectly controlled by the PRC Resident for the purpose of overseas investment or financing.

Pursuant to the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for 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》) (the “**Circular No. 13**”) promulgated by the SAFE and came into force on June 1, 2015, SAFE canceled the foreign exchange registration approval under overseas direct investment. The banks would review and carry out foreign exchange registration under overseas direct investment directly, and SAFE and its branches shall implement individual supervision over foreign exchange registration of overseas direct investment via the banks.

HISTORY AND REORGANIZATION

As confirmed by our PRC Legal Advisers, the ultimate shareholders of our Company, namely Mr. Shi Wei, Mr. Yang Weimin, Mr. Wang Liang, Mr. Luo Shuai, Ms. Zhao Luyang, Ms. Liu Guijin, Mr. Sui Huijun, Mr. Wang Wei, Mr. Yin Xingri, Ms. Li Peng, Mr. Mao Jiachen, Mr. Qiu Jianguo, Ms. Zhang Luping and Mr. Huang Zhiguo have completed the foreign exchange registrations with State Administration of Foreign Exchange, Beijing Branch on May 15, 2019 respectively pursuant to Circular No. 37 and Circular No. 13 in relation to their offshore investments as PRC residents.

M&A Rules

According to the M&A Rules, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise (the “**M&A Rules Acquisitions**”). The M&A Rules, among others, further require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisers are of the opinion that it is not necessary for us to obtain any prior approval from the MOFCOM or the CSRC for the Listing and trading of our Shares on the Stock Exchange for the reasons that (i) the establishment of WFOE was through establishing a new subsidiary by Mediwelcome HK, instead of a foreign merger or acquisition of a domestic company specified in the M&A Rules; (ii) WFOE acquired the equity interests of the four subsidiaries instead of purchasing and operating the assets of a domestic enterprise and therefore, the establishment of WFOE and the acquisition of the equity interests from the four subsidiaries to Mediwelcome Beijing is not an M&A Rules Acquisition; (iii) our Company has not conducted any M&A Rules Acquisitions; and (iv) our Group’s onshore Reorganization is not subject to M&A Rules.

OVERVIEW

We are the largest provider in the Integrated Healthcare Marketing Solutions Market for CCVDs in China in terms of revenue in 2019, with a market share of 4.9% in the highly fragmented integrated healthcare marketing solutions industry for CCVDs, according to the CIC Report. The Integrated Healthcare Marketing Solutions Market for CCVDs in China was a RMB5.6 billion market in 2019, accounting for approximately 10.6% of the overall Integrated Healthcare Marketing Solutions Market in China. Founded in 2000, we primarily provide (i) medical conference services, (ii) patient education and screening services, and (iii) marketing strategy and consulting services with the goal to address the unmet needs of each key constituent of the CCVD healthcare ecosystem, including physicians, patients, pharmaceutical companies, medical NGOs and hospitals, and to bridge the gaps among these constituents. In addition to providing integrated healthcare marketing solutions, we also began to offer CRO services in late 2019 which primarily consist of patients' recruitment and clinical data collection services, and internet hospital services which mainly provide online follow up consultation to the physicians' existing patients and e-prescription service. We have been committed to enabling better medical service and patient experience, improved disease control and lower the burden on the healthcare system in the long run.

We benefit from a high quality base of well-known customers and a physicians network, which have been crucial to our historical success. We have collaborated with some of China's most esteemed medical NGOs, including the only medical association for CCVDs recognized by the CAST, which is the official organization for national professional societies in relation to science and technology in China. According to the CIC Report, among the global top ten pharmaceutical companies in terms of revenue in 2019, five were our customers during the Track Record Period. Moreover, we have developed a network of approximately 24,000 CCVD physicians as of June 30, 2020, among which over 70% worked for Grade 3 hospitals in China. All these physicians have participated in our provision of integrated healthcare marketing solutions. We have also established a medical advisory panel comprising four influential and well-recognized CCVD physicians to advise us on our strategic direction and business expansion, including the development of internet hospital services and CRO services.

We have built various technology platforms to enhance our integrated healthcare marketing solutions. To strengthen our conference management capabilities, we have launched the Conference+ App (醫會+) for users, i.e. medical NGOs and pharmaceutical companies, to submit onsite conference requests and monitor conference implementation. We have also acquired Weiliandong, the owner of the Giraffe Platform which is a video conferencing and online education tool that enables hospitals to host or attend online medical conferences and access training videos recorded by physicians. To boost our patient education and screening capabilities, we developed and launched the Online Conference Assistant (線上會議助手), a WeChat mini-program that assists physicians in organizing and managing onsite patient education classes, as well as various WeChat public accounts where patients can find self-management support through watching educational videos, reading disease-related

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educational articles and conducting disease risk screening. Under our internet hospital segment we developed a mobile platform which offers online consultation and e-prescription services as of the Latest Practicable Date.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue was RMB258.9 million, RMB299.0 million, RMB427.2 million, RMB161.9 million and RMB138.7 million, respectively. For the corresponding periods, our net profit/(loss) was RMB30.2 million, RMB39.7 million, RMB22.1 million, RMB2.1 million and RMB(4.0) million, respectively. Our adjusted profit (which is a non-HKFRS measure and is adjusted by excluding the effect of Listing expenses) for the year ended December 31, 2019 and the six months ended June 30, 2020 was RMB35.7 million and RMB(0.5) million, respectively. Please refer to “Financial Information — Non-HKFRS Measures” for details.

COMPETITIVE STRENGTHS

China’s largest provider in the Integrated Healthcare Marketing Solutions Market for CCVDs

We are the largest provider in the Integrated Healthcare Marketing Solutions Market for CCVDs in China in terms of revenue in 2019, with a market share of 4.9% in the highly fragmented integrated healthcare marketing solutions industry for CCVDs, according to the CIC Report. The Integrated Healthcare Marketing Solutions Market for CCVDs in China was a RMB5.6 billion market in 2019, accounting for approximately 10.6% of the overall Integrated Healthcare Marketing Solutions Market in China. Founded in 2000, we have offered integrated healthcare marketing solutions to key constituents in the CCVD healthcare ecosystem for close to 20 years. CCVDs are one of the most prevalent diseases in China. In 2019, there were approximately 380.9 million CCVD patients in China, representing approximately 26.8% of the total population in China. This number is expected to increase to approximately 428.6 million in 2024, according to the CIC Report. Due to the factors described below, CCVDs are emerging as an epidemic and a major public health concern in China.

- *Low diagnosis and treatment rates.* Due to the lack of awareness for chronic diseases and undersupply of well-trained physicians, the CCVD diagnosis rate in China is significantly lower than that in the United States. According to the CIC Report, in 2019, the diagnosis rate of hypertension, being the leading cause of CCVDs, was 47.0% in China, compared to 84.1% in the United States. Even if diagnosed, patients are generally not effectively treated in China as chronic diseases require long-term care and patient self-management. The treatment rate of hypertension in China was only 41.1%, compared to 76.0% in the United States in 2018;
- *Aging population.* Studies have shown that the risk of CCVDs increases significantly in populations of 65 years and above, according to the CIC Report. China faces an aging population where the population of 65 years and above

increased from approximately 135.2 million in 2015 to approximately 166.4 million in 2019 at a CAGR of 5.3%, and is expected to reach approximately 196.9 million in 2024 at a CAGR of 3.4%; and

- *High CCVD risk in younger populations.* Unhealthy lifestyle choices are primary risk factors that predisposes many people to hypertension, hyperlipidemia, obesity, diabetes, stroke and heart failure. China has a large smoking population and a strong culture of alcohol consumption. Intensifying work pressure, unhealthy diets and lack of exercise have contributed to an increase in CCVD prevalence in younger generations of 20 to 40 years old from approximately 49.0 million in 2015 to approximately 51.0 million in 2019.

We believe the growing CCVD patient population in China will lead to an increasing demand for integrated healthcare marketing solutions for CCVDs. Furthermore, in a highly fragmented industry, we believe that we will be able to leverage our leading position in the industry to solidify our market share under market consolidation.

Unique and comprehensive service portfolio to serve key constituents in the CCVD healthcare ecosystem

The CCVD healthcare ecosystem in China is complex with multiple constituents, including physicians, patients, pharmaceutical companies, medical NGOs and hospitals. Our founders recognized the inefficiencies and limitations often associated with the PRC healthcare system, one that is characterized by uneven distribution of medical resources. Since our inception in 2000, our goal has been to address the unmet needs of each key constituent of the CCVD healthcare ecosystem. We have been able to bridge the gaps among these constituents through our services, which translates into better medical service and patient experience, improved disease control and lower the burden on the healthcare system in the long run.

- *Physicians.* According to the CIC Report, medical resources are unevenly distributed in China. As a result, physicians in Grade 3 hospitals are overstretched with significant patient inflow while there is a shortage of well-trained and experienced physicians in hospitals in lower-tier cities and rural areas. To address this, we organize onsite and online CME conferences for physicians to improve their quality of care and service capabilities. We also maintain various WeChat public accounts, through which physicians can recommend educational videos and disease-related educational articles to patients.
- *Patients.* Due to the uneven distribution of medical resources in China, patients' consultation time and interaction with physicians are limited. Patient education is especially critical for CCVDs, considering that chronic diseases require adherence to a lifetime of treatment regimens and disease management. We organized over 37,690 onsite patient education classes for CCVD patients during the Track Record Period. Our patient education and screening tools on our WeChat public accounts

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encourage better patient self-care and disease control. We also offer onsite and online disease risk screening services through which patients can test their susceptibility to CCVDs, which enhances disease awareness and diagnosis rates.

- *Pharmaceutical companies.* Communication with physicians is crucial for pharmaceutical companies to update physicians with advancements in the performance standards in medical practice and clinical use of drugs. However, there are limitations on pharmaceutical companies' interaction with physicians in the PRC under the internal compliance policies of pharmaceutical companies and the requirement of hospitals. Our medical conferences provide a platform for pharmaceutical companies and physicians to share experience in medical practice. In addition, our marketing strategy and consulting services assist pharmaceutical companies in formulating and implementing effective business strategies, which enhance their brand and product awareness among physicians.
- *Medical NGOs.* Medical NGOs in China primarily consist of medical associations and foundations. China's medical associations are responsible for setting and encouraging the adoption of guidelines, standards of care and clinical pathways in medical practice. The mission of China's medical foundations is to raise funds for public healthcare projects. Promoting official healthcare policies is the core function of medical NGOs in China, according to relevant PRC regulations. Please refer to "Regulatory Overview — Laws and Regulations Applicable to NGO" for details. Medical NGOs receive government fundings when they participate government-led public welfare projects, such as poverty alleviation projects. On the other hand, medical NGOs do not receive any government funding for self-planned and self-led projects as they achieve their public objectives and promote public interests by utilizing non-government fundings. We assist medical NGOs in organizing large-scale physician education and patient education and screening projects that typically need substantial manpower.
- *Hospitals.* We believe that our medical conference services help hospitals, particularly those in lower-tier cities and rural areas, improve their quality of care and service capabilities by training up their physicians and implementing guidelines, standards of care and clinical pathways set by medical associations in medical practice. In addition, our patient education and screening services enable hospitals to enhance their patient education and screening capabilities. We believe that our services will help ease pressure on overburdened Grade 3 hospitals and redirect CCVD patient flow to hospitals in lower-tier cities and rural areas.

Please refer to "— Market Positioning and Business Model" for more information of our business model.

High quality customer base and physicians network

We believe that our long-term and stable business relationships with national medical NGOs and well-known pharmaceutical companies have been crucial to our historical success. We have collaborated with some of China's most esteemed medical NGOs, including the only medical association for CCVDs recognized by the CAST, which is the official organization for national professional societies in relation to science and technology in China. We have entered into strategic cooperation agreement with this medical association for medical conference services and patient education and screening services. According to the CIC Report, among the global top ten pharmaceutical companies in terms of revenue in 2019, five were our customers during the Track Record Period.

Our network of physicians is instrumental to our ability to provide high quality medical conference services and patient education and screening services. Through our conferences and technology platforms, we have developed a network of approximately 24,000 CCVD physicians as of June 30, 2020, among which over 70% worked for Grade 3 hospitals in China. All these physicians have participated in our provision of integrated healthcare marketing solutions. We have established a medical advisory panel to advise us on our strategic direction and business expansion, including the development of internet hospital services and CRO services. Please refer to “— Business Strategies.” Our medical advisory panel comprises four influential and well-recognized CCVD physicians who practice medicine in hospitals located in various regions in China and the United States, providing us with insights on industry trends and strategic and business advice.

Various technology platforms that support our service portfolio

As technology continues to play a pivotal role in our daily lives, we have built the following technology platforms to enhance our integrated healthcare marketing solutions.

- *Conference management.* In 2018, we engaged an Independent Third Party developer to develop the Conference+ App, which allows users, i.e. medical NGOs and pharmaceutical companies, to submit onsite conference requests and monitor conference implementation. The Conference+ App also assists pharmaceutical companies in conducting more effective internal compliance by serving as a record-keeping tool for critical information such as budget, time, location and number of attendees for a conference. As of the Latest Practicable Date, we had organized more than 22,000 seminars through the Conference+ App. We acquired Weiliandong, the owner of the Giraffe Platform which is a video conferencing and online education tool with hardware and software systems that enable hospitals to host or attend online medical conferences and access training videos recorded by physicians. As of the Latest Practicable Date, all 36 provincial membership hospitals in all 31 provinces and autonomous regions in China of the China Stroke Center Alliance (中國卒中中心聯盟) (“CSCA”), a national alliance that specifically targets stroke prevention and treatment, had installed the hardware and software of the Giraffe Platform.

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- *Patient education and screening.*
 - *Onsite education.* In 2017, we developed and launched the Online Conference Assistant, a WeChat mini-program that assists physicians in organizing and managing onsite patient education classes. Physicians can log into the Online Conference Assistant and select date and location to convene a patient education class. We would then offer onsite support and prepare materials used for onsite patient education classes. As of the Latest Practicable Date, we had organized more than 11,000 onsite patient education classes through the Online Conference Assistant.
 - *Online education.* As of the Latest Practicable Date, we had maintained three WeChat public accounts as the patient gateway where patients can find self-management support through watching educational videos, reading disease-related educational articles and conducting disease risk screening. We have developed a gateway for physicians to record educational videos. Physicians can send a QR code specifically assigned to each educational video to their patients who can then access the video through our WeChat public accounts. During the Track Record Period, we produced approximately 51,200 videos with over 1.0 million views in total.
 - *Disease risk screening services.* We provided online disease risk screening services to patients through our WeChat public accounts. Patients can test their susceptibility to CCVDs through a WeChat mini-program that we developed with a medical association. This mini-program can help identify patients and reduce incidences of stroke. We provide health and lifestyle recommendations by sending educational articles to patients based on the screening results.
 - *Internet hospital services.* We provide our internet hospital services through a mobile platform, including a WeChat public account, Mediwelcome Doctor+ (麥迪衛康醫加), which is used by patients, and a mobile app, Doctor+ for Doctors (醫加醫生端), which is used by physicians. The mobile app can be downloaded through the Apple App Store and Android app stores in China. Together, the WeChat public account and the mobile app form a mobile platform to offer online consultation and e-prescription services. As of the Latest Practicable Date, the maximum monthly active users of the WeChat public account and the mobile app is over 2,840 and 1,010, respectively. As of the same date, over 17,000 online consultations were conducted and over 8,000 online orders of prescribed medicine were made through the mobile platform since its launch in October 2019. We believe that this mobile platform will enable us to increase customer stickiness and enable us to build a comprehensive platform with a strong base of active users.

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Our various technology platforms help us to organize and store operational information in our database and enable us to access more patients through our physicians network. We believe that our technology platforms lay the foundation for the development of our internet hospital services which physicians and patients would be its core users.

Visionary and stable management team

We were founded in 2000. Most of our five founders have been and continue to be the driving force of our business. With our founders' deep understanding of the needs of each constituent in the CCVD healthcare ecosystem, we have been able to develop integrated healthcare management solutions that are tailored to address unmet needs of our customers. Mr. Shi Wei (施煒), our founder and chairman of our Board, is responsible for developing our overall business strategy. Mr. Wang Liang (王亮), our founder and chief executive officer, is responsible for our strategic planning and overseeing the day-to-day operations of our business. Mr. Yang Weimin (楊為民), our founder and vice chairman of our Board, is responsible for our strategic planning and assisting in our business management. Our founder team is complemented by a senior management team with in-depth industry experience to implement our strategy and manage our business development.

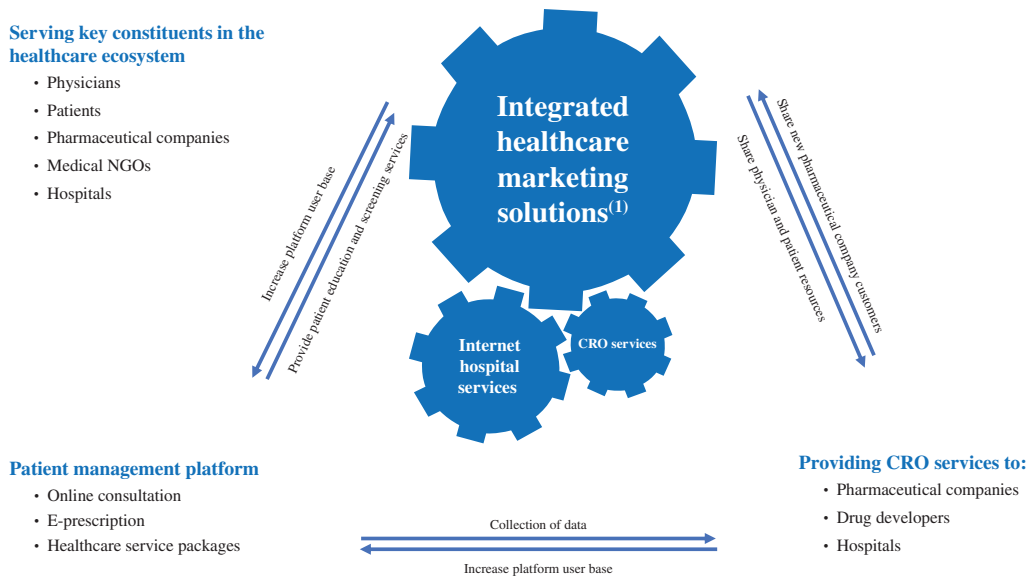
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Overview

Since our inception in 2000, we have been committed to bridging gaps among key constituents of the CCVD healthcare ecosystem through the three pillars of our service portfolio, which consists of (i) medical conference services, (ii) patient education and screening services, and (iii) marketing strategy and consulting services. Through these services, we have been able to develop a physicians network, enhance our patient education and screening capabilities and build stable relationships with well-known medical NGOs and pharmaceutical companies. In particular, we have been able to access a substantial patient pool through our patient education and screening services.

In the next phase of our development, we plan to continue to expand and strengthen our integrated healthcare marketing solutions by broadening our customer base, disease area coverage and patient base. Moreover, we plan to better serve the key constituents of the healthcare ecosystem in China by consolidating the physician resources and expertise, pharmaceutical company resources and patient base that we have accumulated over almost 20 years and providing a comprehensive portfolio of value-added services by growing our internet hospital platform. Furthermore, we intend to expand our CRO services. We believe that we will be able to synergize our integrated healthcare marketing solutions and our business strategy to achieve continued business growth, as illustrated in the following diagram.

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Note:

- (1) Denotes medical conference services, patient education and screening services and marketing strategy and consulting services.

Expand and strengthen our integrated healthcare marketing solutions

We believe that the key to expanding our integrated healthcare marketing solutions is to capture a larger patient pool, and we plan to do so by growing our customer base, expanding our disease area coverage and providing more disease risk screening services directly to patients:

- *Strengthen relationships with PRC pharmaceutical companies.* We plan to expand our customer base to reach more PRC pharmaceutical companies. Historically, global pharmaceutical companies and medical NGOs have been our major customers. Policies introduced by the PRC Government in recent years, such as Guiding Opinions on Strengthening and Boosting Technological Innovations in Food and Drug Fields (《關於加強和促進食品藥品科技創新工作的指導意見》), encourage domestic research and development of innovative drugs and lead to an increase in the pipeline of innovative CCVD drugs from PRC pharmaceutical companies. As PRC pharmaceutical companies increasingly market and commercialize innovative new drugs, we plan to enhance our sales and marketing efforts to solidify business relationships with them, including through introduction by existing customers and our physicians network and inviting PRC pharmaceutical companies to attend our medical conferences. We believe our historical track record and strong reputation built from serving global pharmaceutical companies will enable us to be a preferred business partner of PRC pharmaceutical companies when they seek to market their drug products. By establishing relationships with PRC

pharmaceutical companies, we believe we will be able to capture more opportunities for our marketing strategy and consulting services, as well as secure more sponsorships for medical conventions commissioned by medical NGOs.

- *Broaden disease area coverage.* We plan to further develop our business in diabetes and respiratory diseases, two growing disease areas with increasing patient population in China. In light of growing patient populations, the PRC Government has issued a series of policies to control the incidence of diabetes and respiratory diseases in China by enlarging disease diagnosis rates and awareness, which are expected to drive the demand for integrated healthcare marketing services. Please refer to “Industry Overview — Integrated Healthcare Marketing Solutions Industry for Diabetes and Respiratory Diseases in China” for details. Leveraging our business relationship with pharmaceutical companies and medical NGOs focused on both CCVD and non-CCVD area, we began to increasingly cooperate with them to organize more medical conferences in relation to diabetes and respiratory diseases since 2019. In the first half of 2020, we obtained two medical conference contracts in diabetes and respiratory diseases with total contract value of approximately RMB27.0 million. Apart from obtaining projects from existing customers, we also plan to broaden our disease area coverage through acquisition of integrated healthcare marketing solutions providers and medical consulting and advisory service providers in such a highly fragmented industry. We will primarily focus on potential acquisition targets for integrated healthcare marketing solutions providers with capabilities in diabetes and/or respiratory diseases. In particular, we aim to acquire those that have a strong business network in first tier cities in China with a mid-size team of employees and annual revenue of approximately RMB20.0 million. We are seeking to acquire medical consulting and advisory service providers which have established relationships with global pharmaceutical companies that are able to provide similar services as our medical team. We aim to acquire those with a small to medium-size team of employees that have medical-related degrees and extensive relevant experience, and annual revenue of approximately RMB5.0 million. We expect the investment costs for each potential acquisition to not exceed RMB100.0 million and we are primarily considering target companies with an expected payback period of five to six years and an internal rate of return ranging from 20% to 30%. As of the Latest Practicable Date, we did not have any specific targets and were not in negotiations with any specific targets;
- *Offer disease risk screening services.* We plan to offer onsite disease risk screening services in lower-tier cities and rural areas in the PRC, as many CCVD patients in these regions are not aware of their illness due to the lack of disease risk screening services and patient education. Our strategy is in line with a series of policies introduced by the PRC Government to control the CCVD epidemic in China, such as the State Council’s Opinions on Implementing Healthy China Program (《國務院關於實施健康中國行動的意見》), which aims to reduce the premature mortality of common chronic diseases, such as CCVDs, from 19.1% in 2015 to 13.4% by 2030. We believe disease risk screening is the first step to increasing awareness, diagnosis

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and disease management for CCVDs. During the Track Record Period, we offered onsite disease risk screening services for hypertension and hyperlipidemia mostly in hospitals in downtown areas of first-tier cities. When disease risk screening in first-tier cities are completed, we expect that medical NGOs will launch disease risk screening projects in lower-tier cities and rural areas, including Tianjin, Chongqing, provincial capital cities and hundreds of smaller cities. In April 2019, we started to implement the Vascular Center of Health Management Project (基層血管健康管理中心項目) initiated by a medical association to extend these disease risk screening services to hospitals in lower-tier cities and rural areas. Under this project, we are engaged to carry out patient education classes after screening out patients. As of the Latest Practicable Date, we secured four package projects from medical NGOs which combine disease risk screening with patient education covering over 400 hospitals and other medical institutions, such as community health centers, in lower-tier cities and rural areas. We have witnessed increasing demand of such package projects. The two package projects we obtained in 2018 include approximately 1,500 disease risk screenings and approximately 1,500 patient education classes, while the two package projects we obtained in 2019 include 3,200 disease risk screenings and 4,200 education classes. In the long run, as patients are identified through these disease risk screening projects, medical NGOs will initiate more patient education projects in lower-tier cities and rural areas which drive demand for our services. Moreover, disease risk screening would enable us to reach potential users for our internet hospital services and patients that are willing to participate in our CRO services.

We plan to consolidate the data and resources that we have accumulated through the provision of our services by building an online database to facilitate better patient education and screening and patient experience. With patients' consent, physicians will then be able to access such data and review patients' medical history. In order to build our online database and to provide better services as our business expands, we plan to recruit additional personnel to collect medical history of consenting patients, upload information to our online database, help physicians to follow up with patients and ensure that they adhere to prescribed treatment regimens. We currently plan to recruit approximately 180 new employees over the next three years, including approximately 100 employees to cover over 1,000 hospitals in lower-tier cities and rural areas in China who would station in hospitals to organize and oversee the disease risk screening onsite. Our employee to hospital ratio is projected to increase from approximately 1:26 to 1:10 going forward, as there are fewer hospitals in lower-tier cities and rural areas, which are generally more spread out across a larger region, and the number of hospitals an individual employee is able to cover would be fewer and therefore more employees are required. With assistance of part-time personnel, during the six months ended June 30, 2020, we covered around 250 hospitals. As of June 30, 2020, we had a disease risk screening operation team of 22 full-time employees. Leveraging our market position and reputation, we believe we can source more projects in this highly fragmented market as medical NGOs are reaching to lower-tier cities and rural areas. We also plan to use less part-time personnel, as full-time employees will be able to keep in touch with patients identified through the screenings, which constitute an important source of the customer base of our internet hospital

services. Apart from the approximately 100 employees planned to be recruited for organizing onsite disease risk screenings, approximately 80 new employees are planned to be recruited to strengthen our business network in, and coverage of, cities with developed healthcare infrastructure, aiming to develop PRC pharmaceutical company customers and broadening our disease area coverage, and to execute new projects.

Complementing our service capabilities through the development of internet hospital services

In late 2019, we launched our internet hospital services by leveraging the resources that we have accumulated through our integrated healthcare marketing solutions over almost 20 years. Please refer to “Industry Overview — Integrated Healthcare Marketing Solutions Industry for CCVDs in China — Market Drivers and Future Trends — Internet Hospital Services” for details. Through our long history of organizing medical conferences, patient education classes and disease risk screening projects concentrating in CCVD, we have established strong relationships with and gained market reputation among CCVD physicians and patients. The internet hospital service we plan to develop is a natural extension of CCVD patients’ face-to-face consultation with physicians. Chronic disease patients such as CCVD patients require lifetime of treatment and disease management, as well as routine consultation with familiar and trusted physicians. With increasing awareness of CCVD patients, we believe internet hospital services which enable patients seeking online routine consultation with reliant physicians, as well as receiving e-prescription and drug delivery, will have great market potential.

We provide our internet hospital services through a WeChat public account, Mediwelcome Doctor+ (麥迪衛康醫加), which is used by patients, and a mobile app, Doctor+ for Doctors (醫加醫生端), which is used by physicians. The mobile app can be downloaded through the Apple App Store and Android app stores in China. Together, the WeChat public account and the mobile app form a mobile platform to offer online follow up consultation and e-prescription services. The mobile platform also enables us to consolidate and offer our existing patient education and screening and medical conference services through one portal, which improves our existing patient education and screening services by allowing physicians to closely follow up on the health status of their patients, as well as providing comprehensive services to physicians, from CMEs to online consultations with patients and other medical experts. We believe that the mobile platform with integrated services will allow us to increase customer stickiness and enable us to build a comprehensive platform with a strong base of active users. As of the Latest Practicable Date, we provided online consultation services and e-prescription services on the internet hospital. Please refer to “Business — Our Services — Other Services — Internet Hospital Services” for details.

According to applicable PRC laws and regulations, initial outpatient consultation with physicians may not be provided by internet hospital service providers. We have started to commence our internet hospital services in late 2019 and plan to leverage our physicians network to attract medical groups to provide online consultation to patients through our internet hospital services, thus enabling more physicians to offer multi-site medical care in the

long term. During the initial launch of our mobile platform, online consultation services are being offered free of charge to patients, to attract more patients and gain market share. Going forward, we may begin to charge patients for such services and share in the revenue with their respective physicians, but we currently do not have exact timeline.

We are in the process of developing additional services and functions of our mobile platform. For instance, we plan to launch genetic testing and expert consultation services in the first half of 2021. Our genetic testing services will enable patients to test their predisposition for certain diseases by ordering genetic tests through our internet hospital. The genetic testing kit will be delivered to patients, and the testing sample will be sent to third-party testing agencies, which then deliver the results to patients and their physicians. We will share in the revenue from genetic testing with third-party testing agencies and physicians. Our expert consultation service provides a portal for local physicians to connect with other physicians and experts to resolve difficult medical issues on our internet hospital platform. In addition to new services, we also plan to consolidate and offer our integrated healthcare marketing solutions on our internet hospital mobile platform, where physicians can more conveniently attend online medical conferences and manage their patients. Moreover, we plan to explore cooperation opportunities with other healthcare service providers to offer patient comprehensive healthcare service packages, including referral of family doctor, hospital appointment-making and hospitalization arrangement services.

Our cost components for internet hospital services primarily include staff costs as we expand our team to develop and support such services, as well as mobile platform development costs. As of the Latest Practicable Date, we have recruited one chief technology officer and a number of regional sales directors and sales and marketing personnel. As we continue to develop our internet hospital service, we expect our team for internet hospital services to consist of (i) one chief technology officer and six regional sales directors responsible for overseeing and managing our internet hospital services, (ii) 25 to 35 account managers responsible for recruiting physicians to offer online consultation service through our mobile platform and to maintain existing physicians, (iii) 25 to 35 account managers responsible for liaising with pharmaceutical companies and pharmacies to develop e-prescription service, and (iv) eight to 12 employees responsible for providing IT support. We estimate to fund the development of our internet hospital services with approximately RMB45.0 million during 2021 to 2023, approximately 52% of which will be funded by net proceeds from the Global Offering and approximately 48% using cash from operating activities.

Further expand our CRO services

CRO services are contracted research services in industries such as biotechnology industry and pharmaceutical industry, which typically include biologic assay development, biopharmaceutical development, pre-clinical studies and clinical research and management of clinical trials. Demand for CRO services is driven by the increasing expenditure in the healthcare industry. Please refer to “Industry Overview — Integrated Healthcare Marketing Solutions Industry for CCVDs in China — Market Drivers and Future Trends — CRO Services” for details. As a significant part of clinical trial management, CRO services involves

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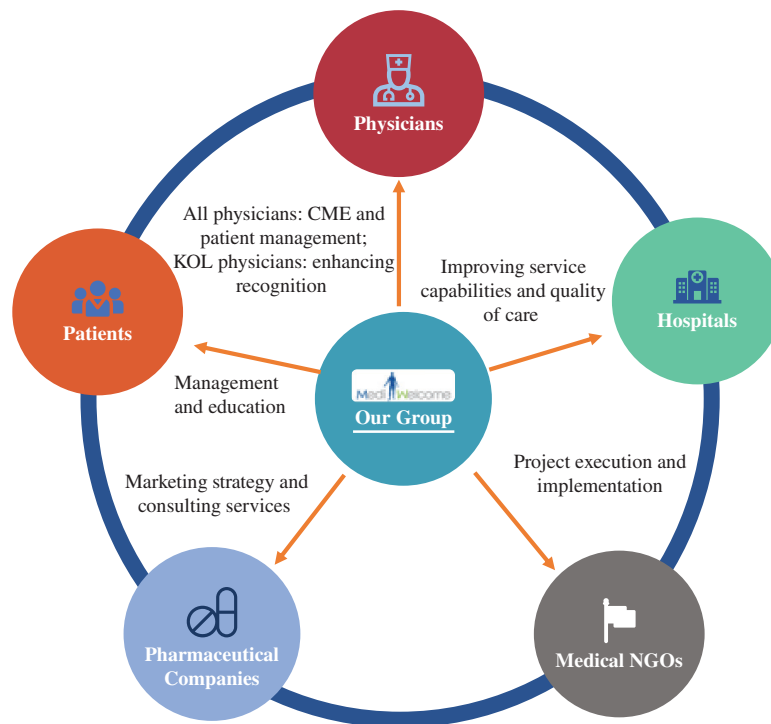
assisting pharmaceutical companies and drug developers to recruit patients for their clinical trials, collect and analyze trial data, and provide relevant patient follow-up services. Leveraging our physicians network, patient education and screening capabilities, access to patients and long-established relationship with pharmaceutical companies, we believe we are well-positioned to provide CRO services to pharmaceutical companies, as a natural extension of our patient education and screening services and drug developers. For instance, our physicians network and their patient base will enable us to efficiently identify suitable clinical trial patients for pharmaceutical companies and drug developers. In addition, we believe that the experience we have accumulated through working with physicians and patients in our patient education and screening services provides us with know-how in managing and monitoring patients during clinical trials, such as assisting pharmaceutical companies and drug developers to ensure that patients follow trial protocol. Moreover, we believe that our long-term and stable business relationships with pharmaceutical companies, combined with our high quality services and our physicians network, provides us with a competitive edge over other competitors in the CRO industry in China.

We aim to offer a combination of patient management and data recording and analysis services, as well as post-market drug safety assessment, enabling us to provide data analysis services to pharmaceutical companies and drug developers. In addition, we plan to offer patient enrollment services that efficiently match suitable patients to clinical trials. We also plan to offer clinical site management services to pharmaceutical companies and drug developers starting from 2021, which will assist them in managing clinical trial sites in hospitals. As of the Latest Practicable Date, we had entered into several CRO service contracts on a fee-for-service basis with a total contract value of RMB31.4 million, under which we are mainly responsible for assisting our customers to collect and record patient data from customers' clinical trials, monitoring the integrity and accuracy of data recorded, reviewing and organizing data records and conducting follow-up visits with patients. Intellectual property of data from the projects related to our CRO services are typically owned by our customers. Our fees relating to CRO services are generally determined based on various factors, including nature of services, scale and length of the projects and number of patients and hospitals enrolled.

We plan to build a team of experienced personnel to provide CRO services, including patient education and screening coordinators. During 2021 to 2023, we expect to fund the development of our CRO services with approximately RMB13.7 million, approximately 34% of which will be funded by net proceeds from the Global Offering and the remaining approximately 66% with net cash from operating activities.

MARKET POSITIONING AND BUSINESS MODEL

Our Group was founded in 2000 as our founders recognized the inefficiencies and limitations often associated with the PRC healthcare system, one that is characterized by uneven distribution of medical resources. Since our inception, our goal has been to address the unmet needs of each key constituent of CCVD healthcare ecosystem. We believe that we have been able to bridge the gaps among these constituents through our services, which translates into better medical service and patient experience, improved disease control and lower the burden on the healthcare system in the long run. The following diagram illustrates our market positioning and business model.



- *Physicians.* To address the shortage of well-trained and experienced physicians in hospitals in lower-tier cities and rural areas in China, we organize CME conferences for physicians. In addition, KOL physicians can enhance their recognition in the medical field by delivering speeches at our medical conventions and seminars. We also assist physicians in managing their patients through our online platforms.
- *Patients.* To address patients' short consultation time and limited interaction with physicians, we organize onsite patient education classes in various hospitals and provide online education services for patients to learn about the disease and offer both onsite and online disease risk screening services to enhance disease awareness and diagnosis rate. Our services help patients to administer better self-care and disease control.

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- *Pharmaceutical companies.* To address pharmaceutical companies' limited opportunities and resources to update physicians with advanced performance standards in medical practice and clinical use of drugs, we provide a platform for pharmaceutical companies to share experience in medical practice with physicians through our medical conferences. We also solicit sponsorship from pharmaceutical enterprises in the healthcare industry for medical conventions. Our marketing strategy and consulting services assist pharmaceutical companies in formulating and implementing effective business strategies, which enhance their brand and product awareness among physicians.
- *Medical NGOs.* To facilitate medical associations achieving their mission in setting and encouraging the adoption of guidelines, standards of care and clinical pathways in medical practice, we assist medical NGOs in organizing (i) large-scale medical conferences with an average number of attendees of over 300 in general; and (ii) patient education and screening projects, which include providing CME to physicians and offering patient education and screening services.
- *Hospitals.* To improve the quality of care and service capabilities of hospitals in lower-tier cities and rural areas in China, we are engaged by medical NGOs to organize CME conferences in these regions to train physicians and help physicians manage their patients. In addition, to assist hospitals in implementing guidelines, standards of care and clinical pathways set by medical associations in medical practice, we organize medical seminars and exchange programs with Grade 3 hospitals for physicians from hospitals in lower-tier cities and rural areas. We believe that our services will help ease pressure on overburdened Grade 3 hospitals and redirect CCVD patient flow to hospitals in lower-tier cities and rural areas.

OUR SERVICES

Our integrated healthcare marketing solutions consist of (i) medical conference services, (ii) patient education and screening services, and (iii) marketing strategy and consulting services. As advised by CIC, our Company's medical conference services, patient education and screening services, and marketing strategy and consulting services provided in the "integrated healthcare marketing solutions market" are integrated and correlated. Through organizing medical conferences and providing patient education and screening services, physicians and patients resources can be accumulated which are useful when our Company provides marketing strategy and consulting services to pharmaceutical companies. Our focus in terms of disease area was initially in stroke, and has since expanded to other CCVDs as well as other chronic diseases, such as diabetes and respiratory diseases. In addition to providing integrated healthcare marketing solutions, we also began to offer CRO services in late 2019 which primarily consist of patients' recruitment and clinical data collection services, and

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internet hospital services which mainly provide online follow up consultation to the physicians' existing patients and e-prescription service. The following table sets forth the components of our revenue and cost of sales by service type for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales	Revenue	Cost of sales
	<i>(in thousands of RMB)</i>									
Medical conference services	137,148	99,406	173,294	125,489	282,262	216,267	115,810	90,337	75,087	62,234
Patient education and screening services	78,652	62,514	77,834	59,381	72,782	61,361	18,649	16,570	27,453	22,998
Marketing strategy and consulting services	43,080	25,586	47,840	29,502	67,622	51,512	27,486	19,422	33,151	22,033
CRO services	-	-	-	-	4,482	3,064	-	-	2,920	2,928
Internet hospital services	-	-	-	-	11	87	-	-	70	356
Total	258,880	187,506	298,968	214,372	427,159	332,291	161,945	126,329	138,681	110,549

The following table sets forth a breakdown of the revenue generated from each type of services by online and offline services for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	<i>(in thousands of RMB, except for percentages)</i>									
Medical conference services										
Medical conventions	43,533	16.8%	42,313	14.2%	60,059	14.1%	30,050	18.5%	4,373	3.2%
- Offline Services	43,533	16.8	42,313	14.2	60,059	14.1	30,050	18.5	2,864	2.1
- Online Services	-	-	-	-	-	-	-	-	1,509	1.1
Medical seminars	93,615	36.2	130,981	43.8	222,203	52.0	85,760	53.0	70,714	51.0
- Offline Services	91,215	35.3	94,881	31.7	175,551	41.1	77,786	48.0	33,185	23.9
- Online Services	2,400	0.9	36,100 ⁽²⁾	12.1	46,652 ⁽²⁾	10.9	7,974	5.0	37,529	27.1
Patient education and screening services										
Patient education services	77,538	30.0	74,115	24.8	60,529	14.2	18,649	11.5	26,951	19.4
- Offline Services	19,941	7.7	44,074	14.8	38,940	9.1	11,410	7.0	3,600	2.6
- Online Services	57,597 ⁽¹⁾	22.3	30,041	10.0	21,589	5.1	7,239	4.5	23,351	16.8
Screening services	1,114	0.4	3,719	1.2	12,253	2.9	-	-	502	0.4
- Offline Services	1,114	0.4	3,719	1.2	12,253	2.9	-	-	502	0.4

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	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	<i>(in thousands of RMB, except for percentages)</i>									
Marketing strategy and consulting services	43,080	16.6	47,840	16.0	67,622	15.8	27,486	17.0	33,151	23.9
- <i>Offline Services</i>	43,080	16.6	47,840	16.0	67,622	15.8	27,486	17.0	33,151	23.9
CRO services	-	-	-	-	4,482	1.0	-	-	2,920	2.1
- <i>Offline Services</i>	-	-	-	-	4,482	1.0	-	-	2,920	2.1
Internet hospital services	-	-	-	-	11	0.0	-	-	70	-
- <i>Online Services</i>	-	-	-	-	11	0.0	-	-	70	-
Total	258,880	100.0%	298,968	100.0%	427,159	100.0%	161,945	100.0%	138,681	100.0%

Notes:

- (1) We recorded higher revenue from online services for patient education and screening services in 2017 than in 2018 and 2019 because we organized “Chronic Diseases Distance Education – Atherosclerotic Cardiovascular Disease Patient Management Project” (中國慢病遠程教育-動脈硬化性心血管疾病全程管理項目), an online patient education program run by physicians for their patients, which contributed RMB26.0 million of revenue in 2017.
- (2) In order to assist medical NGOs in providing CME to physicians in lower-tier cities and rural areas in China, we began to increasingly offer online medical seminars since 2018.

Medical Conference Services

Medical conference services primarily represent the medical conventions and seminars that we organize, which are generally hosted by medical NGOs and sponsored by enterprises in the healthcare industry, which primarily include pharmaceutical companies. These medical conventions and seminars serve as CME for physicians and provide a platform for interaction and dialog between physicians, medical associations and pharmaceutical companies, which assist medical associations in setting and encouraging the adoption of guidelines, standards of care and clinical pathways in medical practice and enable participants to share experience in medical practice. We assist medical NGOs in organizing large-scale medical conferences, with an average number of attendees of over 300 in general, that typically need substantial manpower. Through our provision of medical conference services, our Group can accumulate sufficient physicians resource and establish physicians network; and gain better understanding on the physicians’ demands, which facilitate our Group in providing better marketing strategy and consulting services to pharmaceutical companies. Medical conference services can also help our Group to understand the severity of disease and its cutting-edge treatments, which is necessary for our Company’s patient education and screening services.

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The following table sets out a breakdown of the number and revenue of conferences we organized by event type and disease area/medical field for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue	Number	Revenue
	<i>(RMB in thousands)</i>		<i>(RMB in thousands)</i>		<i>(RMB in thousands)</i>		<i>(RMB in thousands)</i>		<i>(RMB in thousands)</i>	
Medical conventions										
CCVDs	26	39,759	30	37,213	75	49,822	40	28,310	58	2,379
Anesthesiology	12	2,724	11	4,761	9	8,097	3	–	1	–
Others ⁽¹⁾	13	1,050	25	339	48	2,140	20	1,740	1	1,994
<i>Subtotal</i>	<u>51</u>	<u>43,533</u>	<u>66</u>	<u>42,313</u>	<u>132</u>	<u>60,059</u>	<u>63</u>	<u>30,050</u>	<u>60</u>	<u>4,373</u>
Medical seminars										
CCVDs	1,978	72,681	4,434	104,529	12,458	155,177	4,872	69,905	5,136	50,934
Diabetes	388	7,473	304	6,104	72	5,603	10	245	64	2,190
Respiratory diseases	26	1,860	69	3,562	781	18,188	616	2,988	2,110	7,670
Others ⁽¹⁾	526	11,601	107	16,786	5,554	43,235	4,915	12,622	1,084	9,920
<i>Subtotal</i>	<u>2,918</u>	<u>93,615</u>	<u>4,914</u>	<u>130,981</u>	<u>18,865</u>	<u>222,203</u>	<u>10,413</u>	<u>85,760</u>	<u>8,394</u>	<u>70,714</u>
Total	<u><u>2,969</u></u>	<u><u>137,148</u></u>	<u><u>4,980</u></u>	<u><u>173,294</u></u>	<u><u>18,997</u></u>	<u><u>282,262</u></u>	<u><u>10,476</u></u>	<u><u>115,810</u></u>	<u><u>8,454</u></u>	<u><u>75,087</u></u>

Note:

(1) Mainly includes surgery, intestinal and pulmonary diseases, orthopedic diseases and primary care.

Our medical conferences are primarily carried out in two formats, namely medical conventions and medical seminars. Medical conventions are typically held once a year in major cities and their attendees consist of physicians, medical NGOs and pharmaceutical companies. Medical seminars are held as multiple sessions across various cities, including lower-tier cities and rural areas. The number of onsite CCVD medical seminars increased significantly from 1,978 in 2017 to 4,434 in 2018 as more medical seminars were organized in lower-tier cities and rural areas in China to provide better training to physicians in these regions. We participated in the “National Tour of Chinese Stroke Prevention and Control Pioneer Project” (2018中國腦卒中防控先鋒百城千縣質控行) at the end of 2017, which was a new project focused on lower-tier cities and rural areas and held over 1,000 seminars in 2018. The number of medical seminars increased significantly from 4,914 in 2018 to 18,865 in 2019, primarily due to the increase in the number of medical seminars held in lower-tier cities and rural areas, which is in line with the trend of PRC Government’s policies focusing on lower-tier cities and

rural areas. Please refer to “— Medical Seminars” and “Industry Overview — Integrated Healthcare Marketing Solutions Industry of CCVDs in China — Market Drivers and Future Trends — Focus on lower-tier cities and rural areas” for details. The number of other medical seminars increased significantly from 107 in 2018 to 5,554 in 2019, primarily due to the medical seminars in relation to primary care held in lower-tier cities and rural areas. Apart from the increasing number of medical conference projects in lower-tier cities and rural areas, we also broadened our disease area/medical field coverage and hence the number of onsite medical seminars for other diseases increased significantly in the same period. The revenue from medical conventions decreased significantly from RMB30.1 million for the six months ended June 30, 2019 to RMB4.4 million for the six months ended June 30, 2020 amid COVID-19 outbreak and the large-scale onsite medical conventions were shifted to the online platform and split into multiple sessions. Therefore, the overall number of medical conventions for the same periods remained stable. Such format change has impact on the fees from medical NGOs, sponsorship fee from sponsoring medical enterprises and registration fee from attendees.

Medical Conventions

Medical conventions are generally one to three-day events scheduled with approximately 40 to 400 speakers revolving around a central topic or disease area, and are typically held once a year. We normally hold medical conventions in major cities in China, such as Beijing and Shanghai, to accommodate the large number of attendees.

We enter into a separate agreement for each medical convention with the medical NGO after it has selected the specific convention topic. We typically take two to twelve months to plan and organize the convention. Generally, the medical NGO publicizes the convention on its website and oversees our convention management process.

We typically charge medical NGOs total fees estimated on a cost-plus basis, under which medical NGOs will pay us the quoted costs for procurement from third parties and market rate fees for standardized services provided by us as stipulated in the contracts. In addition, medical NGOs will also pay us a service fee as a percentage of the above costs for each convention. Please refer to “— Customers and Sales and Marketing — Customers — Contracts with Customers” for details. We solicit sponsorship from enterprises in the healthcare industry for medical conventions. These sponsors are generally pharmaceutical companies who may then engage us for placing advertisements on our convention brochures and setting up booths in designated areas at the event venue in order to enhance their brand and product awareness. Under the agreements entered into between our Group and pharmaceutical companies, our Group agreed to use certain sponsorship fees to implement and organize such conventions and provide advertisements services for the pharmaceutical companies. Sponsorship fees are generally determined based on the influence and scale of the conventions. Sponsoring enterprises are required to pay the sponsorship fee in lump sum within a period of time after signing the agreement. In addition, for certain medical conventions, such as the Tiantan International Stroke Conference (天壇國際腦血管病會議), or TISC and 2018 China Neurology Forum (2018中國神經病學論壇), we also charge each attending physicians who are not members of our customers a registration fee ranging from RMB800 to RMB1,500. Our

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Company generally sends invitation letters to speakers to confirm the time of the speech and the speaker fees. The speakers would sign the receipt to confirm receiving the speaker fees. Please refer to “— Our Physicians Network — Speakers” for the basis of the speaker fees. As confirmed by CIC, the arrangements between our Group and each of the sponsoring enterprises and the speakers are in line with industry norm. The amount of sponsorship fees and registration fees under medical conventions service for the period indicated are set out below.

	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	<i>(in thousands of RMB, except for percentages)</i>									
Revenue from medical										
NGOs	20,592	47.3%	23,568	55.7%	36,418	60.6%	12,881	42.9%	2,703	61.8%
Sponsorship fee	19,082	43.8	15,168	35.8	18,795	31.3	13,204	43.9	1,670	38.2
Registration fee	3,859	8.9	3,577	8.5	4,846	8.1	3,965	13.2	—	—
Total	43,533	100.0%	42,313	100.0%	60,059	100.0%	30,050	100.0%	4,373	100.0%

The following table sets forth a summary of the top five medical conventions we organized in terms of the approximate number of total attendees for the period indicated.

Convention name	Venue location	Duration	Topic	Approximate number of total attendees	Background of customer
For the six months ended June 30, 2020					
Elderly Anesthesia and Perioperative management Case Rounds (老年麻醉與圍術期管理病例雲查房)	Beijing	One day	Anesthesiology	5,800*	a Grade 3 hospital established in 1958 and located in Beijing
Anti-epidemic Neurologist Online Training Project (戰疫“e”起來中國卒中學會神經科醫生線上培訓項目)	Beijing	32 days	CCVDs	3,800*	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public

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Convention name	Venue location	Duration	Topic	Approximate number of total attendees	Background of customer
Neurologist Online Training Project (神經科醫生線上培訓項目)	Beijing	25 days	CCVDs	2,700*	a PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
China Respiratory Development Conference (中國呼吸學科發展大會)	Beijing	Two days	Respiratory	900	a group of subsidiaries of a global pharmaceutical company listed on the London Stock Exchange, the New York Stock Exchange and the OMX Exchange and headquartered in Cambridge, United Kingdom, which mainly focuses on CCVDs, renal and metabolism, oncology and respiratory diseases
Inaugural Meeting of Brain Health Branch of CSA and Cognitive Impairment Disease Summit Forum (中國卒中學會腦健康分會成立大會暨認知障礙性疾病高峰論壇)	Beijing	One day	CCVDs	90	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public

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Convention name	Venue location	Duration	Topic	Approximate number of total attendees	Background of customer
For the year ended December 31, 2019					
The TISC	Beijing	Three days	Cerebral-vascular diseases	10,000	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
The 13th Beijing Wuzhou International Cerebrovascular Disease Conference (第十三屆北京五洲國際心血管病會議)	Beijing	Four days	Cardio-vascular diseases	1,500	PRC medical foundation approved by the Beijing Civil Affairs Bureau
The Academic Annual Conference of Cerebral Blood Flow and Metabolism Branch of CSA (中國卒中學會腦血流與代謝分會學術年會)	Hangzhou	One and a half days	Cerebral-vascular diseases	1,300	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public

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Convention name	Venue location	Duration	Topic	Approximate number of total attendees	Background of customer
2019 China Neurology Forum (2019中國神經病學論壇)	Shanghai	Two days	Neurology	600	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
2019 Academic Annual Meeting of Beijing Medical Association Health Management and Beijing-Tianjin-Hebei Physical Examination Quality Control Cooperation Forum Beijing Summit (2019年北京醫學會健康管理學術年會暨京津冀體檢質量控制合作論壇北京峰會)	Beijing	Two days	CCVDs	600	PRC provincial level medical associations
For the year ended December 31, 2018					
The TISC	Beijing	Three days	Cerebral-vascular diseases	11,000	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
The Great Wall International Cerebral-vascular Disease Conference (長城-五洲國際心血管病會議)	Beijing	Four days	Cardio-vascular diseases	3,000	PRC medical foundation approved by the Beijing Civil Affairs Bureau

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Convention name	Venue location	Duration	Topic	Approximate number of total attendees	Background of customer
The 9th International Cardiovascular Therapeutics Summit (第九屆國際心血管疾病藥物治療高峰論壇)	Beijing	Three days	Cardio-vascular diseases	1,700	PRC medical foundation established in 2015 and focused on CCVDs
2018 China Neurology Forum (2018中國神經病學論壇)	Shanghai	Two days	Neurology	1,100	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
2018 Annual Conference for Jiangsu Stroke Association (2018江蘇省卒中學會年會)	Nanjing	Two days	Cerebral-vascular diseases	800	PRC provincial level medical association focused on certain CCVDs
For the year ended December 31, 2017					
The TISC	Beijing	Three days	Cerebral-vascular diseases	12,000	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
The 11th Beijing Wuzhou International Cerebral-vascular Disease Conference (第十一屆北京五洲國際心血管病會議)	Beijing	Four days	Cardio-vascular diseases	3,000	PRC medical foundation approved by the Beijing Civil Affairs Bureau

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Convention name	Venue location	Duration	Topic	Approximate number of total attendees	Background of customer
2017 China Neurology Forum (2017中國神經病學論壇)	Shanghai	One and a half days	Neurology	1,000	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
Annual Conference of Immunity Branch of CSA (中國卒中學會免疫分會年會)	Shanghai	One and a half days	Immunology	800	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
Tiantan International Epilepsy Conference (天壇國際癲癇會議)	Beijing	Two days	Neurology	600	PRC national level medical association focused on epilepsy

* Online medical conferences, which may have longer duration and more attendees compared to onsite medical conferences.

The gross profit margins of our top five medical conventions and medical seminar projects in terms of the revenue during the Track Record Period generally ranged from 15% to 45%, which is in line with industry norm as confirmed by CIC. The factors impacting the gross profit margin of our top five medical conventions and medical seminar projects in terms of the revenue during the Track Record Period primarily include the following:

- *Percentage of service fee we charged customers.* We generally charge a service fee for medical conventions and medical seminar projects based on a percentage of the quoted costs and fees for standardized services we provide as stipulated in the contracts. Different projects have varying service fee percentages based on commercial negotiation with the customers and depending on the nature and specifications of the projects.

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- *Cost structure and management.* In addition to the differences in percentage of service fees, the gross profit margin of projects may also differ due to the cost structure for different projects. The cost of services in the project's budget when pricing for medical conventions and medical seminar projects mainly include (i) lodging and venue costs, (ii) travel costs, (iii) car rental costs, (iv) meal costs, (v) booth set up costs, (vi) material production and equipment costs, (vii) material design fees, (viii) academic writing fees, (ix) video production fees, (x) online platform usage fees, (xi) photography fees, (xii) speaker fees, and (xiii) other cost of services required by medical NGOs. The above costs or services can be divided into two types, quoted costs for procurement from third parties and market rate fees for standardized services provided by us. For services that we procure from third parties, we may engage in volume purchases and enjoy bulk discounts from third-party suppliers, which enable us to enhance cost efficiency. We may therefore enjoy a higher gross profit margin for certain projects through cost management. In addition, in respect of standardized services provided by us, we typically quote a price based on market price with different margins depending on the nature of the service. In particular, services like material design and academic writing only incur relatively low labor costs, therefore these services would typically have a higher gross profit margin. The scope of services we provide for each medical convention and seminar project may be different due to the size, scale, topic, location and other aspects of the project, and the cost structure of each project may also differ. If certain services that have a relatively higher gross profit margin account for a larger part of project costs, it may result in overall higher gross profit margin of the project.
- *Pricing of medical conventions and seminar projects.* For new projects in new medical fields or from new customers, in order to capture potential future business opportunities and increase market share we may take a conservative approach and set lower fees, which limits our ability to achieve higher gross profit margins through cost management.

Our Flagship Medical Convention — the TISC

Our flagship medical convention is the TISC, which we have been appointed to organize for 17 years since its inception in 2003. According to the CIC Report, the TISC is one of the most influential and reputable CCVD conferences in the Asia Pacific region, attended by the most authoritative and well-recognized physicians from all over the world in the CCVD field. The TISC is organized by a committee that includes many influential medical NGOs, including the only medical association for CCVDs recognized by the CAST and other esteemed international medical NGOs.

The TISC is usually a three-day convention, covering a wide range of topics in relation to stroke. Well-recognized physicians give presentations on the latest scientific progress and outcomes for the most advanced clinical trials in the CCVD field during the TISC. Through the TISC, KOL physicians can further enhance their recognition in the CCVD field by delivering speeches at the TISC while physicians are able to learn about advancements and developments

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in the CCVD field. Our guest speakers give lectures as morning and afternoon sessions. We also hold presentation ceremonies during the TISC to award physicians who have made outstanding contributions in the CCVD field.

In addition, many pharmaceutical companies and other enterprises from the healthcare industry, such as medical device companies, hold seminars during the TISC to share experience in medical practice with physicians. These enterprises pay sponsorship fees to us to set up booths and host seminars in designated areas at the event venue for their drugs and other products in order to enhance their brand and product awareness.

During the 2019 TISC, many authoritative and well-recognized physicians gave presentations on various topics such as prevention and control of stroke in China, advanced therapies for stroke in clinical practice, importance of disease risk screening for stroke, use of big data to control stroke prevalence and use of artificial intelligence for diagnosis. Moreover, the commencement ceremony of the Vascular Center of Health Management Project was held during the 2019 TISC, enabling more physicians to comprehensively understand the importance of, and participate in, this project. Approximately 11,000 physicians attended the 2019 TISC. In addition, approximately 50 pharmaceutical companies and other enterprises from the healthcare industry set up booths and hosted seminars during the 2019 TISC.

Set forth below are pictures from 2019 TISC.



Medical Seminars

During the Track Record Period, our medical seminars were primarily held as live sessions in hospitals and hotel conference rooms. We organize various mid-size and small medical seminars that serve as CME for physicians in various cities across the PRC. The following table sets out the number of seminars we organized in first-tier cities and lower-tier cities and rural areas for the period indicated.

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	For the year ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
Medical seminars					
First-tier cities	594	720	3,637	1,720	2,590
Lower-tier cities and rural areas	2,324	4,194	15,228	8,693	5,804
Total	2,918	4,914	18,865	10,413	8,394

We are generally engaged by medical NGOs and pharmaceutical companies to organize medical seminars on a project-by-project basis. Normally, we collaborate with China's esteemed medical NGOs. Each project would have a theme, which is selected by medical NGOs or pharmaceutical companies. The theme generally include providing clinical practice trainings and common disease case studies.

Medical NGOs and pharmaceutical companies usually make their request on the geographical coverage of seminars, total number of seminars and the number and demographic of participants. We are responsible for day-to-day project implementation. We typically charge medical NGOs the quoted costs for procurement from third parties, market rate fees for standardized services provided by us and a service fee for each project. Please refer to “— Customers and Sales and Marketing — Customers — Contracts with Customers” for details. Onsite medical seminars are offered to physicians free of charge.

The onsite medical seminars are generally one to six-hour sessions delivered by well-recognized physicians in a particular field or disease area. During the Track Record Period, we organized a total of approximately 35,100 medical seminars, which covered over 300 cities and 10,000 hospitals in China. The following table sets forth a summary of top five medical seminar projects we organized in terms of approximate number of total attendees for the period indicated.

Project name	Duration	Number of seminars	Topic	Approximate number of total attendees	Background of customer
For the six months ended June 30, 2020					
Cerebrovascular Disease Antithrombotic Management College (腦血管病抗栓管理學院)	12 months	11	CCVDs	16,400	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public

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Project name	Duration	Number of seminars	Topic	Approximate number of total attendees	Background of customer
The second phase of long-term management training program for patients with myocardial infarction (心梗患者長期管理培訓項目二期)	Nine months	2,571	CCVDs	15,900	a PRC medical association established in 2015 with the objective of providing a collaborative and interactive platform for government organizations, academic institutions, experts, doctors and enterprises in the cardiovascular field, and promoting the development of cardiovascular health through academic exchanges, public education, disease screening and other activities.
Emergency and Severe Blood Pressure Management MDT Diagnosis and Treatment Capacity Improvement Online Training Project (急重症血壓管理MDT診療能力提升線上培訓項目)	Four months	108	CCVDs	8,500	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
Public welfare project of disease knowledge education for children with asthma in China (中國兒童哮喘患者疾病知識教育公益項目)	Nine months	2,108	Respiratory	8,400	Beijing Life Oasis Public Service Center, a PRC medical foundation established in 2013 with the objective of carrying out public welfare service activities in various disease areas and raising awareness of disease-related knowledge

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Project name	Duration	Number of seminars	Topic	Approximate number of total attendees	Background of customer
Acute coronary syndrome standardized diagnosis and treatment project (急性冠脈綜合症規範化診療宣講項目)	Six months	966	CCVDs	5,800	Beijing Life Oasis Public Service Center, a PRC medical foundation established in 2013 with the objective of carrying out public welfare service activities in various disease areas and raising awareness of disease-related knowledge
For the year ended December 31, 2019					
Research Project on Risk Factors for ACS Patients (ACS患者危險因素調研項目)	Six months	3,145	Cardio-vascular diseases	15,448	PRC medical association established in 2015 with the objective of providing a collaborative and interactive platform for government organizations, academic institutions, experts, doctors and enterprises in the cardiovascular field, and promoting the development of cardiovascular health through academic exchanges, public education, disease screening and other activities
2019 CPC Annual Project (2019 CPC年度項目)	Six months	579	CCVDs	13,100	PRC medical association established in 2015 with the objective of providing a collaborative and interactive platform for government organizations, academic institutions, experts, doctors and enterprises in the cardiovascular field, and promoting the development of cardiovascular health through academic exchanges, public education, disease screening and other activities

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Project name	Duration	Number of seminars	Topic	Approximate number of total attendees	Background of customer
2019 National Tour of Prevention and Control Project (2019百城千縣質控行)	12 months	1,741	Cerebral-vascular diseases	12,800	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
2019 Coronary Heart Disease Secondary Prevention Project (2019年冠心病二級預防項目)	Four months	2,188	Cardio-vascular diseases	10,900	PRC provincial level medical associations
Chinese Minor Stroke Transient Ischemic Attack Standardized Treatment Project (中國輕型卒中TIA標準化治療項目)	Nine months	780	Cerebral-vascular diseases	8,700	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public

For the year ended December 31, 2018

2018 National Tour of Chinese Stroke Prevention and Control Pioneer Project (2018中國腦卒中防控先鋒百城千縣質控行)	13 months	1,352	Cerebral-vascular diseases	20,500	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
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Project name	Duration	Number of seminars	Topic	Approximate number of total attendees	Background of customer
World Stroke Day National Health Education Seminar (世界卒中日全國健康教育講座)	One month	214	Cerebral-vascular diseases	16,000	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
National Stroke Management City Trip Project (全國卒中管理學院走進地市項目)	Five months	63	Cerebral-vascular diseases	3,900	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
Hengyang CCVD Health Welfare Project (衡陽萬人心腦健康公益計劃)	Eight months	130	CCVDs	3,800	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
Coronary Artery Disease Optimal Clinical Therapeutic Regimen Experience Project (冠心病臨床治療方案實踐項目)	Six months	309	Cardio-vascular diseases	2,800	PRC provincial medical association
For the year ended December 31, 2017					
Xarelto VTE Prevention and Control Project (拜瑞妥VTE防控項目)	12 months	345	Vascular diseases	7,900	PRC medical foundation approved by the Ministry of Civil Affairs of the PRC

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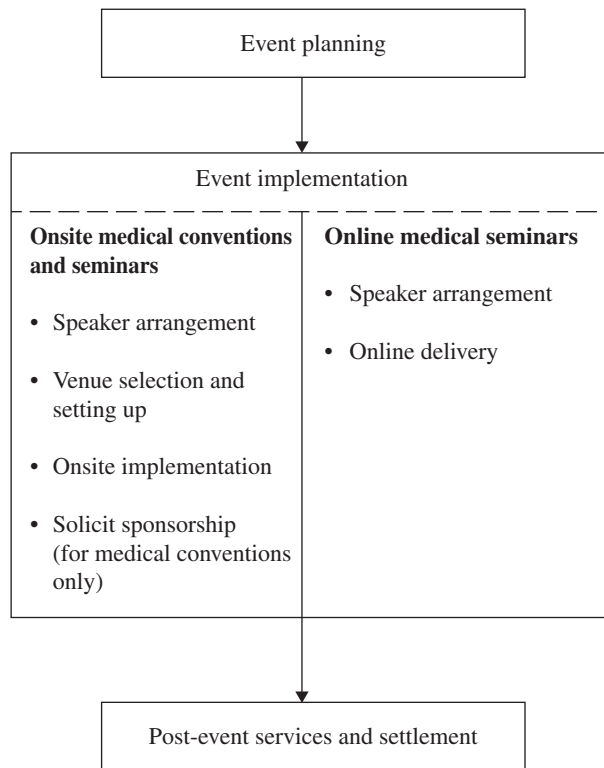
Project name	Duration	Number of seminars	Topic	Approximate number of total attendees	Background of customer
2017 National Tour of Chinese Stroke Prevention and Control Pioneer Project (2017中國腦卒中防控先鋒百城千縣質控行)	10 months	836	Cerebral-vascular diseases	7,800	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
Captain Project of CSCA (Phase III) (中國卒中中心聯盟領航者工程(III期))	12 months	101	Cerebral-vascular diseases	3,900	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
Community Hospital Training Camp of CSSA (中國卒中中心聯盟基層醫院訓練營)	10 months	16	Cerebral-vascular diseases	1,600	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public
SVN Star Project (SVN啟明星計劃)	10 months	28	Neurology	1,300	PRC medical association established in 2015 with more than 13,000 individual members and the main objective of improving diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public

For the factors impacting the gross profit margin of the medial seminar projects during the Track Record Period, please refer to “— Medical Conventions” for details.

In order to assist medical NGOs in providing CME to physicians in lower-tier cities and rural areas in China, we began to increasingly offer online medical seminars since 2018. Our online medical seminars are primarily delivered through the Giraffe Platform. We do not charge physicians for accessing seminars on the Giraffe Platform. Main topics for online medical seminars include (i) discussions of the latest academic and research developments and findings, and (ii) clinical developments, covering clinical case studies and clinical practices training. We also invite well-recognized physicians in the medical area to record training videos for other physicians to access through the Giraffe Platform.

Our Responsibilities

The following diagram summarizes the major steps involved in our medical conference services.



- *Event planning.* Once we are engaged by medical NGOs or pharmaceutical companies, we prepare a proposal based on their selected topic for the convention and seminars by proposing venue, location, convention agenda, number of attendees, speaker list and budget. In the case of medical seminars, our proposal specifies date and location of each seminar for the entire project and number of online medical seminars we need to deliver.

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- *Event implementation.*
 - ▲ *Speaker arrangement.* Leveraging our wide network of physicians, we will select a list of candidates to be recommended to medical NGOs as speakers for medical conventions and seminars and invite them to deliver speeches or record videos. Before delivering speeches at the events, speakers need to enter into speaker service agreements with us. Speaker fee generally ranges from RMB500 to RMB3,000 for each speech. We also engage third-party travel companies to make travel and lodging arrangements for our speakers. Please refer to “— Procurement and Suppliers — Procurement” for details.
 - ▲ *Venue selection and setting up.* We usually book the venue for medical conventions, which are generally convention centers, three months in advance. Our employees assigned to the convention will work with event management companies to set up the venue. Onsite medical seminars are generally held in hospitals.
 - ▲ *Onsite implementation.* We assign employees to oversee the event planning and implementation process and to coordinate with event management companies to run the medical conventions and onsite medical seminars.
 - ▲ *Solicit sponsorship.* We solicit sponsorship from enterprises in the healthcare industry for medical conventions. These sponsors are generally pharmaceutical companies who may then engage us for placing advertisements on our convention brochures and setting up booths in designated areas at the event venue, as well as organizing seminars to share experience in medical practice with physicians in order to enhance their brand and product awareness. Sponsorship fees paid to us are generally determined by the influence and scale of the convention.
- *Post-event services and settlement.* We will send photos and recordings of the event and a report of the event to medical NGOs or pharmaceutical companies upon conclusion of the convention or project. We will issue invoices to our customers and they will settle their payment with us. Please refer to “Customers and Sales and Marketing — Customers — Contracts with Customers” for details.

Our Technology Platforms

Onsite Medical Seminar Organization Platform

As the number of our medical seminars continued to increase during the Track Record Period, we believe that an online management platform would facilitate our customers in organizing and managing their onsite medical seminars. We engaged an Independent Third Party developer to develop the Conference+ App and are entitled to all relevant intellectual

property rights. We launched the Conference+ App in January 2018 and users may download it through the Apple App Store and Android App stores in China. As of the Latest Practicable Date, we had organized more than 22,000 seminars through the Conference+ App.

The Conference+ App allows its users, i.e. medical NGOs and pharmaceutical companies, to submit onsite conference requests and monitor conference implementation process. Our customers are able to submit seminar requests by selecting date, venue, speaker and expected number of attendees, and our operations team would be able to receive such requests and organize seminars accordingly. In addition, the Conference+ App assists pharmaceutical companies in conducting more effective internal compliance management by serving as a record-keeping tool for critical information, such as budget, time, location and number of attendees for a seminar. Users of the Conference+ App are required to create an account using their cellphone numbers and pass our verification process, enabling us to verify and track the identity of users.

The following images illustrate the major user interfaces of our Conference+ App.



Seminar request and budget request



Upload seminar information



Payment settlement

- *Seminar request and budget request.* Users of the Conference+ App submit seminar requests along with seminar budget through this app by selecting date, venue, speaker and expected number of attendees. Users can also select physicians as speakers by entering their information through the Conference+ App.
- *Upload seminar information.* After the seminar concludes, users of the Conference+ App will upload relevant information of the seminar, including photos of speaker delivering speeches, attendance sheet, and speaker service agreement between the speaker and us, through the Conference+ App.
- *Payment settlement.* After reviewing relevant seminar information, we will arrange payment to physicians that deliver speeches at our medical seminars.

Online Medical Seminar Platform

Physicians can access online medical seminars through the Giraffe Platform, a video conferencing and online education tool with hardware and software systems. The Giraffe Platform assists physicians in accessing more convenient CME with online delivery capabilities. Hospitals that have installed the Giraffe Platform hardware and software can host or attend online medical seminars and access training videos recorded by well-recognized physicians. For physicians who have downloaded the Giraffe Platform software, they are able to attend the online medical seminars or access training videos no matter they are working for the aforesaid hospitals or not. The physicians can also access these contents on the Giraffe Platform through their mobile phones to enrich their medical knowledge by scanning the QR code assigned to each online medical seminar or training video.

As of the Latest Practicable Date, all 36 provincial membership hospitals in all 31 provinces and autonomous regions in China of the CSCA, a national alliance that specifically targets stroke prevention and treatment, had installed the hardware and software of the Giraffe Platform. We plan to install the Giraffe Platform software for all member hospitals of the CSCA, with a total number of approximately 3,000, for free by the end of 2021.

The following images illustrate the major user interfaces of our Giraffe Platform.



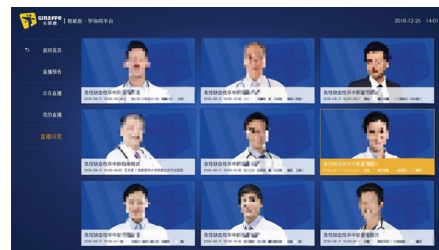
Main function display



Select conference



Join conference



Watch training videos

Patient Education and Screening Services

We commenced our patient education and screening services in 2013. Due to the uneven distribution of medical resources in China, patients' consultation time and interaction with physicians are limited. Patients are often frustrated by the lack of case-specific advice and disease education from their physicians. Our patient education and screening services allow patients to administer better self-care and disease control, which will lower the burden on the healthcare system in the long run.

Medical NGOs generally initiate projects to promote public health education and patient education and screening in different cities and regions in China, which is an important part of the PRC Government's goal to control disease and lower the burden on the healthcare system in the long run. Please refer to "Industry Overview" for details. Given the limited manpower of medical NGOs, they engaged us to provide patient education and screening services on a project-by-project basis. During the Track Record Period, our patient education and screening services primarily consisted of onsite patient education classes, online patient education services and disease risk screening services, which were all commissioned by medical NGOs.

Our onsite patient education classes refer to disease education classes organized for patients in hospitals. Our online patient education services refer to educational videos recorded by physicians, which patients can access through our WeChat public accounts or a leading online video platform, Youku, in the PRC. Youku is a video hosting service provider based in Beijing and operates as a subsidiary of Alibaba Group Holding Limited. The agreements with the online video platform are standard terms of use agreements applicable for all users. There is no revenue sharing arrangement between us and the online video platform with respect to the revenue we generate from medical NGOs in relation to online videos, and the online platform does not charge viewers. We own the intellectual property of the videos we offer. Please refer to "Contractual Arrangements — Redirecting our Patient Educational Videos to Online Video Platform" for details. Disease risk screening services refer to the examination and testing services to test patients' susceptibility to CCVDs.

For each project, medical NGOs usually specify the total number of onsite classes we need to organize and number of attending patients for each class, or in the case of online patient education services, the total number of online educational videos we need to produce and the number of views per video. Furthermore, for online patient education services, our physician gateway monitors the number of effective views for each video so that we can timely trace and evaluate the educational outcome of the video. Each project has a theme selected by medical NGOs, with a duration of two to 12 months. We are responsible for engaging physicians to conduct the onsite patient education classes and online patient education services. Attendees of the classes are usually patients of the physicians that provide or record the class. We typically charge medical NGOs the quoted costs for procurement from third parties, market rate fees for standardized services provided by us and a service fee for each project during the Track Record Period. Please refer to "— Customers and Sales and Marketing — Customers — Contracts with Customers" for details.

Through our provision of patient education and screening services, our Group can accumulate sufficient patients resource including the patients characteristics and their medical demands, which facilitate our Group in its provision of marketing strategy and consulting services to pharmaceutical companies.

Onsite Patient Education Classes

The onsite patient education classes we organize are generally one-hour classes in hospitals taught by physicians. Attendees for onsite patient education classes include patients and their family members. We do not charge the attendees for attending onsite patient education classes. The main topics of our onsite patient education classes include basic introduction of the disease and disease management methods. During the Track Record Period, our onsite patient education classes covered approximately 338,000 patients in China.

In order to provide physicians with a channel to organize and manage onsite patient education classes for their patients, we developed the Online Conference Assistant, a WeChat mini-program, in July 2017, to support the patient education projects initiated by medical NGOs. The Online Conference Assistant is a free patient education tool for physicians to use, where they can log into the Online Conference Assistant and select date and location to convene a patient education class. As of the Latest Practicable Date, we had organized more than 11,000 onsite patient education classes through the Online Conference Assistant.

The following images illustrate the major user interfaces of our Online Conference Assistant.



Upon conclusion of each class, physicians are required to upload relevant information, including class photos, attendance sheet and a short class video, through the Online Conference Assistant. After reviewing relevant information, we will arrange compensation to the physicians, which generally ranges from RMB500 to RMB1,000 per class.

Online Patient Education Services

To provide high-quality educational videos and better serve the needs of patients, we provide patients and physicians with separate gateways for our online patient education services.

Patient Gateway

As of the Latest Practicable Date, we had three WeChat public accounts for patients to access various online patient education projects. Followers of our WeChat public accounts can watch educational videos, read disease-related educational articles and conduct disease risk screening based on their needs for free. Please refer to “— Disease Risk Screening Services” for details of online disease risk screening.

- *Educational videos.* We cooperate with physicians to record educational videos for patients to administer better self-care and disease control. Patients can access educational videos recorded by their physicians on our WeChat public accounts through QR codes that physicians send them after consultation. By scanning the QR codes and filling in basic information, such as their gender, age and disease type, and following the WeChat public account, patients can watch the videos on their mobile phones. During the Track Record Period, our online educational videos focused on CCVDs and other common chronic diseases such as diabetes and respiratory diseases. Main topics for online educational videos include (i) basic introduction of diseases; and (ii) disease management methods, such as guidance on medication and diet.

We recorded approximately 26,500, 14,300, 7,400 and 3,000 videos in 2017, 2018, 2019 and first half of 2020, respectively. During the Track Record Period, we recorded a total of approximately 51,200 videos instead of having a set of standardized videos, primarily because: (i) historically, the online patient education videos that we produced were driven by the demand of our customers, who required such videos as part of their patient education projects; (ii) for our customers, the purpose of recording online patient education videos is not to build a knowledge library, but to provide convenient and personalized education to patients and facilitate physicians to efficiently and effectively treat their patients; (iii) patients tend to follow their own physicians who they trust. Patients are familiar with their physicians’ reputation and skill, and may be more willing to trust the advice of their own physicians; (iv) each physician has his/her own treatment and prescription preferences, and therefore each physician’s videos may contain more useful and applicable information for his/her own patients compared to those of other physicians; and (v) from time to time, there are developments in the medical field, such as the availability of new treatments or medicine for CCVDs, which may require new videos to be recorded.

- *Educational articles.* Our medical team writes and posts educational articles relating to CCVDs and other diseases on our WeChat public accounts. Common topics for these articles include guidance on medication, first-aid knowledge and diet recommendations. In addition, we publish educational articles written by our medical team on popular we-media platforms in China. During the Track Record Period, we published more than 1,500 articles on we-media platforms and had over three million views in total. Please refer to “— Employees” for details of our medical team.

Physician Gateway

We maintain a gateway for physicians to record educational videos. During the Track Record Period, we produced approximately 51,200 educational videos with over 1.0 million views in total.

Our physician gateway monitors the number of effective views for each video so that we can timely trace and evaluate the educational outcome of the video. Effective view is calculated as the number of patients that have played the entire video. The video-recording physician is entitled to a flat fee compensation generally ranging from RMB500 to RMB1,000 per class, which is paid by us after the number of effective views reaches a level stipulated in the service contract for the relevant project which is generally not less than 20 effective views. During the Track Record Period, the number of effective views generally reached the level stipulated in the service contract. Please refer to “— Our Responsibilities” for details of other key steps for physicians to record educational videos through the physician gateway.

Disease Risk Screening Services

During the Track Record Period, we organized onsite and online disease risk screening projects for medical NGOs, under which we provided disease risk screening services to patients. We believe we benefit from disease risk screening services since it is an important first step to increasing awareness, diagnosis and disease management for CCVDs, and by identifying patients that have a high risk profile for CCVDs, we are able to better provide targeted patient education which lowers burden on the healthcare system in the long run. During the Track Record Period, we offered onsite disease risk screening services mainly in first-tier cities for hypertension and hyperlipidemia, which are two major causes of CCVDs. We aim to enhance diagnosis rates by testing patients’ susceptibility to hypertension and hyperlipidemia and measuring their blood pressure and blood lipid levels before attending education classes. Onsite disease risk screening involves a large number of hospitals and patients scattered in different regions, and requires a lot of manpower to make overall arrangements. Medical NGOs are responsible for choosing the hospitals and we are responsible for setting up materials and equipment used for screening in the hospitals, and organizing physicians and nurses to conduct screening activities in the hospital. Equipment like blood pressure meter, blood lipid meter and portable carotid b-ultrasound monitor are used in the screening process. The results of the screening are analyzed by members of our professional medical team who possess a bachelor’s degree or above in medical-related fields. Based on the

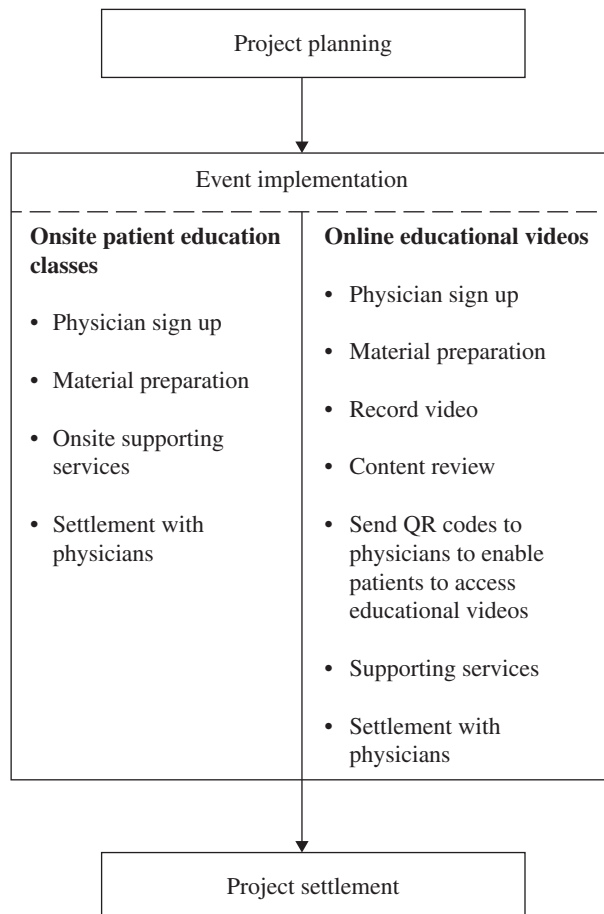
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screening results, physicians can provide a detailed introduction of the diseases and guidance on medication to high-risk patients. In April 2019, we started to implement the Vascular Center of Health Management Project initiated by a medical NGO, which targets to manage CCVDs in lower-tier cities and rural areas through disease risk screening services and disease education for hypertension, hyperlipidemia and carotid artery disease. As we need to bear a portion of labor costs and equipment procurement costs in disease risk screening projects, the gross profit margin of these projects is relatively low.

We also provide online disease risk screening services to patients through our WeChat public accounts, where patients can test their susceptibility to CCVDs by completing an electronic questionnaire we developed together with a medical association. This WeChat mini-program can help identify patients and reduce incidences of stroke. We provide health and lifestyle recommendations by sending educational articles to patients based on the screening results.

Our Responsibilities

The following diagram summarizes the major steps involved in our onsite patient education classes and online patient education services.



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- *Project planning.* Once we are engaged by medical NGOs, we prepare a proposal based on their selected topic for the project by proposing locations and agenda for onsite patient education classes and contents to be covered in online educational videos.

- *Event implementation.*
 - ▲ *Physician sign up.* Physicians can sign up on the medical NGO's website or on designated intranets that we set up for the project to record online educational videos or organize onsite patient education classes. We require the physicians to have sufficient qualifications and experience to record videos or organize onsite patient education classes. For physicians that record videos through the physician gateway, we require them to provide their physician qualification registration number, ID number, practice area and relevant hospital and department information in order to verify their identity and qualification. We assign employees to review physicians' information after they sign up.

 - ▲ *Material preparation.* For onsite patient education classes, our medical team designs brochures that are handed out at classes. For online educational videos, our medical team is responsible for preparing a content outline for each video, which is reviewed by the medical NGOs. Physicians are required to record the videos based on our outlines.

 - ▲ *Record video.* Physicians can record educational videos based the content outlines prepared by our medical team. After recording, the video will be automatically uploaded to the server for our review.

 - ▲ *Content review.* We review each video recorded by the physician to ensure that content of the video meet our requirements. For example, physicians are not allowed to mention trade name of any drug or name of any pharmaceutical company in the video. Physicians are required to amend the content of the video based on our feedback.

 - ▲ *Send QR codes to physicians to enable patients to access educational videos.* Educational videos that meet our requirements will be uploaded to the physician gateway. The physician will receive a text message containing a QR code specifically assigned to the video, which they can send to patients to access through our WeChat public accounts by scanning the QR code.

 - ▲ *Supporting services.* For onsite patient education classes, we assign employees or engage event management companies to supervise the onsite class and provide assistance whenever required. In addition, for onsite patient education classes that involves onsite disease risk screening, we assign employees or engage event management companies to help patients to conduct disease risk

screening in hospitals to test their susceptibility to the disease. For online patient education services, we are responsible for operation and maintenance of the patient gateway and the physician gateway.

- ▲ *Settlement with physician.* Physicians that educate patients through onsite patient education classes or record educational videos for patients need to enter into service agreements with us. The video-recording physician is entitled to compensation only after the number of effective views reaches a level stipulated in the service contract for the relevant project. Effective view is calculated as the number of patients that have played the entire video. Our requirement for the number of effective views differs from project to project. For onsite patient education classes, speaker fee generally ranges from RMB500 to RMB1,000 per class.
- *Project settlement.* After the project is completed, we issue an invoice with the total costs and fees during project implementation and service fee for each project, and medical NGOs settle their payment with us. Please refer to “— Customers and Sales and Marketing — Customers — Contracts with Customers” for details.

Marketing Strategy and Consulting Services

We have provided marketing strategy and consulting services to pharmaceutical companies since our inception in 2000. Leveraging (i) the physicians network we established over almost 20 years; (ii) our own medical advisory panel and our professional medical team; and (iii) the abundant market information we collected in medical conference services and patient education and screening services, such as patients’ analysis and medical experts’ opinions; we provide marketing strategy and consulting services assist pharmaceutical companies in formulating and implementing effective business strategies in enhancing their brand and product awareness among physicians. We have established business relationships with pharmaceutical companies through our provision of marketing strategy and consulting services, who may then participate in sponsoring our medical conferences.

Our marketing strategy and consulting services primarily consist of the following.

- *Marketing strategy.* We develop and implement marketing strategies for pharmaceutical companies. To identify the target market for drug products of pharmaceutical companies, our medical team conducts in-depth market research and analysis for the drug being marketed, including studies on the targeted disease, patient population and demographic, diagnosis and treatment rates, and available advanced treatment methods. In addition, we collect information on the efficacy and safety of the drug being marketed through researching medical literature. We also help pharmaceutical companies enhance their brand and product awareness, for example, by enabling them to share experience in medical practice with physicians at our medical conferences.

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- *Marketing materials.* Our medical team assists pharmaceutical companies in preparing medical-related marketing materials, which generally include PowerPoint presentations, brochures, educational articles and videos. Our medical team actively communicates with our customers for their feedback during the process of preparing marketing material. In addition, our marketing strategy department offers advertising services to pharmaceutical companies, such as poster graphic design and video production.
- *Product launch conferences and annual conferences.* We plan and organize product launch conferences for pharmaceutical companies to officially introduce and present their newly approved drugs to physicians, especially KOL physicians and well-recognized physicians. We also plan and organize annual conferences for pharmaceutical companies, where marketing strategies can be explained to their sales representatives. We believe that organizing annual conferences for pharmaceutical companies help us capture potential business opportunities for future product launches and other marketing strategy and consulting matters.

Generally, we enter into framework agreements with pharmaceutical companies and enter into separate purchase orders with them for each project. Please refer to “— Customers and Sales and Marketing — Customers — Contracts with Customers” for details.

Other Services

We began to offer CRO services and internet hospital services in late 2019. Details of these services are set out below.

CRO Services

We provide CRO services, which primarily consist of patient’s recruitment and clinical data collection services, mainly to pharmaceutical companies which conduct medical research. As of the Latest Practicable Date, we had entered into several CRO service contracts on a fee-for-service basis with a total contract value of RMB31.4 million, under which we are mainly responsible for assisting our customers to collect and record patient data from customers’ clinical trials, monitoring the integrity and accuracy of data recorded, reviewing and organizing data records and conducting follow-up visits with patients.

We intend to continue to develop and expand our CRO services. Please refer to “— Business Strategies — Further Expand Our CRO Services” for details.

Internet Hospital Services

In late 2019, we launched our internet hospital services by leveraging the resources that we have accumulated through our integrated healthcare marketing solutions over almost 20 years. Through our long history of organizing medical conferences, patient education classes and disease risk screening projects concentrating in CCVD, we have established strong

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relationships with and gained market reputation among CCVD physicians and patients. The internet hospital service we plan to develop is a natural extension of CCVD patients' face-to-face consultation with physicians. Chronic disease patients such as CCVD patients require lifetime of treatment and disease management, as well as routine consultation with familiar and trusted physicians. With increasing awareness of CCVD patients, we believe internet hospital services which enables patients seeking online routine consultation with reliable physicians, as well as receiving e-prescription and drug delivery, will have great market potential.

We provide our internet hospital services through a WeChat public account, Mediwelcome Doctor+ (麥迪衛康醫加), which is used by patients, and a mobile app, Doctor+ for Doctors (醫加醫生端), which is used by physicians. The mobile app can be downloaded through the Apple App Store and Android app stores in China. Together, the WeChat public account and the mobile app form a mobile platform to offer online consultation and e-prescription services. Details of our internet hospital services are as follows:

- *Online consultation.* After an initial onsite outpatient consultation with physicians, patients can schedule online follow up consultations with physicians on our mobile platform, where they can discuss their medical issues and upload their medical examination reports for the physicians to review. Physicians may recommend their patients to follow and register on our WeChat public account and connect with the physicians on our mobile platform by scanning the QR code designated to each physician. Since the launch of our internet hospital services in late 2019 and as of the Latest Practicable Date, over 13,000 physicians have registered to use our mobile app. These physicians are developed by our account managers leveraging our physicians network. Only qualified physicians with at least five years of clinical experience at offline hospitals and intermediate professional titles can register in the internet hospital. During the initial launch of our mobile platform, online consultation services are being offered free of charge to patients, to attract more patients and gain market share. Going forward, we may begin to charge patients for such services and share in the revenue with their respective physicians, but we currently do not have exact timeline.
- *E-prescription.* Our e-prescription service is a natural extension of our patient education and screening services that have established a significant physicians network with a substantial patient pool. Since the launch of our internet hospital services in late 2019, physicians that provide online consultation services to patients through our mobile platform can issue e-prescriptions to such patients, and we engaged two pharmacists to review the e-prescriptions issued by the registered physicians. Patients may purchase the prescribed medicine through partnered pharmacies on our mobile platform, and either pick up the medicine in-store or have the medicine delivered to them by the partnered pharmacies. We collect payments for medicine from patients on behalf of partnered pharmacies and deduct a portion of such payments as our service fees. As of the Latest Practicable Date, we have

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entered into cooperation agreements with 55 partnered pharmacies. Pursuant to the agreements, partnered pharmacies are responsible for drug storage and delivery, and the commission percentage ranged from 1% to 45% depending on different type of medicine.

The following table set forth the number of active patient users, active physicians, online consultations and e-prescription services provided per month since the launch in late 2019.

	Active patient users	Active physicians	Online consultations	E-prescriptions
November 2019	429	63	841	140
December 2019	569	96	870	241
January 2020	790	198	897	289
February 2020	1,455	702	941	397
March 2020	2,317	776	955	650
April 2020	2,342	747	968	696
May 2020	2,855	921	1,338	685
June 2020	3,194	1,281	1,482	499
July 2020	3,563	1,539	1,532	666

As advised by our PRC Legal Advisers, online consultation services and online sales of pharmaceutical products should be provided by medical institutions that have obtained Practice License for Medical Institutions (醫療機構執業許可證) and Qualification Certificate for Internet Drug Information Services (互聯網藥品信息服務資格證書). We have obtained all necessary license and certificate for online consultation and e-prescription services.

We obtained the license to provide internet hospital services through our collaboration with a qualified hospital in Ningxia Autonomous Region. In June 2020, to promote the influence of internet hospital and provide better services, we entered into a collaboration agreement with a new qualified hospital, which is a Grade 2 hospital established in 2014 with more than 50 physicians and other medical professionals. The change of hospital is primary because we would like to collaborate with a hospital with larger scale and more influence in terms of specialty. The qualified hospital is responsible for annual filings for the license, while we are responsible for operation of internet hospital services. We enjoy alone and do not share the profits from internet hospital services, which is in line with the industry norm as advised by CIC. The term of the collaboration agreement is five years, and can be renewed for another five years if neither party proposes to terminate the agreement. We believe that the qualified hospital would receive increased exposure through the collaboration with us as we would regularly invite experts to provide physician training, which will in turn provide increased market recognition and a larger patient base. We developed internet hospital services through our Ningxia subsidiary in Ningxia Hui Autonomous Region because there are favorable and supportive policies and regulations for the development of Internet hospitals in Ningxia Hui Autonomous Region. Please refer to “Regulatory Overview — Regulations in relation to Internet Hospital Business — Establishment Requirements of Internet Hospital” for details.

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As advised by our PRC Legal Advisers, the physicians shall comply with the Law on Licensed Practicing Physicians of the PRC (《中華人民共和國執業醫師法》), Administrative Measures for the Registration of Practicing physicians (《醫師執業註冊管理辦法》) and other relevant PRC laws and regulations.

We have established a policy and internal procedure to govern the verification of the physicians' qualification for the internet hospital services, which includes (i) obtain the relevant professional certifications including physician qualification certificate, physician practice certificate, title certificate and ID card information, (ii) screen the physicians and pharmacists records from the national electronic registration system to ensure the physicians and pharmacists are qualified, (iii) verify and record the details of physicians' information by our operation team, and (iv) submit the physicians' record to authorized authorities for further verification.

As of the Latest Practicable Date, there is no fund flow between our Company and the registered physicians. Going forward, the fund flow between our Group and the registered physicians should follow the procedures including (i) all registered physicians have to sign the services agreement with us after the verification of the physicians' qualification; (ii) the service payment is calculated on monthly basis by accounting department and deposited to the physicians' designated bank account at the end of each month/beginning of the following month; and (iii) service payment is subjected to PRC individual tax and we are responsible for withholding the individual tax for physicians.

In order to maintain a good supply chain management, we have established policies and internal procedures for screening the registered physicians and pharmacists' records from the national electronic registration system on an annual basis to ensure the registered physicians and pharmacists are qualified. Besides, we also put in place an internal prescription review system, such that the prescriptions written by the registered physicians are reviewed and cross-checked by pharmacists. We adopted a dual-pharmacist verification system to ensure that registered physicians' prescriptions comply with the relevant rules and regulations in the PRC. If the pharmacists find any prescription written is in any potential violation of the Drug Administration Law (藥品管理法), they will return the prescriptions to the registered physicians who must then adjust the prescriptions accordingly to ensure that it complies with the Drug Administration Law and other relevant laws and regulations in the PRC. Otherwise the pharmacists have the right to deny further processing of the prescription. In addition, we had set upper limits for prescription drug dosage pursuant to the relevant rules and regulations. Furthermore, we adopted a review system for patients to provide ratings and feedback of their experience in order to monitor the registered physicians' performance, including the quality of the prescriptions. As advised by our PRC Legal Advisers, our registered physicians are permitted to receive monetary and other compensation and benefits from us under current laws and regulations pursuant to the service agreements or employment contracts entered into between them and us. In addition, pursuant to the Drug Administration Law, pharmaceutical companies are prohibited from offering any improper compensation or benefit to physicians of medical institutions where the drugs of such pharmaceutical companies are used. Physicians who fail to comply with the abovementioned rule may be subject to license revocation, confiscation of the illegal gains therefrom, and criminal liabilities.

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During the Track Record Period, online consultation and purchase of prescribed medicine from our internet hospital platform were generally not covered by the health insurance scheme or subject to reimbursement in China as advised by our PRC Legal Advisers. We believe that over the next few years we will see a clearer pathway for access to the nation's health insurance system as the PRC Government has been exploring the possibilities of integrating the healthcare system with online healthcare platforms.

Our Directors confirm that we have not received any complaints in relation to the internet hospital services during the Track Record Period and up to the Latest Practicable Date, and we established a compliant handling policies procedures for handling complaints, which includes: (i) customer services department handle all kinds of customer queries and complaints; (ii) users can make queries and file complaints via various channels, such as services hotlines and official accounts on WeChat; (iii) all complaints will be recorded and handled by customer services managers; (iv) customer services managers provide the feedback to both physicians and complainants after handling the complaints; (v) all complaint records are maintained in customer services department; and (vi) complaint records will be submitted to management for acknowledgement.

Our cost components for internet hospital services primarily include staff costs as we expand our team to develop and support such services, as well as mobile platform development costs. We intend to continue to develop and expand our internet hospital services. Please refer to “— Business Strategies — Complementing our service capabilities through the development of internet hospital services” for details.

OUR PHYSICIANS NETWORK

Our network of physicians is crucial for our business. Through our medical conferences and online platforms, we have developed a network of approximately 24,000 CCVD physicians as of June 30, 2020, among which over 70% worked for Grade 3 hospitals in China. All of these physicians have participated in our provision of integrated healthcare marketing solutions, including in the capacity as a speaker in our medical conferences, onsite patient education classes and online educational videos. We believe that their expertise and professional knowledge enable us to provide high quality medical conference services and patient education and screening services, while their access to a substantial patient base will assist us in our internet hospital services and CRO services. We maintain a database of physicians that have participated in our provision of integrated healthcare marketing solutions or attended our events, including their name, hospital, department and practice area.

Speakers

During the Track Record Period, we engaged physicians and experts as speakers in medical conferences, onsite patient education classes and online educational videos according to the qualification requirements provided by medical NGOs for their respective projects. Typically, these physicians have at least five years of clinical experience at community hospitals or larger hospitals. In general, speaker fees are determined based on a number of

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factors, including the title and position of the physician, the grading of hospital they worked for, and the budget and scale of projects. Speaker fees generally range from RMB500 to RMB3,000 per medical conference and RMB500 to RMB1,000 per patient education class. Certain experts may charge a higher speaker fee exceeding RMB3,000 based on their respective experience and reputation.

The following table sets forth the number of speakers engaged for medical conferences, onsite patient education classes and online educational videos, respectively, during the Track Record Period.

Number of speakers	For the year ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
Medical conferences	13,693	18,051	39,626	16,900	18,210
Onsite patient education classes	3,533	3,425	6,114	4,048	971
Online educational videos	25,477	1,403	38,607	6,577	32,203
Total	42,703	22,879	84,347	27,525	51,384

The following table sets forth details of our top five speakers during the Track Record Period. All of the top five speakers in each year during the Track Record Period are independent to our Company, and our current Directors and Shareholders.

Speaker	Number of events	Total fees paid	% of total speaker fee	Background
		<i>(RMB)</i>	<i>(%)</i>	
For the six months ended June 30, 2020				
Speaker A	40	104,510	0.26	Physician from a Grade 2 hospital
Speaker B	25	75,968	0.19	Physician from a Grade 3 hospital
Speaker C	40	70,850	0.17	Physician from a Grade 3 hospital, professor
Speaker D	22	56,159	0.14	Physician from a Grade 3 hospital
Speaker E	22	53,614	0.13	Physician from a Grade 3 hospital
Total	149	361,101	0.89	

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<u>Speaker</u>	<u>Number of events</u>	<u>Total fees paid</u>	<u>% of total speaker fee</u>	<u>Background</u>
		<i>(RMB)</i>	<i>(%)</i>	
For the year ended				
December 31, 2019				
Speaker F	51	140,500	0.16	Physician from a Grade 3 hospital, professor
Speaker G	44	127,500	0.15	Member of a medical association
Speaker H	30	109,700	0.13	Physician from a Grade 3 hospital, Member of a medical association
Speaker I	21	85,000	0.10	Physician from a Grade 3 hospital, member of a medical association
Speaker J	32	84,500	0.10	Physician from a Grade 3 hospital, professor
Total	178	547,200	0.64	
For the year ended				
December 31, 2018				
Speaker K	33	103,000	0.22	Physician from a Grade 3 hospital, member of a medical association
Speaker L	18	61,500	0.13	Physician from a Grade 3 hospital, member of a medical association
Speaker M	23	61,000	0.13	Physician from a Grade 3 hospital, professor
Speaker N	18	60,500	0.13	Physician from a Grade 3 hospital, member of a medical association, professor
Speaker O	16	59,500	0.13	Physician from a Grade 3 hospital, professor
Total	108	345,500	0.74	
For the year ended				
December 31, 2017				
Speaker N	30	105,500	0.22	Physician from a Grade 3 hospital, member of a medical association, professor
Speaker P	20	55,500	0.12	Physician from a Grade 3 hospital, member of a clinical institute
Speaker Q	14	50,000	0.10	Physician from a Grade 3 hospital, member of a clinical institute
Speaker R	17	48,500	0.10	Physician from a Grade 3 hospital, professor
Speaker S	14	47,000	0.10	Member of a clinical institute, professor
Total	95	306,500	0.64	

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Medical Advisory Panel

We established a medical advisory panel in July 2019 that comprises four influential and well-recognized CCVD physicians. These four physicians practice medicine in hospitals located in various regions in China and the United States, providing us with a national and international network. These four physicians were selected by the board of directors of Mediwelcome Beijing as they are well-published and have extensive experience in the healthcare industry and in-depth understanding of policies and development trends of the healthcare industry. They are well-recognized and licensed CCVD physicians who practice medicine in hospitals located in various regions in China and the United States. Our medical advisory panel holds meeting every quarter and provides us with valuable advice on our strategic direction and business expansion, including the development of internet hospital services and CRO services. In addition, our medical advisory panel advises us on the topics that we should cover for our medical conference services and patient education and screening services.

We have entered into medical consulting service agreements with each member of our medical advisory panel on a non-exclusive basis for a term of three years. Under our medical consulting service agreements, members of our medical advisory panel are required to keep confidential any information and trade secrets disclosed to them. The total annual fees for the medical advisory panel is approximately RMB240,000.

The following is an introduction of each member of our medical advisory panel.

Physician name	Position held
Dr. Hu Xueqiang (胡學強)	<ul style="list-style-type: none">• Director of Neurology in the Third Affiliated Hospital to Sun Yat-Sen University• Honorary President of Guangdong Stroke Association• Editor-in-Chief of the Chinese Journal of Neuroimmunology and Neurology• Currently practicing in China
Dr. Dong Qiang (董強)	<ul style="list-style-type: none">• Director of Neurology in Huashan Hospital Affiliated to Fudan University• Director of Shanghai Neurology Medical Quality Control Center• Director of the professional committee at Shanghai Stroke Prevention and Treatment System• Currently practicing in China

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Physician name	Position held
Dr. Chen Kangning (陳康寧) . . .	<ul style="list-style-type: none">• Vice Director of Neurology in the First Hospital Affiliated to AMU• President of Institute of Interventional Diagnosis and Treatment of Cerebrovascular Disease, Chongqing• Currently practicing in China
Dr. James J. Wang	<ul style="list-style-type: none">• President of Tri-State Neuroscience Foundation• Vice president of Chinese American Neurological Association• Associate Editor of the Journal of Discovery Medicine• Currently practicing in the U.S.

CUSTOMERS AND SALES AND MARKETING

Customers

We principally provide integrated healthcare marketing solutions to China's esteemed medical NGOs and well-known pharmaceutical companies. In addition, we also provide integrated healthcare marketing solutions to other customers including medical device companies, healthcare and pharmaceutical publications and hospitals. As a service provider operating in a highly fragmented industry, building a high quality customer base is crucial to our business growth. We believe the approximately 20 years of experience of each of our co-founders and executive Directors, Mr. Shi Wei, Mr. Yang Weimin and Mr. Wang Liang, in healthcare marketing solutions industry, and the extensive experience of our management team, have been instrumental to our ability to develop high quality customers, including globally leading pharmaceutical companies, medical associations and foundations. Leveraging the experience and business network developed by our co-founders and management team, through recommendations by existing customers and tender bidding, we have been able to develop and maintain strong business relationships with high quality customers. In particular, we focus on maintaining strong relationships with major customers. We keep active contact and visit our five largest customers during the Track Record Period, whom we developed as customers through our good reputation or experts' recommendation. These customers are covered by members of our senior management, including our executive Director and vice president, Mr. Wang Wei and Mr. Sui Huijun, and our vice president, Mr. Yin Xingri, who have approximately 18, 14 and 11 years of experience in our industry, respectively. Moreover, we actively explore and develop potential customers through the services we provided and events we organized. We believe that we have established a strong reputation in our industry and have become a preferred business partner for medical NGOs and pharmaceutical companies. According to the CIC Report, among the global top ten pharmaceutical companies in terms of revenue in 2019, five were our customers during the Track Record Period. For the years ended December 31, 2017, 2018 and 2019 and six months ended June 30, 2020, we generated an aggregate revenue of RMB44.7 million, RMB33.6 million, RMB52.9 million and RMB16.7 million, respectively, from these five customers.

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We have collaborated with some of China's most esteemed medical NGOs, including the only medical association for CCVDs recognized by the CAST, which is the official organization for national professional societies in relation to science and technology in China. We have entered into strategic cooperation agreement with this medical association for medical conference services and patient education and screening services.

The following table sets forth a breakdown of our customers during the Track Record Period by type.

Customer type	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	Number	Revenue <i>(RMB in thousands)</i>	Number	Revenue <i>(RMB in thousands)</i>	Number	Revenue <i>(RMB in thousands)</i>	Number	Revenue <i>(RMB in thousands)</i>	Number	Revenue <i>(RMB in thousands)</i>
Medical NGOs	31	112,626	45	204,753	52	301,651	31	110,005	40	84,365
Pharmaceutical and medical device companies	171	89,444	183	77,401	195	112,699	117	46,223	104	53,469
Others ⁽¹⁾	51	56,810	58	16,814	56	12,809	28	5,717	13	847
Total	253	258,880	286	298,968	303	427,159	176	161,945	157	138,681

(1) Others primarily include healthcare and pharmaceutical publications, hospitals and physicians.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, revenue generated from our five largest customers contributed 71.1%, 55.4%, 56.2% and 47.8% to our total revenue for the same periods, respectively. For the same periods, revenue generated from our largest customer contributed 33.3%, 36.4%, 30.7% and 15.7% to our total revenue for the same periods, respectively.

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The following table sets forth details of our five largest customers during the Track Record Period.

<u>Customer</u>	<u>Transaction amount</u>	<u>% of total revenue</u>	<u>Length of business relationship as of the Latest Practicable Date</u>	<u>Services provided</u>
	<i>(in thousands of RMB)</i>	<i>(%)</i>	<i>(years)</i>	
For the six months ended June 30, 2020				
CSA	21,823	15.7	5	Medical conference services; patient education and screening services
Customer C	13,322	9.6	3	Medical conference services; patient education and screening services
Customer A	13,315	9.6	4	Medical conference services; patient education and screening services
Customer G	9,130	6.6	2	Medical conference services
Customer group D	8,766	6.3	16	Medical conference services; marketing strategy and consulting services
Total	<u><u>66,356</u></u>	<u><u>47.8</u></u>		

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<u>Customer</u>	<u>Transaction amount</u>	<u>% of total revenue</u>	<u>Length of business relationship as of the Latest Practicable Date</u>	<u>Services provided</u>
	<i>(in thousands of RMB)</i>	<i>(%)</i>	<i>(years)</i>	
For the year ended December 31, 2019				
CSA	131,085	30.7	5	Medical conference services; patient education and screening services
Customer A	35,217	8.2	4	Medical conference services; patient education and screening services
Customer group B	29,165	6.8	8	Medical conference services; marketing strategy and consulting services
Customer C	24,539	5.7	3	Medical conference services; patient education and screening services
Beijing Life Oasis Public Service Center (北京生命綠洲公益服務中心)	20,242	4.8	2	Medical conference services; patient education and screening services
Total	<u>240,248</u>	<u>56.2</u>		

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<u>Customer</u>	<u>Transaction amount</u>	<u>% of total revenue</u>	<u>Length of business relationship as of the Latest Practicable Date</u>	<u>Services provided</u>
	<i>(in thousands of RMB)</i>	<i>(%)</i>	<i>(years)</i>	
For the year ended December 31, 2018				
CSA	108,881	36.4	5	Medical conference services; patient education and screening services
Customer group B	16,168	5.4	8	Medical conference services; marketing strategy and consulting services
Beijing Jiekai Cardiovascular Health Foundation (北京傑凱 心血管健康基金會)	15,946	5.3	3	Medical conference services; patient education and screening services
Customer group D	14,916	5.0	16	Medical conference services; marketing strategy and consulting services
Customer E	9,796	3.3	5	Medical conference services; patient education and screening services
Total	<u>165,707</u>	<u>55.4</u>		

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<u>Customer</u>	<u>Transaction amount</u>	<u>% of total revenue</u>	<u>Length of business relationship as of the Latest Practicable Date</u>	<u>Services provided</u>
	<i>(in thousands of RMB)</i>	<i>(%)</i>	<i>(years)</i>	
For the year ended December 31, 2017				
CSA	86,105	33.3	5	Medical conference services; patient education and screening services
Health News Co., Ltd. (健康報社有限公司)	48,134	18.6	6	Medical conference services; patient education and screening services
Customer group B	23,403	9.0	8	Medical conference services; marketing strategy and consulting services
Customer group D	19,865	7.7	16	Medical conference services; marketing strategy and consulting services
Customer F	6,529	2.5	5	Medical conference services; patient education and screening services
Total	<u>184,036</u>	<u>71.1</u>		

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Profile of and Relationship with Our Five Largest Customers

During the Track Record Period, CSA had been our largest customer which contributed approximately 33.3%, 36.4%, 30.7% and 15.7% of our Group's overall revenue. Revenue from CSA's medical conventions and seminars accounted for 38.0%, 24.7%, 28.5% and 10.8% of our Group total revenue, representing 71.8%, 42.6%, 43.1% and 20.0% of our Group's revenue from medical conventions and seminars. The breakdown of revenue from CSA's medical conventions and seminars during the Track Record Period is as follows:

	For the year ended December 31,			For the six months ended June 30,
	2017	2018	2019	2020
	<i>(in thousands of RMB)</i>			
Revenue from CSA's medical conventions and seminars				
Revenue from CSA	72,379	58,921	102,394	14,620
Sponsorship fee	23,511	12,955	16,802	366
Registration fee	2,518	1,988	2,450	–
Total	98,408	73,864	121,646	14,986

* *The sponsorship fee was not paid by the CSA but mainly from pharmaceutical enterprises which are independent from the CSA. The registration fee was charged on attending physicians.*

The CSA is a PRC medical association established in 2015 with more than 13,000 individual members. Its main objective is to improve diagnosis and treatment of certain CCVDs in China by providing medical education to medical professionals and the public. According to its articles of association, the CSA is led by a general council consisting of over 30 executive directors, and its funding primarily comes from membership fees, donations, activities and services income and investment income. We established business relationship with the CSA since its set up through recommendations by experts met in other projects as a major healthcare marketing solution provider in CCVDs with a long track record of operations of about 20 years. Our executive Director and vice president, Mr. Wang Wei, is responsible for liaising with the CSA. Please refer to “Directors and Senior Management — Directors” for biographical details of Mr. Wang Wei.

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Our Directors confirm that our Company has not made any donation to the CSA or other medical NGOs during the Track Record Period.

As advised by our PRC Legal Advisers, the CSA, being a social organization under PRC laws and regulations, is regulated and supervised by competent authority. The CSA is a member of the CAST and it is recognized and directly supervised by CAST, a semi-official ministerial level (正部級) organization established in 1958, forming part of the Chinese People's Political Consultative Conference (中國人民政治協商會議). The CAST is under the direct leadership of the Secretariat of the Communist Party of China Central Committee (中央書記處), and it reviews annual reports of the CAST. The CAST is a union of different level (from national level to community level) of science and technology social organizations which implements membership system. Upon approval of the CAST, social organizations may become members of the CAST. In accordance with the provisions of the Regulations on the Registration of Social Organizations (《社會團體登記管理條例》), the CAST shall perform the following supervisory and administrative functions on its members: (i) to administer the registration, alteration and deregistration of social organizations, (ii) to supervise and guide social organizations to observe the constitution law, laws, regulations and policies of the PRC and to carry out activities in accordance with their articles of association, (iii) to carry out preliminary annual inspection of social organizations, (iv) to assist the social organization registration administration authority (the Ministry of Civil Affairs) and other relevant authorities in investigating and penalizing the illegal acts of social organizations, and (v) to participate in the liquidation of social organizations.

Accordingly, the articles of association of the CAST stipulates that members of the CAST should (i) observe the articles of association of the CAST, (ii) accept orders of the CAST, (iii) implement the resolutions and decisions of the CAST, (iv) carry out activities in accordance with the articles of association of the CAST, and (v) carry out tasks delegated by the CAST. CSA is abide by the Regulations on the Registration and Administration of Social Organizations (《社會團體登記管理條例》), which stipulates that the CAST and the Ministry of Civil Affairs (中華人民共和國民政部), are responsible for the business guidance, supervision and administration of the CSA. According to the Regulations on the Registration and Administration of Social Organizations (《社會團體登記管理條例》), CSA should submit their annual reports to both the CAST and the Ministry of Civil Affairs, and the management and usage of CSA's assets is under the supervision of competent audit authorities of PRC Government (審計機關). Additionally, assets from state funding and private donation are subject to the supervision of audit authorities of the PRC Government. According to CSA's articles of association, the CSA conducts election of its committee members every five years. Prior to such election, a list of the proposed candidates for its council members (常務理事), chairman (會長), vice-chairman (副會長) and secretary (秘書長) will be sent to the CAST for approval. The minutes of such election meetings will also be filed with the CAST. The CSA may receive penalties, including rectification order, formal warning, membership cancelation, from the CAST, (i) if it fails to effectively perform its duties; (ii) if it shows no improvement after receiving penalties from the CAST; and (iii) in the case that it violates the laws and regulations of the PRC or seriously violates the articles of association of the CAST, causing material adverse consequences, its membership may be canceled by the CAST.

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As advised by our PRC Legal Advisers, if any social organization has been subject to any enquiries, inspection or investigation by the CAST or other regulatory authorities, or has been the subject of any material complaints, the name of such organization would be posted on the Public Service Platform of China Social Organizations (中國社會組織公共服務平台) and the official websites of the CAST and the Ministry of Civil Affairs. As confirmed by our PRC Legal Advisers, based on searches on the Public Service Platform of China Social Organizations (中國社會組織公共服務平台), the official websites of the CAST and the Ministry of Civil Affairs, as of the Latest Practicable Date, the CSA has not been found to have: (i) received administrative punishments or being found dishonesty; (ii) named in the List of Abnormal Activities (活動異常名錄) or the List of Serious Illegal and Dishonest Entities (嚴重違法失信名單); or (iii) enquired, inspected or investigated by the CAST or other competent authorities, or has received material complaints.

Save for the business relationship between the CSA and us, as disclosed in this Prospectus, as of the Latest Practicable Date, each of our Controlling Shareholders, Directors, our senior management and employees confirmed that, since the commencement of operations of our Group, and up to the Latest Practicable Date, they had no past or present relationships, including business, family, employment and financing relationships, with (i) the CSA and CAST; and (ii) the key management personnel of the CSA and CAST as published on their respective official websites.⁽¹⁾

Customer A is a PRC medical foundation headed by the Ministry of Civil Affairs of the PRC. Its main objective is to carry out public welfare service activities in various disease areas and to raise awareness of disease-related knowledge. According to its articles of association, customer A is led by a management council consisting of 12 to 25 directors, and its funding primarily comes from donations and investment income. According to the financial report published on its website, the total amount of donations it received in 2019 was approximately RMB185.5 million. Leveraging the experience, good reputation and business network, we keep active contact and visit customer A in establishing our business relationship. Our executive Director and vice president, Mr. Sui Huijun, is responsible for liaising with customer A. Please refer to “Directors and Senior Management — Directors” for biographical details of Mr. Sui Huijun.

Customer group B is a group of subsidiaries of a global pharmaceutical company listed on the London Stock Exchange, the New York Stock Exchange and the OMX Exchange and headquartered in Cambridge, United Kingdom, which mainly focuses on CCVDs, renal and metabolism, oncology and respiratory diseases. Market capitalization of the listed company is over US\$130.0 billion as of the Latest Practicable Date. Leveraging the experience, good reputation and business network, we keep active contact and visit customer group B in establishing our business relationship. We have passed their assessments to become a member of their supplier list. Our executive Director and vice president, Mr. Sui Huijun, is responsible for liaising with customer group B.

(1) CSA’s official website: <http://www.chinastroke.net/>; CAST’s official website: <https://www.cast.org.cn/>

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Customer C is a PRC medical association established in 2015 with the objective of providing a collaborative and interactive platform for government organizations, academic institutions, experts, doctors and enterprises in the cardiovascular field, and promoting the development of cardiovascular health through academic exchanges, public education, disease screening and other activities. According to its articles of association, customer C is led by a management council consisting of 13 directors, and its funding primarily comes from donations, government funding, activities and services income and investment income. Leveraging the experience, good reputation and business network, we keep active contact and visit customer C in establishing our business relationship. Our executive Director and vice president, Mr. Sui Huijun, is responsible for liaising with customer C.

Beijing Life Oasis Public Service Center is a PRC medical foundation established in 2013 with the objective of carrying out public welfare service activities in various disease areas and raising awareness of disease-related knowledge. According to the public information on its website, Beijing Life Oasis Public Service Center is led by a management council consisting of six members and its funding primarily comes from donations. The total income it generated in 2017 was approximately RMB55.1 million. Leveraging the experience, good reputation and business network, we keep active contact and visit Beijing Life Oasis Public Service Center in establishing our business relationship. Our executive Director and vice president, Mr. Sui Huijun, is responsible for liaising with Beijing Life Oasis Public Service Center.

Beijing Jiekai Cardiovascular Health Foundation is a PRC medical foundation established in 2015 and focused on CCVDs. According to its articles of association, Beijing Jiekai Cardiovascular Health Foundation is led by a management council consisting of five to 25 directors, and its funding primarily comes from donations and investment income. According to the audit report published on its website, the total income it generated in 2017 was approximately RMB16.6 million. We established the business relationship with Beijing Jiekai Cardiovascular Health Foundation through recommendations by experts met in other projects. Our executive Director and vice president, Mr. Wang Wei, is responsible for liaising with Beijing Jiekai Cardiovascular Health Foundation.

Customer group D is a group of subsidiaries of a global pharmaceutical company listed on the New York Stock Exchange and headquartered in New York, the United States. Customer group D mainly focuses on internal medicine, inflammation and immunology, oncology and rare diseases. The market capitalization of the listed company is over US\$198.0 billion as of the Latest Practicable Date. Leveraging the experience, good reputation and business network, we keep active contact and visit customer group D in establishing our business relationship. We have passed their assessments to become a member of their supplier list. Our vice president, Mr. Yin Xingri, is responsible for liaising with customer group D. Please refer to “Directors and Senior Management – Senior Management” for biographical details of Mr. Yin Xingri.

Customer E is a PRC medical foundation established in 2015 with the approval of the Beijing Municipal Civil Affairs Bureau with the objective of carrying out public welfare service activities in various disease areas and raising awareness of disease-related knowledge. According to its articles of association, customer E is led by a management council consisting

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of five to 25 directors and its funding primarily comes from donations and investment income. According to the audit report published on its website, the total income it generated in 2018 was approximately RMB252.9 million. Leveraging the experience, good reputation and business network, we keep active contact and visit customer E in establishing our business relationship. Our executive Director and vice president, Mr. Sui Huijun, is responsible for liaising with customer E.

Health News Co., Ltd. is a PRC healthcare news agency under the National Health Commission of the PRC to raise awareness of healthcare knowledge. We established the business relationship with it through recommendations by experts met in other projects. Our vice president, Mr. Yin Xingri, is responsible for liaising with Health News Co., Ltd..

Customer F is a PRC medical foundation established in 2002 with the approval of the Ministry of Civil Affairs of the PRC and with the objective to carry out public welfare service activities in various disease areas at both the local and international level. According to its articles of association, customer F is led by a management council consisting of 15 to 19 directors and its funding primarily comes from donations and investment income. According to the audit report published on its website, the total income it generated in 2018 was approximately RMB177.0 million. We established the business relationship with customer F through recommendations by experts met in other projects. Our vice president, Mr. Yin Xingri, is responsible for liaising with customer F.

Customer G is a PRC medical association established in 1984 with an objective to carry out public welfare service activities in various disease areas and to arouse public awareness of disease-related knowledge. According to its articles of association, customer G is led by a management council, and its funding primarily comes from membership fee, donations, government subsidies and investment income. Leveraging the experience, good reputation and business network, we keep active contact and visit customer G in establishing our business relationship. Our executive Director and vice president, Mr. Sui Huijun, is responsible for liaising with customer G.

As of the Latest Practicable Date, none of our Directors, their associates or any Shareholders which, to the best knowledge of our Directors, owned more than 5% of our share capital as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period. As of the same date, save for the business relationships disclosed in this Prospectus, none of the five largest customers had any business, family, employment, financing or other relationships with our Group, our current Shareholders, Directors, senior management or their respective associates.

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Contracts with Customers

For medical conference services and patient education and screening services, we entered into agreements with medical NGOs or pharmaceutical companies on project basis during the Track Record Period. Summary of key terms of these agreements is as follows:

- *Term.* For each project, contract term typically ranges from two to 12 months, depending upon the scale of project. Contracts for medical conventions do not stipulate specific terms.
- *Services.* We are typically responsible for designing, planning, managing and implementing medical conferences and patient education and screening services according to specific topics selected by medical NGOs or pharmaceutical companies.
- *Pricing.* We charge medical NGOs the quoted costs for procurement from third parties, market rate fees for standardized services provided by us and a service fee for each convention or project. Quotes on total fees are estimated on a cost-plus basis, but the total fees for the project is generally fixed regardless of actual cost incurred.
- *Payment term.* Fee payment is typically settled in installment based on project milestones. Each installment is a percentage of the budget estimate of the project. After the project is completed, we will issue an invoice with the total costs and fees, and medical NGOs or pharmaceutical companies will settle the remaining fees based on our invoice.
- *Credit term.* We generally grant a credit term of up to 90 days to medical NGOs or pharmaceutical companies for medical conference services and patient education and screening services from the invoice date.
- *Intellectual property.* We are authorized to use intellectual property rights of medical NGOs or pharmaceutical companies, which typically include trademarks, for free for convention organization or project implementation.
- *Termination.* Either party is entitled to terminate the service agreement in writing if the other party does not or is not able to fulfill its contractual obligations.

Save as disclosed in this Prospectus, there is no other side arrangements or agreements, including incentives, rebates, reimbursements and other benefits, among our Group, its customers, the sponsoring enterprises, the speakers and/or the attendees of the medical conventions and seminars organized by our Group.

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For marketing strategy and consulting services, we entered into framework agreements with pharmaceutical companies and entered into separate purchase orders with them for each project during the Track Record Period. Summary of key terms of these framework agreements is as follows:

- *Term.* Contract terms typically range from 12 to 24 months.
- *Services.* We are responsible for all services in relation to marketing strategy and consulting, including marketing strategy development and implementation and marketing materials preparation. For planning and organizing product launch conferences and annual conferences, we are also responsible for setting up venues for these conferences.
- *Pricing.* We set out hourly or daily fee rates based on service type or level of complexity for the service specified, as well as seniority and experience of our employees.
- *Payment and credit term.* We issue an invoice to pharmaceutical companies after we complete our services. We generally grant pharmaceutical companies a credit term up to 90 days from the invoice date.
- *Intellectual property.* We are authorized to use pharmaceutical companies' intellectual property rights, which typically include trademarks, at no consideration for the purpose of providing marketing strategy and consulting services. Pharmaceutical companies are entitled to the intellectual property rights of the work product we deliver.
- *Termination.* Either party is entitled to terminate the agreement in writing if the other party does not or is not able to fulfill its contractual obligations.

Sales and Marketing

Our business development team, which consisted of three members as of the Latest Practicable Date, is mainly responsible for developing new customers. Our account managers, who are separate from our business development team, are responsible for covering existing customers. As of the Latest Practicable Date, we had over 150 account managers serving our existing customers, which mainly are medical NGOs and pharmaceutical companies. Moreover, our account managers are responsible for developing business relationships with potential customers referred by existing customers, which is another source of business development for us. Our business development team and account managers interact frequently with medical NGOs and pharmaceutical companies, which helps us to understand their needs and improve our service quality.

PROCUREMENT AND SUPPLIERS

Procurement

During the Track Record Period, we primarily procured travel and lodging services, presentation materials, venue set-up and rental services, video production services and IT services.

Our procurement department is responsible for conducting comprehensive evaluation of potential suppliers. We generally select our suppliers based on their price and quality of services or goods. After establishing a business relationship with suppliers, we will review their performance on an annual basis. In addition, our procurement department will record the performance of our suppliers by conducting surveys with relevant project managers.

We typically enter into one-time purchase agreements with our suppliers, which set out the price, work scope and quality requirements. We maintain a list of preferred suppliers that have established long-term business relationship with us, of whom we may enter into framework agreements with. Summary of key terms of our agreements with these suppliers is as follows.

- *Term.* Generally 12 months.
- *Quality.* We generally have detailed and specific standards on quality of goods or services.
- *Pricing.* Prices for goods or services are primarily determined upon the type of items procured and project scale, respectively.
- *Payment and credit term.* Upon delivery, inspection and acceptance of goods or services, the supplier shall provide us with an invoice for payment. We typically make full payment within 30 days within our receipt of the invoice.
- *Intellectual property.* We generally own the intellectual property rights of the digital assets, such as videos, images and apps supplied, if any.
- *Confidentiality.* The supplier shall only disclose our confidential information to third parties with our prior written consent and shall take reasonable measures to protect relevant confidential information. In general, we will be entitled to full compensation for our suppliers' breach of confidentiality.
- *Termination.* Either party is entitled to terminate the purchase agreement if the other party does not or is not able to fulfill its contractual obligations.

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For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, procurement from our five largest suppliers amounted to RMB34.7 million, RMB40.5 million, RMB71.8 million and RMB32.4 million, respectively, accounting for 18.5%, 18.9%, 21.6% and 29.3% of our total cost of sales for the same periods, respectively. For the same periods, procurement from our largest supplier amounted to RMB12.4 million, RMB13.8 million, RMB40.3 million and RMB18.7 million, respectively, accounting for 6.6%, 6.4%, 12.1% and 17.0% of our total cost of sales for the same periods, respectively.

The following table sets forth details of our five largest suppliers during the Track Record Period.

Supplier	Transaction amount <i>(in thousands of RMB)</i>	% of total cost of sales <i>(%)</i>	Length of business relationship as of the Latest Practicable Date <i>(years)</i>	Primary service/goods procured	Background
For the six months ended June 30, 2020					
Supplier A	18,743	17.0	2	IT services relating to an online settlement system	IT service provider
Supplier E	5,247	4.7	6	Project implementation services (primarily include event venue setting up services and data filing and organization services)	Event management company
Supplier I	3,540	3.2	1	Sales of medical equipments	Medical equipment company
Supplier J	2,641	2.4	1	Event management services	Event management company
Supplier B	2,221	2.0	4	Travel services	Travel company
Total	<u>32,392</u>	<u>29.3</u>			

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Supplier	Transaction amount	% of total cost of sales	Length of business relationship as of the Latest Practicable Date	Primary service/goods procured	Background
	<i>(in thousands of RMB)</i>	<i>(%)</i>	<i>(years)</i>		
For the year ended December 31, 2019					
Supplier A	40,265	12.1	2	IT services relating to an online settlement system	IT service provider
Supplier B	16,103	4.8	4	Travel services	Travel company
Supplier C	5,482	1.6	3	Project implementation services (primarily include event venue setting up services)	Event management company
Supplier D	5,143	1.6	6	Venue services	Real estate company
Supplier E.	4,761	1.5	6	Project implementation services (primarily include event venue setting up services and data filing and organization services)	Event management company
Total	<u>71,754</u>	<u>21.6</u>			

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Supplier	Transaction amount	% of total cost of sales	Length of business relationship as of the Latest Practicable Date	Primary service/goods procured	Background
	<i>(in thousands of RMB)</i>	<i>(%)</i>	<i>(years)</i>		
For the year ended December 31, 2018					
Supplier A	13,756	6.4	2	IT services relating to an online settlement system	IT service provider
Supplier B	11,520	5.4	4	Travel services	Travel company
Supplier D	5,500	2.6	6	Venue services	Real estate company
Supplier E.	5,215	2.4	6	Project implementation services (primarily include event venue setting up services and data filing and organization services)	Event management company
Supplier F.	4,477	2.1	2	Project implementation services (primarily include the provision of ancillary equipment)	Event management company
Total.	<u>40,468</u>	<u>18.9</u>			

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Supplier	Transaction amount	% of total cost of sales	Length of business relationship as of the Latest Practicable Date	Primary service/goods procured	Background
	<i>(in thousands of RMB)</i>	<i>(%)</i>	<i>(years)</i>		
For the year ended December 31, 2017					
Supplier E	12,351	6.6	6	Project implementation services (primarily include event venue setting up services and data filing and organization services)	Event management company
Supplier G	10,080	5.4	5	Project implementation services (primarily include event venue setting up services)	Event management company
Supplier B	7,227	3.9	4	Travel services	Travel company
Supplier C	2,549	1.3	3	Project implementation services (primarily include event venue setting up services)	Event management company

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<u>Supplier</u>	<u>Transaction amount</u>	<u>% of total cost of sales</u>	<u>Length of business relationship as of the Latest Practicable Date</u>	<u>Primary service/goods procured</u>	<u>Background</u>
	<i>(in thousands of RMB)</i>	<i>(%)</i>	<i>(years)</i>		
Supplier H	2,443	1.3	3	Project implementation services (primarily include event venue setting up services)	Event management company
Total	<u>34,650</u>	<u>18.5</u>			

During the Track Record Period, none of our Directors, their associates or any Shareholder which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers.

During the Track Record Period, we maintained multiple suppliers to avoid undue reliance on any single supplier and we believe there is no difficulty in identifying and engaging alternative suppliers. We did not experience any material disputes with suppliers, any difficulties in the procurement services, any interruption in our operations due to a shortage of services or any significant fluctuations in their prices during the Track Record Period.

QUALITY CONTROL

For our medical conference services and patient education and screening services, quality control of our services are mainly conducted by personnel designated on each project. In addition, we assign a project manager to each project to specifically oversee the project implementation process.

For our marketing strategy and consulting services, we have established and implement standard operating procedures for our project implementation to ensure that the quality of our services meet customers' expectations. In particular, we have a professional medical team whose members possess a bachelor's degree or above in medical-related fields to ensure that we can provide high-quality services to customers. In accordance with our standard operating procedures, the director of our medical team reviews the first draft of marketing materials

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prepared by members of the medical team. After delivering marketing materials to the customer, our medical team maintains close communications with customers to provide follow-up services or revisions as needed. Please refer to “ — Employees” for details of our medical team.

DATA PROTECTION

We collect and maintain a large volume of data, including information of physicians and patients, in the course of our business operations. Information of physicians includes their name, hospital, department, contact information, practice area, physician qualification registration number and ID number. Information of patients includes non-identifying basic information, such as gender, age and disease type and does not include their identities, consultation records and medical records. We strictly limit the number of employees who can access these data and only grant such access on a “need-to-know” basis. Our internal policy requires employees not to disclose these data to any third party without consent of physicians or patients, except as required by applicable law. We have engaged an Independent Third Party cloud service provider to store these data in its data centers in Beijing, Guangzhou and Shanghai. These data are backed up regularly to minimize the risk of loss. The cloud service provider adopts a multiple-layer firewall to protect against attacks or unauthorized access of our data. We require the cloud service provider to monitor the visits of the data regularly and report any suspicious or unauthorized access or attacks to us. In accordance with our agreement with the cloud service provider, it is prohibited from accessing the content of our data to ensure data confidentiality. In addition, the data are encrypted to protect privacy of physicians and patients.

SEASONALITY

Demand for our services is subject to seasonality. Historically, due to the Chinese New Year holiday season, demand for our services is generally lower in the first quarter of the year and we organize relatively fewer events and projects during this period. Demand for our services is generally higher in the second half of the year (especially in the fourth quarter) as medical NGOs are striving to complete their physician and patient education projects planned for the period; and pharmaceutical companies are accomplishing their sales and marketing goals before year end. As a result, revenue generated from the first half of the year is generally lower than that from the second half of the year.

INTELLECTUAL PROPERTY

We have obtained key intellectual property and proprietary rights in connection with our business. As of the Latest Practicable Date, we owned 16 trademarks, 51 copyrights and 29 domain names in China and one trademark in Hong Kong which, in the opinion of our Directors, are material to our business. Please refer to “Appendix IV — Statutory and General Information — B. Information about Our Business — 2. Intellectual Property Rights of Our Group” for details. We rely on a combination of intellectual property laws, trade secrets, confidentiality procedures and contractual provisions to protect our intellectual property including know-how. We require our employees and customers for marketing strategy and

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consulting services to enter into written confidentiality agreements upon the commencement of their relationships with us. These agreements generally provide that any confidential or proprietary information disclosed or otherwise made available by us be kept confidential.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any intellectual property rights disputes or legal proceedings pending, or, to our knowledge, threatened, against us that would have a material and adverse effect on our business.

LICENSES AND PERMITS

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for our operations in China. We renew such licenses, approvals and permits from time to time to comply with the relevant laws and regulations.

The table below sets forth details of key permits we hold for our operations:

License/Permit	Holder	Granting authority	Date of grant	Expiry date
Radio and Television Program Production License (廣播電視節目製作經營許可證)	Weiliandong	Beijing Municipal Bureau of Radio and Television (北京市廣播電視局)	June 4, 2018	March 31, 2021
ICP License	Mediwelcome Beijing	Beijing Communications Administration (北京市通信管理局)	July 2, 2019	July 2, 2024
Practice License for Medical Institutions (醫療機構執業許可證)	Ningxia Subsidiary	Yinchuan Approval Service Administration (銀川市審批服務管理局)	August 7, 2019	August 6, 2024
ICP License	Weiliandong	Beijing Communications Administration	August 21, 2019	August 21, 2024
Qualification Certificate of Internet Drug Information Service (互聯網藥品信息服務資格證)	Ningxia Subsidiary	Drug administration of Ningxia Hui Autonomous Region (寧夏回族自治區藥品監督管理局)	December 23, 2019	December 22, 2024

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COMPETITION

The integrated healthcare marketing solutions industry in the CCVD area in China is highly fragmented. Our competitors are primarily other industry participants in the integrated healthcare marketing solutions industry, such as event management companies and brand management companies. These industry participants compete with us on the basis of service quality, industry experience, reputation, physician and customer network and technology platform capabilities. According to the CIC Report, we were the largest provider in the Integrated Healthcare Marketing Solutions Market for CCVDs in China in terms of revenue in 2019, with a market share of 4.9%. The Integrated Healthcare Marketing Solutions Market for CCVDs in China was a RMB5.6 billion market in 2019, accounting for approximately 10.6% of the overall Integrated Healthcare Marketing Solutions Market in China. Please refer to “Industry Overview” for details.

EMPLOYEES

As of the Latest Practicable Date, we had 392 full-time employees, all of whom were based in China. The following table sets forth the number of our employees by function as of the Latest Practicable Date.

Function	<u>Number of employees</u>
<i>Operation</i>	
Account managers	162
Support team ⁽¹⁾	98
Disease risk screening	<u>11</u>
<i>Sub-total</i>	<u>271</u>
General administration	47
Research and development	25
Medical team	27
Management and support	19
Business development	<u>3</u>
Total	<u><u>392</u></u>

(1) Primarily consists of event planning, designing and video production personnel.

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Our operation team is responsible for carrying out our day-to-day business operations, including strengthening our business network and geographical coverage. We had a professional medical team of 27 employees as of the Latest Practicable Date, all of whom possess a bachelor's degree or above in medical-related fields. Responsibilities of our medical team include market research and analysis, medical literature research, marketing material and content outline preparation and writing educational articles. Please refer to “— Our Services — Patient Education and Screening Services — Online Patient Education Services — Patient Gateway,” “— Our Services — Patient Education and Screening Services — Online Patient Education Services — Physician Gateway” and “— Our Services — Marketing Strategy and Consulting Services” for details.

We primarily recruit our personnel through recruitment websites and job fairs. We conduct training for new staff before they start work and have periodic training for our employees based on their respective responsibilities.

We are committed to establish fair remuneration system and conduct performance evaluation for our employees on an annual basis. Compensation for our employees typically consists of a base salary and a performance-based bonus.

We currently do not have a labor union for our employees. We believe that we have maintained good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations. We have been advised by our PRC Legal Advisers that we have complied with applicable PRC labor laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

RESEARCH AND DEVELOPMENT

Our research and development team consisted of 25 members as of the Latest Practicable Date and primarily engages in development of online platforms and apps used for our medical conference services, patient education and screening services and internet hospital services.

PROPERTIES

As of the Latest Practicable Date, we did not own any properties and leased 12 properties with a gross floor area of approximately 4,104.54 sq.m. from Independent Third Parties in China, including our headquarters located in Beijing. Our leased properties are used as office premises, warehouses and staff dormitories, and the lease agreements of which generally have lease expiration dates ranging from 2021 to 2024.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had registered none of our leased properties with the relevant authority. Please refer to “Risk Factors — Risks Relating to Our Business and

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Industry — We did not complete registration procedures at relevant governmental authorities for all of our leased properties.” Our PRC Legal Advisers have advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under PRC laws, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. The estimated total maximum penalty is RMB120,000. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements. Our PRC Legal Advisers are of the view that our failure to register all leased properties will not have a material adverse effect on our business and results of operations.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group’s interests in land or buildings, for the reason that, as of December 31, 2019, we had no single property with a carrying amount of 15% or more of our total assets.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. In line with industry practices, we have elected not to maintain certain types of insurances, such as business interruption insurance or key man insurance. We do not maintain any medical liability insurance for our registered physician in respect of our internet hospital service as of the Latest Practicable Date. Our internet hospital services just commenced in late 2019 which mainly provides follow-up consultation and e-prescription after initial onsite outpatient consultation with physicians, our Directors therefore consider risk of being sued by patients is relatively remote as the aforesaid services are just post-treatment or follow-up subsequent to the initial onsite consultation and no complaints have been received by our Group from patients up to the Latest Practicable Date. Our PRC Legal Advisers are of the view that the medical institutions are encouraged to purchase medical liability insurance for registered physicians according to relevant laws and regulations in the PRC, and no penalty or other adverse legal consequences for failure to purchase the medical liability insurance are explicitly stipulated under the relevant laws and regulations. Our PRC Legal Advisers are of the view that the risk of our Group being punished for our failure to purchase the medical liability insurance is remote. Based on discussion with our PRC Legal Advisers on the foregoing, and that our Group is in the process of negotiation with potential insurance providers and undertakes to purchase the medical liability insurance for its registered physicians before listing, the Sole Sponsor concurs with the view of our PRC Legal Advisers. Our Controlling Shareholders will jointly and severally indemnify and keep our Group indemnified against any medical liability claims or damages before our Group’s medical liability insurance becomes effective. Please refer to “Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be inadequate to cover all significant risk exposures” for details.

BUSINESS

OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL MATTERS

Our business does not involve significant occupational health and safety and environmental matters. During the Track Record Period and up to the Latest Practicable Date, we did not have any material occupational health and safety and environmental incidents, and our PRC Legal Advisers have advised that, during the same period, we complied with relevant PRC laws and regulations in all material respects.

COMPLIANCE AND LEGAL PROCEEDINGS

As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have complied with the relevant PRC laws and regulations in all material respects.

From time to time, we may be involved in legal proceedings in the ordinary course of our business. During the Track Record Period, neither we nor any of our Directors were involved in any litigation, arbitration or administrative proceedings that could have a material and adverse effect on our business, financial condition or results of operations. Up to the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or any of our Directors that could have a material and adverse effect on our business, financial condition or results of operations.

Based on the litigation searches on the official websites of the competent administration of market regulation (市場監督管理局) and China Judgments Online (中國裁判文書網), our PRC Legal Advisers advised that, during the Track Record Period and up to the Latest Practicable Date, our Group and any of our Directors, senior management and employees, and any of its medical convention/seminar projects did not involve or participate in any actual or potential illegal sponsorship arrangements, and did not participate in or assist any customers, speakers, suppliers, sponsoring enterprises and attendees in bribing through the medical conventions/seminars organized by our Group, or through academic conferences, lectures and other means to make commercial bribery to physicians. As confirmed by our PRC Legal Advisers, our Group's involvement or participation in the sponsorship arrangements would not attract any liability or other negative legal consequences and the sponsorship fee would not be treated as illegal money and be confiscated in the event that our Group's medical conventions/seminars, or the relevant customers, speakers, suppliers, sponsoring enterprises and attendees, are found to be involved in, or being investigated for, any bribery incidents or breach of other applicable laws and regulations as a result of the sponsorship arrangements, solely as our Group and any of our Directors, senior management, or employees did not receive any undue interest through these sponsorship arrangements, and did not commit or assist in any commercial bribery. Our Group and any of our Directors, senior management and employees are not subject to punishment by government regulatory agencies for commercial bribery, nor are they being investigated or criminally punished for commercial bribery, nor are they involved in any legal proceedings regarding commercial bribery.

BUSINESS

Based on discussion with our PRC Legal Advisers on the foregoing; interviews with our Directors; and relevant litigation searches and background checks performed on our Group, the Sole Sponsor is not aware that our Group has been involved in any commercial bribery litigation or investigation during the Track Record Period.

Our Directors confirm that the tightening of laws and regulations applicable to commercial bribery mentioned under the “Regulatory Overview” is targeting those illegal and improper sponsorship arrangement. Given that our Company has not engaged any illegal or improper sponsorship arrangement, the tightening of the relevant laws and regulations on commercial bribery will not have any impact on our Group. Please refer to “— Risk Management and Internal Control” for our Company’s internal control measures on commercial bribery for details.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations and have established risk management systems with policies and procedures that we believe are appropriate for our business operations. Please refer to “Risk Factors — Risks Relating to Our Business and Industry” for details of the major risks identified by our management. In addition, we face various financial risks, including foreign exchange, credit and liquidity risks that arise during our ordinary course of business. Please refer to “Financial Information — Quantitative and Qualitative Disclosure of Financial Risks” for a discussion of these risks.

Internal Control Measures to Improve Corporate Governance

Our Directors are responsible for the establishment and updating of our internal control systems while our senior management monitors the daily implementation of internal control procedures and measures with respect to our subsidiaries and functional departments. In order to continuously improve our corporate governance, we have implemented and/or will implement the following measures:

- we will engage PRC and Hong Kong legal advisers to provide legal advices to us in relation to future compliance with the PRC and Hong Kong laws and regulations in all respects.
- we have arranged for our Directors and senior management to attend a training program on the relevant applicable laws and regulations, including the Listing Rules, provided by our Company’s Hong Kong legal advisers prior to the application for Listing. We will continue to arrange various training programs to be provided by our legal advisers in Hong Kong and China and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations. In addition, specific training program(s) in relation to updates on relevant applicable laws and regulations will also be held when necessary;
- we have appointed Shanxi Securities International Capital Limited as our compliance adviser to advise on compliance with the Listing Rules;

BUSINESS

- we have provided training for our employees on compliance matters to enhance their knowledge to better manage our operation risks. We plan to provide training to employees of managerial level on an annual basis and ad hoc training to all relevant employees when necessary; and
- we have established an audit committee which will implement formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and other relevant laws and regulations. We will also periodically review our compliance status with the Hong Kong laws after the Listing. The audit committee will exercise its oversight by:
 - (i) reviewing our internal control and legal compliance; and
 - (ii) discussing the status of our internal control systems with our management to ensure that our management has performed its duty to maintain an effective internal control system.

Anti-corruption and Anti-bribery Management System

To ensure the employees, customers, speakers, suppliers, sponsoring enterprises and known attendees to follow relevant PRC laws and regulations in relation to anti-corruption and anti-bribery, including PRC Criminal Law (《中華人民共和國刑法》), PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂的暫行規定》) and Opinions on Several Issues concerning the Application of Laws in Criminal Commercial Bribery Cases (《關於辦理商業賄賂犯罪適用法律若干問題的意見》), we have formulated and implemented an anti-corruption and anti-bribery management system:

In order to prevent corrupt, bribery and fraudulent activities of our employees:

- We have established an employee handbook and a code of conduct, which are distributed to all employees, containing our internal rules and guidelines regarding work ethics, fraud prevention, negligence and corruption. All employees are required to sign for acknowledgement.
- We provide regular training to all employees to explain the guidelines contained in the employee handbook and inform them updates on the relevant laws and regulations.
- We establish project budgets and expenses claim policies and procedures, which require our operation team to prepare budgets for all projects and identify the relevant expenses. Such budgets and expense claims will be submitted to account department for review and the accounting managers will identify and follow up with any unusual fund flow, expense or reimbursement.

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- We require all account managers to sign a commitment to avoid any form of bribery in performing their work.

In order to prevent corrupt, bribery and fraudulent activities of third parties, including customers, speakers, suppliers, sponsoring enterprises and known attendees:

- We perform desktop search to identify whether these third parties have committed any kind of bribery incidents or breach of other applicable laws and regulations. We will internally evaluate with desktop search results the risks involved if we cooperate with them.
- We have adopted a series of internal regulations which requires the inclusion in our business contracts with these counterparties of: (i) anti-corruption and anti-bribery clauses, (ii) terms prohibiting our employees receiving bribes and kickbacks from counterparties, and (iii) terms requiring counterparties to comply with relevant laws and regulations.
- Our employees will make an inspection tour of the venues of different booth setup for pharmaceutical enterprises and monitor the onsite situation of conventions and seminars to identify abnormal behaviors and activities among the attendees. We will also review the pharmaceutical enterprises' advertising materials in the venue in advance to ensure they did not breach any PRC anti-corruption laws and regulations towards the attendees.

We have also set up a platform to receive complaints and whistleblowing in relation to bribery and other illegal activities of employees.

We have appointed an internal control consultant to conduct review of our internal control measures related to our major business processes, identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. The internal control consultant provided a number of findings and recommendations in its report. We have adopted corresponding internal control measures to make improvements on certain ordinary internal control issues identified. As of the Latest Practicable Date, our internal control consultant had completed the follow-up procedures on our internal control system and confirmed that there were no material deficiencies in our internal control system.

Miscellaneous

We have also adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure.

CONTRACTUAL ARRANGEMENTS

BACKGROUND

There are restrictions or prohibitions in the PRC with respect to foreign investment in certain business and industry (the “**FI Restrictions**”) under the Special Administrative Measures for the Access of Foreign Investment (2020) (the “**Negative List**”). Set out below is a summary of the FI Restrictions, as of the Latest Practicable Date, the relevant licenses required for the type of services provided in each of our business segment, and the entities which provide such services and hold the relevant licenses.

Categories	Our business/operation
“Prohibited” Internet Hospital Services Business	<p>Ningxia Subsidiary provides online consultation and e-prescription services through its own platform (a WeChat public account called Mediwelcome Doctor+ (麥迪衛康醫加) and a mobile app called Doctor+ for doctors (醫加醫生端)) through cooperation with a qualified hospital in Ningxia Autonomous Region, which do not involve provision of internet information services to third parties except for the contracted physicians and users, or any fee charge for such platform service.</p> <p>According to Interim Measures for the Administration of Sino-foreign Joint Ventures and Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》) (the “Interim Measures”), foreign investors are not allowed to hold more than 70% of the equity interest of a sino-foreign joint venture medical institution. Furthermore, under the Interim Measures, the parties of the sino-foreign joint ventures medical institution shall have direct or indirect experience in medical or healthcare investments and management, and must satisfy certain requirements. Since the offshore companies of our Group, as newly-established entities, do not meet the said requirements, Ningxia Subsidiary cannot be established in the form of sino-foreign joint venture company rather than a wholly domestic owned company. Furthermore, it is practically impossible to gain Practice License for Medical Institutions (醫療機構執業許可證) in Ningxia Autonomous Region if there is any foreign investor in Mediwelcome Beijing. In May 2019, our PRC Legal Advisers conducted an interview with the director of Yinchuan Data Management Administration (寧夏自治區銀川市大數據服務局) as the examination and verification authority responsible for the online precondition review for the application of the Practice License for Medical Institutions (醫療機構執業許可證). Yinchuan Data Management Administration confirmed that they would not issue the Statement of the Supervision and Administration of Provincial Internet Hospital Regulatory Platforms (《省級互聯網醫院監管平台監管情況說明》) (the “Statement”) if there are any foreign investor in Mediwelcome Beijing. Without the Statement from the Yinchuan Data Management Administration, Yinchuan Approval Service Administration (銀川市審批服務管理局), the ultimate authority to approve applications for the operation of internet hospital service, will not proceed with the issuance of the Practice License for Medical Institutions. Our PRC Legal Advisers confirmed that Yinchuan Data Management Administration is the competent authority and the interviewee is the director of Yinchuan Data Management Administration and is competent to give the confirmation above mentioned, and, based on such confirmation, our Company is currently unable to establish a sino-foreign equity joint venture to obtain the Practice License for Medical Institutions for internet hospital. Please refer to “Contractual Arrangements — Qualification Requirements for Internet Hospital Service” for details.</p>

CONTRACTUAL ARRANGEMENTS

Categories

Our business/operation

As advised by our PRC Legal Advisers, based on the telephone consultation with Ningxia Communication Administration, Ningxia Subsidiary are permitted to provide internet hospital services (including online consultation services and e-prescription services) under the filing with Ningxia Communication Administration and Practice License for Medical Institutions (醫療機構執業許可證), as such internet hospital services provided by the contracted physicians of internet hospitals are directly operated by internet hospitals, which are not considered as commercial internet information services (a category of value-added telecommunication services) and there is no requirement for the internet hospitals to obtain the ICP License. Our PRC Legal Advisers are of the view that Ningxia Communication Administration is the competent authority for administration of ICP License within its jurisdiction. The consultation was conducted in the form of anonymous telephone consultation, through the service hotline posted on the official webpage of the Ningxia Government Service Website (寧夏政務服務網) regarding the Value-added Telecommunication Service License, with an officer of Ningxia Communication Administration. As confirmed by our PRC Legal Advisers, the interviewee is competent to provide the relevant confirmations.

As advised by our PRC Legal Advisers, according to the Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), commercial internet information service refers to the provision with fee charge of information, webpage designing activities and other similar activities through internet to web users. Under the Telecommunication Industry Classification Catalog (2015 version) (《電信業務分類目錄(2015年版)》) which came into force on March 1, 2016 and amended on June 6, 2019 by MIIT, the information service includes provision of information to users through the internet by ways of information collection, development, processing and information platform construction, so the charged internet platform service to third parties intended to be provided by Mediwelcome Beijing and Weiliandong would require the ICP License, internet hospital services currently provided by Ningxia Subsidiary do not involve the provision with fee charge of information collection, development, processing and information platform construction to third parties, is permitted under the Practice License for Medical Institutions (醫療機構執業許可證) and no ICP License is required.

CONTRACTUAL ARRANGEMENTS

<u>Categories</u>	<u>Our business/operation</u>
“Prohibited” Production of radio and television video programs	Weiliandong intends to produce radio and television video programs, such as special topics, special columns, variety shows, animated films, radio dramas, TV dramas and other radio and television programs, which is required to obtain the Radio and Television Program Production License (廣播電視節目製作許可證) and subject to FI Restrictions according to the Negative List, as advised by our PRC Legal Advisers.
“Restricted” Value-added telecommunication services business	In the future, Mediwelcome Beijing plans to further provide internet advertising services and other commercial internet information services to independent third parties through a new platform (including in form of websites and mobile applications) while providing commercial internet platform service to Ningxia Subsidiary for its internet hospital services as a third party, and specially charge for its platform services. Weiliandong plans to provide communication technology on the Giraffe Platform enabling remote diagnosis and treatment activities between medical institutions and other commercial internet information services to third parties with fee charge. As advised by our PRC Legal Advisers, such commercial internet platform service falls within commercial internet information services and requires the ICP License. Medical institutions who provide remote diagnosis and treatment activities are required to obtain the Practice License for Medical Institutions (醫療機構執業許可證), which are subject to FI Restrictions. As advised by our PRC Legal Advisers, Weiliandong and Ningxia Subsidiary can provide remote diagnosis and treatment activities by cooperation, such arrangement is in compliance with the PRC laws and regulations.

CONTRACTUAL ARRANGEMENTS

<u>Categories</u>	<u>Our business/operation</u>
“Non-restricted” Medical conference services	<p>According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “Qualification Requirements”). Based on telephone consultations with Beijing Communications Administration (北京市通信管理局) and MIIT which are the relevant competent authorities, (i) foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services, (ii) a major foreign investor who invests in a value-added telecommunications business in the PRC must meet the Qualification Requirements. Our PRC Legal Advisers are of the view that none of our Group’s offshore companies could meet the Qualification Requirements and our Company can only control Mediwelcome Beijing and Weiliandong through Contractual Arrangements. Please refer to “Contractual Arrangements — Qualification Requirements under FITE Regulations” for details. Our PRC Legal Advisers are of the view that Beijing Communications Administration and MIIT are the competent authorities for administration of ICP License according to relevant PRC laws and regulations. The consultations were conducted in the form of anonymous telephone consultation, through the respective service hotlines regarding the approval of the Value-added Telecommunication Service License posted on the official website of Beijing Communications Administration and the MIIT, with the respective officers of Beijing Communications Administration and the MIIT. As advised by our PRC Legal Advisers, the interviewees are competent to provide the relevant confirmations.</p> <p>The medical conference services provided by our Group includes: (a) organizing onsite medical conventions and seminars, (b) providing an online management platform (Conference+ App), and (c) the sales and maintenance of relevant software and hardware for the Giraffe Platform. Mediwelcome Beijing’s medical conference services under the Contractual Arrangements were provided only to the Dissenting Customers (as defined herein below) under the Remaining Non-restricted Business (as defined herein below).</p>

CONTRACTUAL ARRANGEMENTS

Categories

Our business/operation

The online management platform (namely the Conference + App) is a mobile application. According to the anonymous telephone consultation between our PRC Legal Advisers and the Beijing Communications Administration (北京市通信管理局), internet information services usually refers to provision of information to online users via the internet, after elaboration of the service provided through the mobile application (Conference+ App) without disclosing its name, the interviewee confirmed that the company operating such mobile applications does not need to obtain the ICP License for provision of internet information services through mobile applications, so the online management platform service provided by our Group was not subject to FI Restrictions. As advised by our PRC Legal Advisers, pursuant to Articles 2 and 3 of the Administrative Measures on Internet Information Services (Order No. 588 of the State Council in 2011) (《互聯網信息服務管理辦法》(2011年國務院令第588號)), internet information services shall mean the service of providing information to online users via the internet, it does not state or indicate that it is applied to the provision of information via the mobile applications. Due to the uncertainty of the PRC laws and regulations, the local communication administration authorities have their sole discretion in practice for the administration of ICP License. Based on the aforesaid confirmation by the staff of Beijing Communication Administration via the anonymous telephone, our Group does not need to obtain the ICP License to provide internet information services through mobile applications. Our PRC Legal Advisers are of the view that Beijing Communications Administration is the competent authority for administration of ICP License according to related laws and regulations. The consultation was conducted in the form of anonymous telephone consultation, through the service hotline regarding filing of ICP License that were posted on the official website of Beijing Communications Administration, with officers of Beijing Communications Administration on the phone. As advised by our PRC Legal Advisers, the interviewees are competent to provide the relevant confirmations.

CONTRACTUAL ARRANGEMENTS

Categories

Our business/operation

The Giraffe Platform is a video conferencing and online education tool with hardware and software systems held by Weiliandong, which enables internet hospitals to host or attend online medical conferences and access training videos recorded by physicians. Weiliandong provides video conferencing communication services through Tianjin Weidijia Technology Limited (天津微迪加科技有限公司) (“**Tianjin Weidijia**”), a third-party partner who holds a Value-added Telecommunications Service License for domestic multi-party communication service business required for provision of such services which is not subject to FI Restrictions but the foreign investors also shall meet the Qualification Requirements. As advised by our PRC Legal Advisers, the provision of video conferencing communication services under such arrangements is not subject to FI Restrictions and is in accordance with the PRC laws and regulations. In the future, Weiliandong plans to provide communication technology enabling remote diagnosis and treatment activities between medical institutions and other commercial internet information services on the Giraffe Platform. Such service is commercial internet information service, and subject to FI Restrictions. The communication technology of the Giraffe Platform includes access to the video conference system provided by Tianjin Weidijia and our further development of its user interface layer and functions in users rights, appointment, cancelation, countdown reminder, list display, participation SMS reminder, time conflict prompt and other functions of video conference. According to our customization in brand identification, Tianjin Weidijia designs, produces and sells to our Group the video conference system. At the same time, our Group entrusted Tianjin Weidijia to provide operation and management services for the video conference system. To sum up, our Group’s Giraffe Platform is able to have access to the video conference system provided by Tianjin Weidijia. During the Track Record Period, the revenue generated from the video conferencing communication services was nil as such services only launched in early 2020. Our Group expects a substantial portion of revenue of the video conferencing communication services will be contributed by WFOE and its subsidiaries and undertakes the revenue of such Non-restricted Business generated from Contractual Arrangements will be immaterial in the future.

CONTRACTUAL ARRANGEMENTS

Categories

Our business/operation

In addition, as advised by our PRC Legal Advisers, although the sales and maintenance of the relevant hardware and software of the Giraffe Platform are not classified as restricted or prohibited businesses by foreign investors, considering that our Group intends to provide remote diagnostic and therapeutic related commercial internet information services (which is subject to FI Restrictions) through the Giraffe Platform in the future, our Group needs to conduct such services through Contractual Arrangements by VIEs who obtained the ICP License. According to the provisions of the Specifications for the Administration of Remote Medical Services (Trial) (《遠程醫療服務管理規範(試行)》), remote medical services, which shall be provided by medical institutions and is subject to FI Restrictions, include medical activities in which a medical institution (hereinafter referred to as the inviting party) directly sends an invitation to other medical institutions (hereinafter referred to as the invited party), and the invited party uses information technology such as communications, computers and network technologies to provide technical support to the patients of the inviting party. In the future, Weiliandong plans to provide communication technology enabling remote diagnosis and treatment activities between medical institutions and other commercial internet information services on the Giraffe Platform. Therefore, the sales and maintenance of software and hardware of the Giraffe Platform are inseparable from remote diagnosis and treatment activities and cannot be transferred out of the Contractual Arrangements. The software of Giraffe Platform is an application with access to the video conference system, and the hardware of Giraffe Platform includes host, monitor, camera, mouse, and keyboard. Since Weiliandong obtained the ICP License and the sales and maintenance of the software and hardware of Giraffe Platform are closely related to the remote diagnosis and treatment services that the Giraffe Platform intends to provide in the future, they are still provided by Weiliandong.

CONTRACTUAL ARRANGEMENTS

Categories

Our business/operation

During the Track Record Period, the revenue generated from the sale and maintenance of relevant software and hardware from the Giraffe Platform were nil, nil, RMB1.6 million and RMB1.0 million, respectively, the amounts of which are immaterial and our Group undertakes the revenue contribution from such Non-restricted Business (without taking into account the remote diagnosis and treatment activities that Weiliandong plans to engage in through the Giraffe Platform in the future) will continue to be immaterial in the future.

Our Directors undertake that the total revenue for (i) the video conferencing communication services and (ii) the sales and maintenance of relevant software and hardware (without taking into account the remote diagnosis and treatment activities that Weiliandong plans to engage in through the Giraffe Platform in the future) will not account for more than 2% of the total revenue per financial year after the Listing. Our Directors are of the view that such cap will not limit the growth of our Company given that it is unlikely that the cap would be reached taking into account and on the basis of the following factors: (i) the revenue structure of our Company during the Track Record Period; (ii) our Company has stopped charging for the sales and maintenance of the relevant software of the Giraffe Platform and only charges for that of the relevant hardware, as the sales and maintenance of the hardware is not expected by our Company to generate material revenue after considering the compatibility of the client's own hardware and the software of the Giraffe Platform; and (iii) after the impact of COVID-19 is passed in the future, the proportion of the revenue contributed by offline conferences will increase while that of the online video conferences will decrease correspondingly and therefore it is feasible to ensure our Company to comply with this cap. Our Company will monitor by implementing an internal control policy to record the revenue generated by the video conferencing communication services and the sales and maintenance of the relevant hardware and software of the Giraffe Platform.

CONTRACTUAL ARRANGEMENTS

Categories	Our business/operation
“Non-Restricted” Patient education and screening services	<p>The patient education and screening services provided by our Group includes: (a) organization of onsite patient education classes; (b) provision of online patient education services; and (c) provision of disease risk screening service. Mediwelcome Beijing’s patient education and screening services under the Contractual Arrangements were provided only to the Dissenting Customers (as defined herein below) under the Remaining Non-restricted Business (as defined herein below).</p> <p>The radio and television programs refer to the audio-visual programs broadcast and transmitted by radio and television, but under the Catalogs of internet Audio-Visual Program Service (Trial Implementation) (《互聯網視聽節目服務業務分類目錄(試行)》), internet audio-visual program service refers to the audio-visual program service provided for users via the internet, excluding the IP television, internet television or mobile television. Therefore, videos related to medical knowledge popularization and patient education provided by our Group through the internet under the patient education and screening service are not radio and television programs. Therefore, our Group does not need to obtain the Radio and Television Program Production License for providing patient education videos via internet. According to the Regulation on Internet Audio-Visual Program Services (《互聯網視聽節目服務管理規定》), the term “internet audio-visual program services” refers to the activities of producing, editing and integrating audio-visual programs, providing them to the general public via the internet, and providing people with the service of uploading and spreading audio-visual programs. As advised by our PRC Legal Advisers, by cooperating with a third party Audio-Visual License holder and to redirect our Group’s online patient educational videos to that third party’s online platform, we only take charge of producing, editing and integrating educational videos which does not require us to obtain the Audio-Visual License. Under such arrangement, the provision of online patient educational videos is subject to FI Restrictions. Please refer to “— Redirecting our Patient Educational Videos to Online Video Platform” for details.</p>
“Non-Restricted” Market strategy and consulting services	<p>The market strategy and consulting services provided by our Group includes: (a) provision of develop and implement marketing strategies for pharmaceutical companies; (b) preparation of medical-related marketing materials to pharmaceutical companies; and (c) planning and organization of product launch conferences and annual conferences for pharmaceutical companies. Mediwelcome Beijing’s market strategy and consulting services under the Contractual Arrangements were provided only to the Dissenting Customers (as defined herein below) under the Remaining Non-restricted Business (as defined herein below). As advised by our PRC Legal Advisers, we are not required to obtain other licenses other than the business licenses and are not subject to any FI Restrictions for the provision of market strategy and consulting services.</p>

CONTRACTUAL ARRANGEMENTS

Please refer to “Regulatory Overview” for further details of the FI Restrictions.

Starting from 2017, our Group extended our patient education and screening services to our online technology platforms and provide online patient educational videos. Furthermore, our Group has launched internet hospital services (including online consultation services and e-prescription services) through Ningxia Subsidiary in October 2019, and intends to launch (i) radio and television programs production services through Weiliandong by the end of 2022; and (ii) commercial internet information services (a category of value-added telecommunications services), which include (a) providing communication technology on the Giraffe Platform enabling remote diagnosis and treatment activities between medical institutions starting from the first half of 2022; and (b) developing a new online platform for Mediwelcome Beijing to expand our Group’s online consultation services and e-prescription services by early 2021 and additional commercial internet information services such as internet advertising activities to third parties. The Ningxia Subsidiary, through its own platform, a WeChat public account called Mediwelcome Doctor+ (麥迪衛康醫加) and a mobile app called Doctor+ for doctors (醫加醫生端), provides online consultation, e-prescription and other internet diagnosis and treatment activities, excluding commercial internet information services such as internet advertising for third parties and those which do not fall within commercial internet information services, and the Ningxia Subsidiary does not need to obtain and has not obtained the ICP License. In the future, our Group plans to provide internet advertising services and other commercial internet information services to the third parties while providing internet diagnosis and treatment activities. Such service falls within commercial internet information services, and the operating entity needs to obtain the ICP license. Therefore, our Group plans to have a new online platform to be set up by Mediwelcome Beijing, which has obtained the ICP license, so as to develop more internet advertising services and other commercial internet information services based on the existing internet diagnosis and treatment activities. As advised by our PRC Legal Advisers, the aforementioned businesses (the “**Relevant Businesses**”) are considered to involve (i) internet hospital services; (ii) radio and television program production business; and (iii) value-added telecommunications services, which are subject to FI Restrictions¹ under the Negative List. Our businesses other than the Relevant Businesses are not subject to the FI Restrictions (the “**Non-restricted Businesses**”).

As a result of the foregoing, on July 5, 2019, we entered into a series of Contractual Arrangements with Mediwelcome Beijing and the Registered Shareholders to conduct the Relevant Businesses in the PRC through WFOE in order to comply with the applicable PRC laws and regulations and to assert management control over the operations of, and enjoy all economic benefits of Mediwelcome Beijing and its subsidiaries, namely Ningxia Subsidiary and Weiliandong. The Contractual Arrangements include the following agreements: (i) Exclusive Business Cooperation Agreement; (ii) Exclusive Option Agreement; (iii) Equity Pledge Agreement; and (iv) Shareholders’ Rights Proxy Agreement.

¹ Under the Negative List, audio-visual program services and radio and television program production business are prohibited from foreign investments, internet hospital services and value-added telecommunications services are restricted from foreign investments.

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To ensure the Contractual Arrangements are narrowly tailored under the requirement of the Stock Exchange, we have taken the following measures: (i) transferred all online patient education and screening services except for the Dissenting Customers (as defined herein below) from Mediwelcome Beijing to Beijing Chuangyan, and immediately after the completion of the transfer, on June 26, 2019, Beijing Chuangyan started to offer our patient educational videos through a leading online video platform, youku, in the PRC (the “**Online Video Platform**”) owned and operated by Independent Third Parties with the Audio-Visual License, by redirecting patients to and playing patient educational videos on such Online Video Platform; (ii) transferred the Non-restricted Businesses to WFOE and its subsidiaries; (iii) progressively built up track record of our oversea medical services to meet the qualification requirements for internet hospital service; and (iv) progressively built up track record of our overseas value-added telecommunications services business to meet the Qualification Requirements under the FITE Regulations.

After taking the foregoing measures, we are of the view that the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to conduct business in industries that are subject to foreign investment restrictions or prohibitions in the PRC. Nevertheless, we will terminate the Contractual Arrangements to the extent permissible and directly hold the maximum percentage of ownership interests permissible by the relevant laws if the relevant government authority grants the ICP License or Practice License for Medical Institutions to the sino-foreign equity joint venture established by us.

Redirecting our Patient Educational Videos to Online Video Platform

The Regulation on Internet Audio-Visual Program Services (《互聯網視聽節目服務管理規定》) (the “**Regulation**”) stipulates that the provider of audio-visual program via internet needs to acquire the Audio-Visual License. One of the prerequisites of applying for the Audio-Visual License is the applicant must be a wholly state-owned enterprise or a state controlled enterprise. Currently, none of the companies in our Group satisfied such prerequisite.

Our online patient education and screening services allow patients to watch online educational videos for free and our Group did not generate any revenue from the patients during the Track Record Period. As advised by our PRC Legal Advisers, it is unclear whether our patient educational videos fall under the “audio-visual program” category pursuant to the Regulation, which would require the Audio-Visual License. In the event that relevant PRC governmental authorities are of the view that an Audio-Visual License is required for providing patient educational videos, the maximum penalty we may be subject to, as advised by our PRC Legal Advisers, is RMB30,000.

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According to the Regulation, the term “internet audio-visual program services” refers to the activities of producing, editing and integrating audio-visual programs, providing them to the general public via the internet, and providing people with the service of uploading and spreading audio-visual programs. As advised by our PRC Legal Advisers, by cooperating with a third party Audio-Visual License holder and to redirect our online patient educational videos to that third party’s online platform, we only take charge of producing, editing and integrating educational videos which does not require us to obtain Audio-Visual License. Our PRC Advisers further advised that, according to the Provisions for the Administration of the Production and Distribution of Radio and Television Programs (《廣播電視節目製作經營管理規定》), it is required to obtain the Radio and Television Program Production License (廣播電視節目製作許可證) for the production and distribution of special topics, special columns, variety shows, animated films, radio dramas, TV dramas and other radio and television program production and distribution activities as well as program copyright transactions and agency transactions. The radio and television programs refer to the audio-visual programs broadcast and transmitted by radio and television, but under the Catalogs of Internet Audio-Visual Program Service (Trial Implementation) (《互聯網視聽節目服務業務分類目錄(試行)》), internet audio-visual program service refers to the audio-visual program service provided for users via the internet, excluding the IP television, internet television or mobile television. Therefore, videos related to medical knowledge popularization and patient education provided by our Company through the internet under the patient education and screening service are not radio and television programs, and our Company does not need to obtain the Radio and Television Program Production License for providing patient education videos. Under such arrangement, the provision of online patient educational videos is not subject to FI Restrictions.

As a result of the foregoing, we transferred all of our online patient education and screening services from Mediwelcome Beijing to Beijing Chuangyan except for such services provided to the Dissenting Customers (as defined herein below). Immediately after the completion of the transfer, on June 26, 2019, Beijing Chuangyan started to offer our patient educational videos through the Online Video Platform owned and operated by Independent Third Parties with the Audio-Visual License, by redirecting patients and playing patient educational videos on the Online Video Platform. As such, Beijing Chuangyan only takes charge of producing, editing and integrating educational videos which does not require the obtaining of Audio-Visual License, and Beijing Chuangyan’s provision of online patient educational videos is not subject to any FI Restrictions. The amount of indirect revenue associated with providing online patient education services, which was generated by producing, editing and integrating educational videos paid by medical NGOs, for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 was approximately RMB57.6 million, RMB30.0 million, RMB21.6 million and RMB23.4 million, respectively.

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Our PRC Legal Advisers confirmed that, such business arrangement, namely the redirection of the patient educational videos to the Online Video Platform does not circumvent any of the PRC laws and regulations. Furthermore, as confirmed by CIC, it is a common industry practice for integrated solution providers that do not have the Audio-Visual License to offer their educational videos through a third party online platform.

Transfer the Non-restricted Businesses to WFOE and its Subsidiaries

Our Group's clients can be categorized into two major groups, which are (i) medical NGOs, and (ii) pharmaceutical companies. Our Group has been negotiating with our clients regarding the transfer of the Non-restricted Businesses since the inception of Reorganization. Majority of our clients have agreed to transfer the Non-restricted Businesses to WFOE or its subsidiaries. However, we had 38 customers throughout the Track Record Period ("**Dissenting Customers**"), including one medical NGO and 37 pharmaceutical companies, being customers of our medical conference services, patient education and screening services and marketing strategy and consulting services, which have internal control policies on supplier selection, had to retain their Non-restricted Business with Mediwelcome Beijing ("**Remaining Non-restricted Business**"). As of the Latest Practicable Date, the revenue to be generated from the Remaining Non-restricted Business under the outstanding contracts amounted to approximately RMB12.5 million of which RMB10.5 million and RMB2.0 million would be recognized as revenue in the respective years of 31 December 2020 and 2021 given all relevant services are expected to be completed by the first half of 2021. Certain Dissenting Customers fall into the same group and therefore are subject to the same set of policy of supplier selection criteria. We make consolidation of the Dissenting Customers and the Dissenting Customers can be categorized into 15 Dissenting Customers/Dissenting Customer Groups. All of the Dissenting Customers have already agreed to transfer the Remaining Non-restricted Business to WFOE or its subsidiaries once they are able to fulfill their experience requirements for suppliers and the successful listing of our Company on the Stock Exchange. The table below sets out the information of the Dissenting Customers:

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Customer/ Customer Group	Entities in the Customer Group	Background of the customer/customer group	Revenue for the year ended December 31, 2017	Revenue for the year ended December 31, 2018	Revenue for the year ended December 31, 2019	Gross profit for the year ended December 31, 2017	Gross profit for the year ended December 31, 2018	Gross profit for the year ended December 31, 2019	Selection Criteria of Supplier	Expected time for the WFOE Group (as defined hereinafter) to become qualified supplier of its customers
			RMB ¹ /thousand	RMB ¹ /thousand	RMB ¹ /thousand	RMB ¹ /thousand	RMB ¹ /thousand	RMB ¹ /thousand		
Customer Group P	5	a group of subsidiaries of a company that was founded in Switzerland in 1896 and focused on cancer research and treatment field.	393	174	1,698	161	60	624	<ul style="list-style-type: none"> • Operation record: at least 5 years; • Register capital: over RMB3 million; 	June 2021
Customer Group B	3	a group of subsidiaries of a global pharmaceutical company listed on the London Stock Exchange, the New York Stock Exchange and the OMX Exchange and headquartered in Cambridge, United Kingdom, which mainly focuses on CCVDs, renal and metabolism, oncology and respiratory diseases.	42,315 ⁽¹⁾	42,785 ⁽¹⁾	101,146 ⁽¹⁾	9,890 ⁽¹⁾	11,131 ⁽¹⁾	19,415 ⁽¹⁾	<ul style="list-style-type: none"> • Operation record: at least 5-8 years; • Register capital: over RMB5 million; 	December 2021
Customer C	1	a PRC medical association established in 2015 with the objective of providing a collaborative and interactive platform for government organizations, academic institutions, experts, doctors and enterprises in the cardiovascular field, and promoting the development of cardiovascular health through academic exchanges, public education, disease screening and other activities. According to its articles of association, Customer C is led by a management council consisting of 13 directors, and its funding primarily comes from donations, government funding, activities and services income and investment income.	N/A	6,648	9,437	N/A	1,318	2,045	<ul style="list-style-type: none"> • Operation record: at least 3 years; • Register capital: over RMB1 million; 	July 2021

Note:

(1) including the revenue and profit (i) directly generated from Customer Group B; and (ii) generated from providing medical conference services and patient education and screening services to NGOs relating to medical conferences and patient education and screening projects sponsored by Customer Group B.

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Customer/ Customer Group	Entities in the Customer Group	Background of the customer/customer group	Revenue for the year ended December 31, 2017	Revenue for the year ended December 31, 2018	Revenue for the year ended December 31, 2019	Gross profit for the year ended December 31, 2017	Gross profit for the year ended December 31, 2018	Gross profit for the year ended December 31, 2019	Selection Criteria of Supplier	Expected time for the WFOE Group (as defined hereinafter) to become qualified supplier of its customers
			RMB ^{thousand}	RMB ^{thousand}	RMB ^{thousand}	RMB ^{thousand}	RMB ^{thousand}	RMB ^{thousand}		
Customer Group D	4	a group of subsidiaries of a global pharmaceutical company listed on the New York Stock Exchange and headquartered in New York, the United States which mainly focuses on internal medicine, inflammation and immunology, oncology and rare diseases. The market capitalization of the listed company is over US\$198.0 billion as of the Latest Practicable Date.	19,865	13,034	11,773	7,274	4,107	3,557	<ul style="list-style-type: none"> • Operation record: at least 5 years; • Register capital: over RMB5 million; • Number of Employees: 50 	October 2021
Customer Group Q	6	a group of subsidiaries of a company that was established in 1885 in Germany that focuses on developing innovative therapies to help patients to prolong their lives.	2,099	1,765	2,366	853	573	815	<ul style="list-style-type: none"> • Operation record: at least 5 years; • Register capital: over RMB3 million; 	June 2021
Customer R	1	subsidiary of a leading global biopharmaceutical company headquartered in Denmark which was founded in 1923 and listed on the New York Stock Exchange.	N/A	N/A	3,420	N/A	N/A	852	<ul style="list-style-type: none"> • Operation record: at least 5 years; • Register capital: over RMB3 million; • Number of Employees: over 50 	June 2021
Customer Group G	6	a group of subsidiaries of a global healthcare company based in Switzerland that provides solutions to address the evolving needs of patients worldwide.	140	2,327	2,703	44	730	793	<ul style="list-style-type: none"> • Operation record: at least 6 years; • Register capital: over RMB3 million; • Accepting 120-day payment term 	July 2021

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Customer/ Customer Group	Entities in the Customer Group	Background of the customer/customer group	Revenue for the year ended December 31, 2017	Revenue for the year ended December 31, 2018	Revenue for the year ended December 31, 2019	Gross profit for the year ended December 31, 2017	Gross profit for the year ended December 31, 2018	Gross profit for the year ended December 31, 2019	Selection Criteria of Supplier	Expected time for the WFOE Group (as defined hereinafter) to become qualified supplier of its customers
			RMB'thousand	RMB'thousand	RMB'thousand	RMB'thousand	RMB'thousand	RMB'thousand		
Customer H	1	<ul style="list-style-type: none"> • subsidiary of a global pharmaceutical company specializes in the discovery and development of innovative treatments for brain diseases. 	N/A	1,123	22	N/A	463	10	<ul style="list-style-type: none"> • Operation record: at least 3 years; • Register capital: over RMB1 million; 	Our Group has ceased the business cooperation with Customer H since 2020 due to business consideration and there is currently no Remaining Business between Customer H and our Group. Our Group will only continue to conduct business with Customer H in the future on the condition that WFOE or one of its subsidiaries qualifies to be Customer H's supplier and signs service contract with Customer H.
Customer I	1	<ul style="list-style-type: none"> • founded in 1993 in the PRC • a national key high-tech enterprise that focuses on research and development, production and marketing of biopharmaceuticals. 	N/A	283	22	N/A	132	12	<ul style="list-style-type: none"> • Operation record: at least 3-5 years; • Register capital: over RMB1 million; 	April 2021
Customer J	1	<ul style="list-style-type: none"> • established on December 4, 2015 in the PRC; • a global professional medical device company specializing in diabetes. 	N/A	N/A	339	N/A	N/A	80	<ul style="list-style-type: none"> • Operation record: at least 3 years; • Register capital: over RMB1 million; 	March 2021

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Customer/ Customer Group	Entities in the Customer Group	Background of the customer/customer group	Revenue for the year ended December 31, 2017	Revenue for the year ended December 31, 2018	Revenue for the year ended December 31, 2019	Gross profit for the year ended December 31, 2017	Gross profit for the year ended December 31, 2018	Gross profit for the year ended December 31, 2019	Selection Criteria of Supplier	Expected time for the WFOE Group (as defined hereinafter) to become qualified supplier of its customers
			RMB'thousand	RMB'thousand	RMB'thousand	RMB'thousand	RMB'thousand	RMB'thousand		
Customer K	1	<ul style="list-style-type: none"> a global speciality healthcare company focusing on dermatological; dedicated to introduce and acquire the world-leading skin health products and technologies to serve Chinese customers and consumers; headquartered in the PRC. 	N/A	338	631	N/A	123	219	<ul style="list-style-type: none"> Operation record: at least 5 years; Register capital: over RMB3 million; 	March 2021
Customer L	1	a company that has extensive expertise in medical imaging, information technology, medical diagnostics, patient monitoring systems, drug development, biopharmaceutical technology, operational excellence and overall operational solutions, which can help customers in providing better services to more people around the world at lower price.	N/A	N/A	297	N/A	N/A	68	<ul style="list-style-type: none"> Operation record: at least 8 years; Register capital: over RMB5 million; 	December 2021
Customer M	1	a subsidiary of one of the world's leading independent biotechnology companies that was founded in 1980 and provides innovative medicines to millions of patients around the world and has developed a pipeline of medicines with breakaway potential.	N/A	N/A	1,777	N/A	N/A	457	<ul style="list-style-type: none"> Operation record: at least 5 years; Register capital: over RMB5 million; 	August 2021
Customer N	1	a subsidiary of a global company that focus on infusion, transfusion and clinical nutrition, and high-quality medicines, medical devices and services of which are used to provide reliable medical assurance for critically and chronically ill patients.	N/A	1,010	1,172	N/A	413	267	<ul style="list-style-type: none"> Operation record: at least 3 years; Register capital: over RMB3 million; 	March 2021

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Customer/ Customer Group	Entities in the Customer Group	Background of the customer/customer group	Revenue for the year ended December 31, 2017	Revenue for the year ended December 31, 2018	Revenue for the year ended December 31, 2019	Gross profit for the year ended December 31, 2017	Gross profit for the year ended December 31, 2018	Gross profit for the year ended December 31, 2019	Selection Criteria of Supplier	Expected time for the WFOE Group (as defined hereinafter) to become qualified supplier of its customers
			RMB'thousand	RMB'thousand	RMB'thousand	RMB'thousand	RMB'thousand	RMB'thousand		
Customer Group O	5	a group of subsidiaries of a company that was founded in 1949 whose first product to improve the lives of patients was a portable battery-driven pacemaker, which laid the foundation for it to develop more therapies using electrical stimulation technology.	2,708	3,592	4,495	940	1,322	1,460	<ul style="list-style-type: none"> • Operation record: at least 3-5 years; • Register capital: over RMB3 million; • History of being supplier to pharmaceutical companies 	June 2021
Total	38		67,520	73,079	141,298	19,162	20,372	30,674		

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Our Directors understand that the Dissenting Customers would agree to transfer the Remaining Non-restricted Businesses to WFOE or its subsidiaries once they fulfill the experience requirements. The revenue contribution of the Remaining Non-restricted Business to our Group for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020 accounted for approximately 26.1%, 24.4%, 33.1% and 26.8%, respectively, of our Group's total revenue for the corresponding periods. The respective revenue, gross profit and gross profit margin of the Remaining Non-restricted Business and other business is set out below:

For the six months ended June 30, 2020	Remaining Non-restricted Business	Business other than Remaining Non-restricted Business	Total
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Revenue	37.2	101.5	138.7
Gross profit	12.3	15.8	28.1
Gross profit margin	33.1%	15.6%	20.3%

For the year ended December 31, 2019	Remaining Non-restricted Business	Business other than Remaining Non-restricted Business	Total
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Revenue	141.3	285.9	427.2
Gross profit	30.7	64.2	94.9
Gross profit margin	21.7%	22.5%	22.2%

For the year ended December 31, 2018	Remaining Non-restricted Business	Business other than Remaining Non-restricted Business	Total
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Revenue	73.1	225.9	299.0
Gross profit	20.4	64.2	84.6
Gross profit margin	27.9%	28.4%	28.3%

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For the year ended December 31, 2017	Remaining Non-restricted Business	Business other than Remaining Non-restricted Business	Total
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Revenue	67.5	191.4	258.9
Gross profit	19.2	52.2	71.4
Gross profit margin	28.4%	27.3%	27.6%

The revenue of the Remaining Non-restricted Business for the year ended December 31, 2019 increased significantly mainly because of (i) the increase of our Group's marketing strategy and consulting services during 2019 to the Dissenting Customers, and (ii) the increase of revenue generated from providing medical conference services and patient education and screening services to medical NGOs relating to medical conferences and patient education and screening projects sponsored by Customer Group B. The gross profit margin of the Remaining Non-restricted Business for the years ended December 31, 2017 and 2018 remained stable. The gross profit margin of the Remaining Non-restricted Business for the year ended December 31, 2019 decreased mainly because there are three large projects with low gross profit margin for which our Group strategically charged a lower price in order to capture potential business opportunities for its future project launches and other marketing and consulting matters. Even though these three projects had a lower profit margin, given the large scale of the projects and long-established relationship with the customers, our Group will still be able to generate profit from these three projects and it would be more efficient for our Group to allocate resources in three large projects instead of several small projects. The estimated revenue to be contributed by the Dissenting Customers for each of the years ending December 31, 2020 and 2021 is expected to be approximately RMB63.2 million and RMB21.8 million which includes the outstanding contracts as of the Latest Practicable Date and new contracts expected to be entered with the Dissenting Customers. The revenue contribution from the Dissenting Customers in the year of 2020 is expected to be reduced to lower than 15% of the total revenue of our Group and there will be no Dissenting Customers by the end of 2021 as illustrated above.

As indicated by the Dissenting Customers, WFOE is not qualified to be their supplier and cannot be the direct signing party given it was established on May 16, 2019 and had not accumulated sufficient experience. As a mitigating measure to narrowly tailor the Contractual Arrangements and to substantially transfer the Remaining Non-restricted Businesses to WFOE or its subsidiaries (together, the "**WFOE Group**"), Mediwelcome Beijing has subcontracted all of the Remaining Non-restricted Businesses to WFOE or its subsidiaries (the "**Mitigation Measure**"), which are treated as the supplemental contract of the exclusive business cooperation agreement, and the Directors confirm that such arrangement will continue to apply to new Remaining Non-restricted Businesses until WFOE or any of its subsidiaries becomes qualified supplier to the relevant Dissenting Customers. As advised by our PRC Legal Advisers, after signing the supplemental contracts, (i) Mediwelcome Beijing, as a contracting

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party to the exclusive business cooperation agreement signed between Mediwelcome Beijing and the relevant customers, is still liable to the counterparty, including but not limited to any quality issues or customer complaints, claims, obligations, litigations or other legal proceedings against the services provided by the WFOE or its subsidiaries; and (ii) the WFOE or its subsidiaries is liable to Mediwelcome Beijing for any costs and expenses, quality issues or customer complaints, claims, debts, obligations, litigations or other legal proceedings arising from the services provided by the WFOE or its subsidiaries under the supplemental contracts. WFOE undertakes to indemnify Mediwelcome Beijing for any losses or damages arising in connection with the services provided by the WFOE Group under the supplemental contracts. The involvement of Mediwelcome Beijing in the Remaining Non-restricted Business is mainly maintaining customer relationships, receiving orders and payments and invoicing. Under the Mitigation Measure, Mediwelcome Beijing will transfer the entire fee except for the amount that is equivalent to costs incurred by Mediwelcome Beijing received from the relevant customers to the WFOE Group given the Remaining Non-restricted Businesses are substantially conducted by the WFOE Group. The subcontracting arrangement will also enable the WFOE Group to accumulate operating experience for the Remaining Non-restricted Businesses. The four immediate subsidiaries of WFOE, being Beijing Chuangyan, Beijing Haice, Beijing Baichuan and Shanghai Xuanmai, have gained experience and reputation, notwithstanding none of them has become the qualified supplier of the Dissenting Customers as of the Latest Practicable Date. Our Company has been allocating Non-restricted Businesses to the subsidiaries of WFOE to enable them to continuously gain relevant experience and the WFOE Group has been expanding the team scale to meet the demand of conducting the Non-restricted Businesses. Considering that Shanghai Xuanmai being a wholly-owned subsidiary of WFOE and has been providing Non-restricted Business since its establishment in 2017, our Group will prioritize Shanghai Xuanmai among the four immediate subsidiaries of WFOE to become such qualified supplier in replacement of Mediwelcome Beijing. Our Company expects Shanghai Xuanmai to become qualified supplier of all of the Dissenting Customers by December 2021. Taking into account the time required of approximately three to six months as estimated by the Dissenting Customers to complete the administrative procedures for the transfer of business from Mediwelcome Beijing to the WFOE Group, such as applying to the Dissenting Customers for becoming a qualified supplier and entering into new contracts with the Dissenting Customers after getting their approvals, our Company undertakes to transfer all of the Remaining Non-Restricted Business to the WFOE Group by June 2022. Furthermore, as part of the Mitigation Measure, during the onshore Reorganization, Mediwelcome Beijing has transferred the staff that are mainly responsible for conducting Non-restricted Businesses to the WFOE Group, to separate the staff and resources for the provision of Relevant Businesses and Non-restricted Businesses of our Group. Due to the requirements of certain customers, some subcontracting arrangements would still require Mediwelcome Beijing to purchase supplies from third parties and the third parties to issue invoice to Mediwelcome Beijing. As further advised by our PRC Legal Advisers, such arrangement will not have a significant adverse effect on the performance of the Mitigation Measure. As advised by our PRC Legal Advisers, as these exclusive business cooperation agreements, which were entered into between Mediwelcome Beijing and the Dissenting Customers, do not contain any terms that prohibit or restrict subcontracting, Mediwelcome

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Beijing is not required to seek consent from the relevant customer to subcontract the Remaining Non-restricted Business to the WFOE Group as Mitigation Measure, and such subcontracting arrangements are in compliance with the PRC laws and would not constitute a breach to the contractual arrangement between the third-party customers and Mediwelcome Beijing. Each of the Dissenting Customers was informed of such Mitigation Measure and none of the Dissenting Customers has raised objection to the Mitigation Measure, probably in view of the transfer of the relevant staff to the WFOE Group by Mediwelcome Beijing which enables the provision of services to the Dissenting Customers by substantially the same personnel before and after the adoption of the Mitigation Measure.

Furthermore, we will ensure Weiliandong and Ningxia Subsidiary only enter into contracts that limit the scope of the service to radio and television program production and internet hospital services by setting up a risk management committee. All new business to be entered by Weiliandong and Ningxia Subsidiary shall be approved by the risk management committee, which will perform regular review on the operations of Weiliandong and Ningxia Subsidiary to ensure they are only conducting businesses that are restricted or prohibited to foreign investors under the FI Restriction. In the future, Weiliandong and Ningxia Subsidiary will not hire employees to engage in Non-restricted Businesses, which will be solely conducted by the WFOE Group.

Qualification Requirements for Internet Hospital Service

Qualification requirements for foreign investors

There are certain qualification requirements on foreign investors to invest in internet hospital business, and our offshore companies currently do not satisfy such qualification requirements. According to the Interim Measures, foreign investors are not allowed to hold more than 70% of the equity interest of a sino-foreign joint venture medical institution. Furthermore, under the Interim Measures, the parties of the sino-foreign joint ventures medical institution shall have direct or indirect experience in medical or healthcare investments and managements, and must satisfy at least one of the following requirements:

- the ability to provide world-class management experience, management model and service model for medical institution;
- the ability to provide world-class medical technologies and equipment; or
- the ability to improve local medical capability, technology, fund and medical equipment.

Internet hospitals are considered as medical institutions under the Interim Measures. Therefore, to establish a sino-foreign joint venture internet hospital, the shareholders must meet the said qualification requirements under the Interim Measures. Since the offshore

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companies of our Group, as newly-established entities, do not meet the said requirements, Ningxia Subsidiary can only be established in the form of a wholly domestic-owned company rather than a sino-foreign joint venture company.

Furthermore, under the current regulation, it is practically impossible to gain Practice License for Medical Institutions in Ningxia Autonomous Region if there are any foreign investors in Mediwelcome Beijing. In May 2019, our PRC Legal Advisers conducted an interview with the director of Yinchuan Data Management Administration (寧夏自治區銀川市大數據服務局) as the examination and verification authority responsible for the online precondition review for the application of the Practice License for Medical Institutions (醫療機構執業許可證). Yinchuan Data Management Administration confirmed that they will not issue the Statement of the Supervision and Administration of Provincial Internet Hospital Regulatory Platforms (《省級互聯網醫院監管平台監管情況說明》) if there are any foreign investor in Mediwelcome Beijing. Without the Statement from the Yinchuan Data Management Administration, Yinchuan Approval Service Administration (銀川市審批服務管理局), the ultimate authority to approve applications for the operation of internet hospital service, will not proceed with the issuance of the Practice License for Medical Institutions. Our PRC Legal Advisers confirmed that Yinchuan Data Management Administration is the competent authority and the interviewee is the director of Yinchuan Data Management Administration and is competent to give the confirmation abovementioned, and, based on such confirmation, our Group is currently unable to establish a sino-foreign equity joint venture to obtain the Practice License for Medical Institutions for internet hospital.

Despite the lack of clear guidance or interpretation on the qualification requirements for foreign investors and the current practical difficulty, we have been progressively building up our track record of overseas medical services for being qualified, as soon as possible, to acquire the maximum permissible equity interests in Ningxia Subsidiary should there be any relaxation or change in the relevant requirement in the future. We have taken the following measures to meet the said qualification requirements:

- our Group has incorporated a subsidiary in Hong Kong, namely Mediwelcome HK;
- our Group has conducted feasibility study on providing conference and consulting services to medical institutions and medical associations through Mediwelcome HK, to help Mediwelcome HK accumulating management experience in medical industry; and
- Mediwelcome HK will seek cooperation opportunities from leading medical institutions to accumulate management experience and study leading management and service model in medical industry.

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We understand the above measures can satisfy the requirements for the parties of a sino-foreign joint venture under the Interim Measures based on the following:

We chose Mediwelcome HK as the foreign party under the Interim Measures, mainly because the Supplementary Provisions for the Interim Measures for the Administration of Sino-foreign Joint Ventures and Cooperative Medical Institutions (《<中外合資、合作醫療機構管理暫行辦法>的補充規定》), which came into effect on January 1, 2008 (the “**Supplementary Provisions**”), has relaxed the total investment amount requirement for sino-foreign joint ventures medical institutions established by Hong Kong and Macau service providers. The total investment amount of a sino-foreign joint ventures medical institutions established by Hong Kong and Macau service providers shall not be less than RMB10 million (whereas the Interim Measures stipulate that the total investment amount of a sino-foreign joint ventures medical institutions shall not be less than RMB20 million).

Under the Interim Measures, the foreign party needs to satisfy one of three requirements, which includes, among others, the ability to provide management experience, management model and service model for medical institution. In order for Mediwelcome HK to be eligible as a foreign party under the Interim Measures, Mediwelcome HK has been establishing the track record for overseas business and management experience after it was incorporated on March 8, 2019. Mediwelcome HK will be responsible for, among other things:

- (1) negotiating and executing international business cooperation contracts, such as contracts with foreign medical institutions to organize medical conferences, exhibitions and training;
- (2) investing in or acquiring overseas medical institution business when appropriate; and
- (3) holding overseas intellectual property rights and licensing international cooperation agencies to use these intellectual property rights.

We have also nominated Mr. Shi Wei to serve as the director of Mediwelcome HK and in charge of the operation and management of Mediwelcome HK. Mr. Shi Wei has been responsible for the Mediwelcome Beijing’s business and strategy development since he started serving as the general manager of Mediwelcome Beijing in 2001. He has approximately 19 years of experience in medical conference services, marketing strategies and consulting services.

In addition, among the global top ten pharmaceutical companies in terms of revenue in 2019, five were our customers during the Track Record Period. We are liaising with these experienced and reputable pharmaceutical companies for Mediwelcome HK to cooperate with leading international medical institutions for their introduction or referrals. We believe that, in the process of cooperating with leading international medical institutions, Mediwelcome HK will have the opportunity to enhance our knowledge in world-class management and service models, and accumulate experience in managing medical institutions.

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As of the Latest Practicable Date, there were no implementation measures or explicit guidelines on the aforementioned qualification requirements. According to the Implementing Measures for the Administration of Medical Institution in Ningxia Hui Autonomous Region (《寧夏回族自治區醫療機構審批管理暫行辦法》), the principal business, enterprise scale and business reputation of the foreign party in the applications made by sino-foreign joint venture medical institutions and sino-foreign cooperative medical institutions would be taken into consideration. Given Mediwelcome HK is an entity established in accordance with Hong Kong laws and regulations and will establish overseas business records and accumulate industry management experience in accordance with the above plan in the future, our PRC Legal Advisers are of the view that Mediwelcome HK has taken reasonable and appropriate actions to meet the qualification requirements for foreign party under the Interim Measures. If the foreign ownership restriction is abolished but the qualification requirements are retained, and it is assumed that Mediwelcome HK or the overseas medical institutions it invests in or acquires will be able to demonstrate the level of overseas experience as required under the Interim Measures and obtain the approval of the relevant health authority to establish sino-foreign joint ventures medical institutions and sino-foreign cooperative medical institutions in the future, Mediwelcome HK will be able to act as a foreign party to establish such sino-foreign joint venture. At that time our Ningxia Subsidiary may be operated through Mediwelcome HK.

Moreover, we will maintain close contact with relevant PRC regulatory authorities and continue to pay attention to all regulatory developments and guidelines related to the qualification requirements with the assistance of our PRC Legal Advisers, and, after the Listing, we will timely disclose to the public in our annual and interim reports the progress of the implementation of overseas expansion plans and the latest changes in the qualification requirements so as to inform the public and the Shareholders of our efforts to meet the qualification requirements.

Subject to the discretion of the competent authority on whether Mediwelcome HK has fulfilled the qualification requirements, our PRC Legal Advisers consider that these steps are reasonable and appropriate to comply with the qualification requirements. We will maintain close contact with the relevant PRC regulatory authorities and seek specific guidance as to the qualification requirements, as well as to understand any new regulatory developments, in order to assess whether our Group has fulfilled the qualification requirements.

We undertake to provide periodic updates in our annual and interim reports as requested by the Stock Exchange after the Listing to inform the public of our efforts and actions taken to comply with the qualification requirements as well as the progress.

Qualification requirements of the shareholders of internet hospital

According to Administrative Measures for Internet Hospitals (for Trial Implementation) (《互聯網醫院管理辦法(試行)》) and the Implementing Measures for the Administration of Internet Hospitals in Ningxia Hui Autonomous Region (for Trial Implementation) (《寧夏回族自治區互聯網醫院管理實施辦法(試行)》) (together, the “**Relevant Measures for Internet**

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Hospitals”) and based on the anonymous telephone interview with Yinchuan Health and Family Planning Commission (銀川市衛生和計生委員會) (now known as the Health Commission of Yinchuan (銀川市衛生健康委員會)) conducted by our PRC Legal Advisers on August 20, 2019, where a third-party institution relies on and cooperates with a physical hospital to establish an internet hospital, the third party institution shall provide the physical hospital with the resources and/or connections to physicians, pharmacists and other professionals services and information technology support services. Our PRC Legal Advisers are of the view that Yinchuan Health and Family Planning Commission is the regulatory authority of internet hospital in Yinchuan city according to related regulations and the competent authority. The consultation was conducted in the form of anonymous telephone consultation through the service hotline posted on the official website of Yinchuan Health and Family Planning Commission with an officer of Yinchuan Health and Family Planning Commission on the phone. As advised by our PRC Legal Advisers, the interviewee is competent to provide the relevant confirmations. As advised by our PRC Legal Advisers, the Registered Shareholders do not meet the qualification requirements of the shareholders of internet hospitals stipulated under the Relevant Measures for Internet Hospitals. Therefore, Mediwelcome Beijing remains as the shareholder of the Ningxia Subsidiary.

Mediwelcome Beijing has been engaged in the provision of medical conference services since 2000 and has collaborated with China’s esteemed medical NGOs, including the only medical association for CCVDs recognized by the CAST. As of June 30, 2020, Mediwelcome Beijing has developed a network of approximately 24,000 CCVD physicians that have participated in provision of integrated healthcare marketing solutions and other medical experts.

Our PRC Legal Advisers had conducted an anonymous telephone interview with Yinchuan Health and Family Planning Commission (銀川市衛生和計生委員會) on August 20, 2019, during which Yinchuan Health and Family Planning Commission confirmed that, the third-party institutions should have certain physicians and other medical experts resources, but that does not mean the third-party institutions should be medical companies or conduct medical business by itself. They have already approved certain internet companies to establish internet hospitals, if the companies could prove that they can enable the internet hospital to gain access to its robust network of physicians, pharmacists and other related professionals. Based on the above, our PRC Legal Advisers are of the view that Mediwelcome Beijing would then be deemed to have fulfilled its obligations in the contexts of medical expert and physician resources and connections under the Relevant Measures for Internet Hospitals.

In terms of the ability of providing information technology support, Mediwelcome Beijing has obtained the Value-added Telecommunication Service License (增值電信業務經營許可證) on July 2, 2019 from Beijing Communications Administration (北京市通信管理局). Mediwelcome Beijing also has sufficient experience on developing online platform and conducting data management, which shall be used to develop online platform, manage online data and online physicians, and maintain online consulting service of the internet hospital.

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The remaining equity interest of Ningxia Subsidiary is held by an individual shareholder, namely Mr. Chen Lei (陳磊), a PRC citizen and an Independent Third Party save for his interest in Ningxia Subsidiary. Mr. Chen founded Huitianxia (Yinchuan) Data Management Co. Ltd.* (匯天下(銀川)大數據有限公司), which is mainly engaged in the provision of data management services. We believe that Mr. Chen is able to provide valuable and practical advice on operational aspect of data management and provide strong support to our Group's internet hospital business in Ningxia Autonomous Region.

After taking the above into consideration, Yinchuan Approval Service Administration granted Ningxia Subsidiary the Practice License for Medical Institutions on August 7, 2019. Furthermore, our PRC Legal Advisers are of the view that, assuming Mediwelcome Beijing transfers all of its business to the WFOE Group in the future, Mediwelcome Beijing will still be qualified to be the shareholder of Ningxia Subsidiary, since such transfer of businesses does not impair Mediwelcome Beijing's ability to provide support to its Ningxia Subsidiary, as illustrated above.

Qualification Requirements under FITE Regulations

On December 11, 2001, the State Council promulgated the FITE Regulations, which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must meet the Qualification Requirements. As advised by our PRC Legal Advisers, none of the current applicable PRC laws, regulations or rules provides clear guidance or interpretation on such Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, satisfactory proof of the Qualification Requirements, unless it does set out further details on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Advisers have advised us that as of the Latest Practicable Date, no applicable PRC laws, regulations or rules provided clear guidance or interpretation on the Qualification Requirements.

Our Group currently have two entities that possess ICP license, namely Mediwelcome Beijing and Weiliandong. As advised by our PRC Legal Advisers, based on telephone consultations with Beijing Communications Administration (北京市通信管理局) and MIIT which are the relevant competent authorities, (i) foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services; and (ii) a major foreign investor who invests in a value-added telecommunications business in the PRC must meet the Qualification Requirements. Based on such consultations, our PRC Legal Advisers are of the view that none of our Group's offshore companies could meet the Qualification Requirements and our Company can only control Mediwelcome Beijing and Weiliandong through Contractual Arrangements.

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We have been progressively building up our track record of overseas value-added telecommunications services business operation for the purposes of being qualified, as early as possible, to acquire the maximum permissible equity interests in Mediwelcome Beijing and Weiliandong when the relevant PRC laws allow foreign investors to invest and to directly hold equity interest in value-added telecommunications services enterprises in China. We are in the process of expanding our overseas value-added telecommunications services business through our overseas subsidiaries and have taken the following measures to meet the Qualification Requirements:

- we have applied for, and is in the process of registering trademarks outside the PRC for the expansion of business operations overseas as and when appropriate;
- we have incorporated a subsidiary in Hong Kong, namely Mediwelcome HK, which can be readily serviced as an overseas platform when it expands its business outside the PRC; and
- we have considered expansion plans for overseas market and have further conducted overseas market and overseas investment feasibility research.

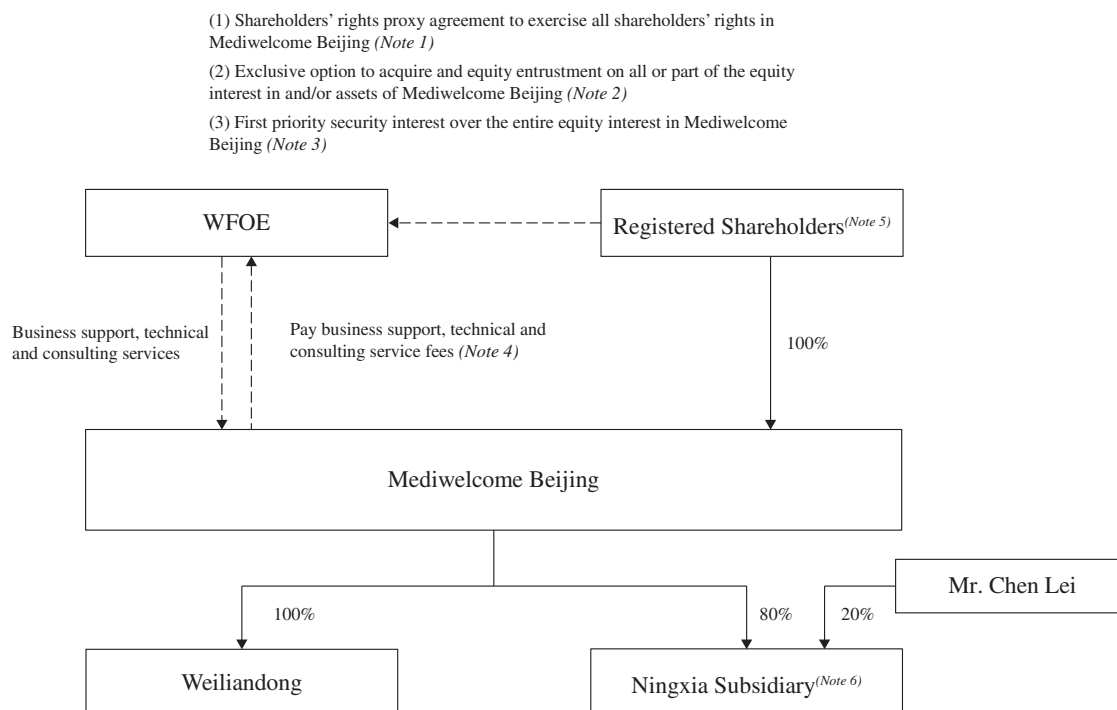
Subject to the discretion of the competent authority on whether our Group has fulfilled the Qualification Requirements, our PRC Legal Advisers consider that these steps are reasonable and appropriate to comply with the Qualification Requirements. We will maintain close contact with the relevant PRC regulatory authorities and seek specific guidance as to the Qualification Requirements, as well as to understand any new regulatory developments, in order to assess whether we have fulfilled to the Qualification Requirements.

We undertake to provide periodic updates in our annual and interim reports as requested by the Stock Exchange after the Listing to inform the public of our efforts and actions taken to comply with the Qualification Requirements as well as the progress.

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The following simplified diagram illustrates the flow of all economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

- (1) Please refer to “— Shareholders’ Rights Proxy Agreement” below for details.
- (2) Please refer to “— Exclusive Option Agreement” below for details.
- (3) Please refer to “— Equity Pledge Agreement” below for details.
- (4) Please refer to “— Exclusive Business Cooperation Agreement” below for details.
- (5) As of the Latest Practicable Date, the Registered Shareholders were the following persons/entities who together hold the entire 100% equity interest of Mediwelcome Beijing:

Name of shareholders	Capital contribution (RMB)	Percentage of shareholding
Mr. Shi Wei	16,954,947	31.27%
Mr. Yang Weimin	10,596,842	19.55%
Ms. Yan Jing ¹	10,596,843	19.55%

¹ Ms. Yan Jing is Ms. Zhang Yitao’s mother. On April 19, 2019, Ms. Zhang Yitao transferred her entire equity interests in Mediwelcome Beijing to Ms. Yan Jing as a family arrangement and ceased to be a shareholder of Mediwelcome Beijing. Such transfer was also a part of our onshore Reorganization in order for Mediwelcome Beijing to be eligible to apply for certain license in relation to its business confirmed operation that are under FI Restrictions for its business operation. Our PRC Legal Advisers confirmed that Ms. Zhang Yitao no longer holds any equity interest in Mediwelcome Beijing after the equity transfer, and Ms. Zhang Yitao’s nationality as an American will not affect the legality of the Contractual Arrangements.

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Name of shareholders	Capital contribution (RMB)	Percentage of shareholding
Mr. Wang Liang	4,804,992	8.86%
Defeng Qixiang	3,382,763	6.24%
Ningbo Yurongsheng	3,130,135	5.77%
Dongyuan Heyi	2,951,248	5.44%
Mr. Luo Shuai	800,431	1.48%
Tongling Lizhi	796,488	1.47%
Tianjin Qixing	201,710	0.37%

- (6) As of the Latest Practicable Date, Ningxia Subsidiary was owned as to 80% by Mediwelcome Beijing and 20% by Mr. Chen Lei (陳磊), a PRC citizen and an Independent Third Party save for his interest in Ningxia Subsidiary.
- (7) “→” denotes direct legal and beneficial ownership in the equity interest and “---->” denotes contractual relationship.

Exclusive Business Cooperation Agreement

Mediwelcome Beijing and WFOE entered into the Exclusive Business Cooperation Agreement on July 5, 2019 (the “**Exclusive Business Cooperation Agreement**”), pursuant to which Mediwelcome Beijing agreed to engage WFOE as its exclusive provider of technical support, consultation and other services, including but not limited to (i) technical services and network support; (ii) information management system support; (iii) business consulting; (iv) intellectual property licensing; (v) equipment and assets leasing; (vi) marketing consultation and marketing development plan support; (vii) system integration; (viii) product development and system maintenance; and (ix) other relevant services requested by WFOE from time to time to the extent permitted under PRC laws and regulations.

Pursuant to the Exclusive Business Cooperation Agreement, the service fee shall be equivalent to the total consolidated profit of Mediwelcome Beijing, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, WFOE shall have the right to adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of the Consolidated Affiliated Entities and send the service fee invoice (the “**WFOE’s invoice**”) to Mediwelcome Beijing within seven days upon the receipt of the management reports and business data. Mediwelcome Beijing has agreed to pay the service fee within seven days after receiving WFOE’s invoice. Furthermore, within 15 business days of the receipt of Mediwelcome Beijing’s audited annual report, which shall be issued by an auditor approved by WFOE and delivered to WFOE within 90 days after the end of each fiscal year, Mediwelcome Beijing shall deliver the difference between the net profit on the audited report and the total services fee received by WFOE in the same financial year.

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In addition, pursuant to the Exclusive Business Cooperation Agreement, without the prior written approval from WFOE, Mediwelcome Beijing shall not, and shall procure the other Consolidated Affiliated Entities not to, enter into any transaction that may compete with WFOE's business, including investing in any entity that has competing business with WFOE, or conduct any businesses without WFOE's prior written approval.

The Exclusive Business Cooperation Agreement also provides that WFOE has the exclusive ownership to any and all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Business Cooperation Agreement.

Our Directors consider that the above arrangement will ensure the economic benefits generated from the operations of the Consolidated Affiliated Entities will flow to WFOE and hence, our Group as a whole.

The Exclusive Business Cooperation Agreement shall be effective for 10 years commencing from July 5, 2019, being the date of the agreement, and shall be unconditionally and automatically extended at the discretion of WFOE, unless WFOE terminates the Exclusive Business Cooperation Agreement by giving a 30 days' notice in writing to Mediwelcome Beijing, or upon the legally transfer of the entire equity interests in and/or the legally transfer of all assets of Mediwelcome Beijing to WFOE or its designated person pursuant to the Exclusive Option Agreement (as defined herein below). WFOE shall not be liable for unilaterally terminating the Exclusive Business Cooperation Agreement.

Exclusive Option Agreement

WFOE, Mediwelcome Beijing and the Registered Shareholders entered into the Exclusive Option Agreement on July 5, 2019 (the "**Exclusive Option Agreement**"), pursuant to which the Registered Shareholders severally granted to WFOE the irrevocable and exclusive rights to require the Registered Shareholders to transfer any or all their equity interests and/or assets in Mediwelcome Beijing to WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to WFOE any consideration they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing.

Pursuant to the Exclusive Option Agreement, the Registered Shareholders and Mediwelcome Beijing have undertaken to perform certain acts or refrain from performing certain other acts unless they have obtained prior approval from WFOE, including but not limited to the following matters:

- (i) Mediwelcome Beijing shall not in any manner supplement, change or alter its constitutional documents or its registered capital or change the structure of its registered capital in other manner;

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- (ii) Mediwelcome Beijing shall prudently and effectively operate its business and transactions in accordance with the good financial and business standards;
- (iii) Mediwelcome Beijing shall not sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest, income or allow any guarantee or security to be created on its assets;
- (iv) Mediwelcome Beijing shall not incur, take up, guarantee or allow any indebtedness other than those in the ordinary course of business or having been disclosed to and consented by WFOE in writing;
- (v) Mediwelcome Beijing shall not enter into any material contracts with an amount exceeding RMB100,000 other than in the ordinary course of business;
- (vi) Mediwelcome Beijing shall operate its business in order to maintain its asset value or not allow any acts or omission which adversely affects its business or assets value;
- (vii) Mediwelcome Beijing shall not engage in any mergers or acquisitions or make investment in any entities or to sell assets with the value more than RMB100,000;
- (viii) Mediwelcome Beijing shall provide all the operational and financial data to WFOE as required by WFOE;
- (ix) Mediwelcome Beijing shall immediately inform WFOE if its assets or business involved in any disputes, litigations, arbitrations or administrative proceedings;
- (x) Mediwelcome Beijing shall not distribute any dividend to its shareholders without WFOE's written consent;
- (xi) when necessary, Mediwelcome Beijing and its affiliates shall only purchase insurances from issuers that WFOE recognizes, and the amounts and categories of the insurances shall maintain the same with the companies having similar businesses or assets in the same area;
- (xii) Mediwelcome Beijing shall sign all necessary and appropriate documents, take all necessary and proper acts, bring up all necessary and proper requests, or provide necessary and proper defenses against claims to maintain Mediwelcome Beijing and its affiliates' ownership for all the assets;
- (xiii) Mediwelcome Beijing shall appoint or remove any director that is appointed or removed by WFOE; and

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- (xiv) Mediwelcome Beijing shall not terminate or procure the management team to terminate the Contractual Arrangements entered into with WFOE, or enter into any contracts or agreements that conflict with the Contractual Arrangements.

The Exclusive Option Agreement shall be effective for 10 years commencing from July 5, 2019, being the date of the agreement, and shall be unconditionally and automatically extended for another ten years, and for an indefinite number of successive ten years thereafter, until it is terminated (i) by WFOE by giving Mediwelcome Beijing and the Registered Shareholders a 30 days' prior written notice of termination, or, (ii) upon the legally transfer of the entire interests held by the Registered Shareholders or the legally transfer of all assets of Mediwelcome Beijing to WFOE.

Equity Pledge Agreement

WFOE, Mediwelcome Beijing and the Registered Shareholders entered into the Equity Pledge Agreement on July 5, 2019 (the "**Equity Pledge Agreement**"), pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Mediwelcome Beijing to WFOE as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement.

Under the Equity Pledge Agreement, the Registered Shareholders represents and warrants to WFOE that appropriate arrangements have been made to protect WFOE's interests to avoid any practical difficulties in enforcing the Equity Pledge Agreement. If any of the Registered Shareholders or Mediwelcome Beijing breaches or fails to fulfill the obligations under any of the aforementioned agreements, WFOE, as the pledgee, will be entitled to dispose of the pledged equity interests, entirely or partially. In addition, pursuant to the Equity Pledge Agreement, each of the Registered Shareholders has undertaken to WFOE, among other things, not to transfer the interest in his/her/its equity interests in Mediwelcome Beijing and not to create or allow any pledge thereon that may affect the rights and interest of WFOE without its prior written consent.

The Equity Pledge Agreement shall be effective for ten years commencing from July 5, 2019, being the date of the agreement, until (i) all the obligations under the Exclusive Business Cooperation Agreement have been fulfilled and all the outstanding debts of the Registered Shareholders under the Exclusive Business Cooperation Agreement have been fully paid; and (ii) each of the Registered Shareholders has transferred its equity interests in Mediwelcome Beijing in accordance with the Exclusive Option Agreement or Mediwelcome Beijing has transferred all of its assets in accordance with the Exclusive Option Agreement.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), WFOE may immediately exercise the pledge and may take any remedial measures under applicable PRC laws and the Contractual Arrangements, including but not limited to being paid in priority with the monetary valuation that the Registered

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Shareholders' equity interests are converted into or from the proceeds from auction or sale of the Registered Shareholders' equity interests. WFOE is not liable for any loss incurred by its due exercise of such rights and powers.

The registration of the Equity Pledge Agreement as required by the relevant laws and regulations has been completed in accordance with the terms of the Equity Pledge Agreement and PRC laws and regulations.

Shareholders' Rights Proxy Agreement

Each of Mediwelcome Beijing, the Registered Shareholders and WFOE entered into the Shareholders' Rights Proxy Agreement on July 5, 2019 (the "**Shareholders' Rights Proxy Agreement**"), pursuant to which, each Registered Shareholder, through the power of attorney ("**Power of Attorney**"), irrevocably appoints WFOE or our Directors and their successors (including a liquidator replacing our Directors) but excluding those non-independent or who may give rise to conflict of interests, as his attorney-in-fact to exercise such shareholder's rights in Mediwelcome Beijing, including without limitation to, the rights to (i) convene and participate in shareholders' meeting in the capacity of a proxy of the Registered Shareholders; (ii) exercise the voting rights, on behalf of the Registered Shareholders, and adopt and execute resolutions, on matters to be discussed and resolved at shareholders' meetings, such as, the appointment and election of directors of Mediwelcome Beijing or any senior management that should be appointed or dismissed by the shareholders of Mediwelcome Beijing; and (iii) exercise other voting rights of shareholders under the articles of association of Mediwelcome Beijing.

The Shareholders' Rights Proxy Agreement has an indefinite term and will be terminated in the event that (i) the Shareholders' Rights Proxy Agreement is unilaterally terminated by any parties in writing; or (ii) upon the legally transfer of the entire interests held by the Registered Shareholders or the legally transfer of all assets of Mediwelcome Beijing to WFOE.

Spousal Undertakings

The spouse of each of the Registered Shareholders, where appropriate, has signed an undertaking on July 5, 2019, to the effect that, among others, (i) the shares of Mediwelcome Beijing held and to be held by each of the Registered Shareholders (together with any other interests therein) do not fall within the scope of communal properties, and (ii) he/she has no right to or control over such interests of the respective Registered Shareholder and will not have any claim on such interests.

Our PRC Legal Advisers are of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of any of the Registered Shareholders, where applicable, and (ii) the death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and WFOE or our Company can still enforce their right under the Contractual Arrangements against the Registered Shareholders.

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Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successor was a signing party to the Contractual Arrangements. Although the Contractual Arrangements do not specify the identity of successors to such shareholders, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, WFOE can enforce its right against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the Registered Shareholders under the Contractual Arrangements as a result of their death, as if the inheritor was a signing party to such Contractual Arrangements.

In addition, the spouse of each of the Registered Shareholders, if applicable, has provided irrevocable undertakings which stipulate certain matters to succession of the rights and obligations under the Contractual Arrangements. Please refer to “— Spousal Undertakings” as mentioned above.

Our PRC Legal Advisers are of the view that (i) the Contractual Arrangements provide protection to our Group even in the event of loss of capacity, death, bankruptcy, marriage or divorce of the Registered Shareholders; and (ii) loss of capacity, death, bankruptcy (if applicable) of the such shareholders would not affect the validity of the Contractual Arrangements, and WFOE can enforce its right under the Contractual Arrangements against the successors of such shareholders.

Dispute Resolution

Each of the agreements under the Contractual Arrangements, except for Power of Attorney, provides that, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of our Mediwelcome Beijing or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Mediwelcome Beijing; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of WFOE or Mediwelcome Beijing are located for interim remedies or injunctive relief.

However, our PRC Legal Advisers have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated

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Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. As a result of the above, in the event that Mediwelcome Beijing or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. Please refer to “Risk Factors — Risks Relating to our Contractual Arrangements” for further details.

Conflict of Interest

The Registered Shareholders have undertaken that, during the period that the Contractual Arrangements remain effective,

- (a) they shall not execute any documents with or make any undertaking to any third parties that may have conflicts of interests with any agreements entered into with WFOE; (b) they shall not commit or refrain from committing any act that may lead to any conflicts of interests between the Registered Shareholders and WFOE; and (c) in the event of the occurrence of a conflict of interests (where WFOE has the sole discretion to determine whether such conflict arises), they shall take appropriate measures upon the consent of WFOE and its designees to eliminate such conflicts; and
- unless otherwise agreed to by WFOE in writing, they will not (a) directly or indirectly participate or engage in any business which is or may potentially be in competition with the business of Mediwelcome Beijing or any of its subsidiaries; and (b) be employed by an entity whose operation is or may potentially be in competition with the business of WFOE or any of its subsidiaries.

The Shareholders’ Rights Proxy Agreement also provides that, in order to avoid potential conflict of interest, where the Registered Shareholders are officers or directors of our Company, the power of attorney is granted in favor of other unrelated officers or directors of our Company.

Loss Sharing

As advised by our PRC Legal Advisers, under the relevant PRC laws and regulations, none of our Company and WFOE, as the primary beneficiaries of the Consolidated Affiliated Entities, is expressly required to share losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. WFOE intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through our Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and

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approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses. Save as mentioned above, we are not aware of any other events or circumstances that could expose our Company to losses relating to the adoption of the Contractual Arrangements.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, Mediwelcome Beijing shall sell all of its assets, to the extent permitted by PRC laws, to WFOE or another qualifying entity designated by WFOE, at the lowest selling price permitted by applicable PRC laws. Any obligation for WFOE to pay Mediwelcome Beijing as a result of such transaction shall be waived by Mediwelcome Beijing and any profits arising from the above transactions shall be paid to WFOE or the qualifying entity designated by WFOE in partial satisfaction of the service fees under the Exclusive Business Cooperation Agreement, as applicable under the then current PRC laws. Accordingly, in the event of winding up of Mediwelcome Beijing, a liquidator may seize the relevant assets of Mediwelcome Beijing through WFOE based on the Contractual Arrangements for the benefit of our creditors/shareholders.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its business through our Consolidated Affiliated Entities under the Contractual Arrangements.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the Listing, a waiver has been sought from and has been granted by the Stock Exchange, the details of which are disclosed in "Connected Transaction."

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LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisers are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

- (i) each of WFOE, Mediwelcome Beijing and each of the Registered Shareholders and their spouses (if applicable) are legally established and validly subsisting entities or natural persons with full civil capacity. The aforesaid entities and persons have qualifications and capabilities to enter into the Contractual Arrangements and have obtained necessary internal approval and authorization for the execution and performance of the Contractual Arrangements. Each of the agreements under the Contractual Arrangements is as effective as if the Registered Shareholders are all natural persons;
- (ii) the Contractual Arrangements are voluntarily entered into by the parties without any fraud or coercion; there is no violation of the articles of association or partnership agreements of WFOE and any of the existing institutional shareholders of Mediwelcome Beijing, and there is no violation of the provisions of Article 52 under the PRC Contract Law (《中華人民共和國合同法》), the PRC General Rules of Civil Law (《中華人民共和國民法總則》) or other applicable PRC laws and regulations;
- (iii) the Contractual Arrangements shall be legal, effective and binding and enforceable to all parties and comply with the laws enacted by the National People's Congress of the PRC and its Standing Committee and the administrative regulations and departmental regulations enacted by the State Council and other regulatory documents, save for (i) the ruling of the relevant arbitration institutions made under its authority to dissolve Mediwelcome Beijing under the agreement may not be enforceable under existing PRC laws; and (ii) the provisional remedies or other rulings of Hong Kong courts and courts of the place of incorporation of our Company in regards to the agreement may not be recognized and enforceable under existing PRC laws;
- (iv) the pledge of equity interests under the Contractual Arrangements have been registered with the competent Administration of Industrial and Commercial authority in the PRC;
- (v) notwithstanding that there are differences between the shareholding of Mediwelcome Beijing and our Company, it will not have any adverse material impact on the Contractual Arrangements. Please refer to "History and Reorganization — Reorganization" for details; and

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- (vi) having different forms of organization of Registered Shareholders will not have substantive differences in the effectiveness and applicability of the Contractual Arrangements.

Furthermore, as advised by our PRC Legal Advisers, Dongyuan Heyi and Defeng Qixiang are not prohibited by the PRC laws and regulations to be our Registered Shareholders. Dongyuan Heyi and Defeng Qixiang, as shareholders of Mediwelcome Beijing, possess the shareholder qualifications required by the PRC laws and regulations. On July 5, 2019, Dongyuan Heyi and Defeng Qixiang respectively entered into the Contractual Arrangements with Mediwelcome Beijing and WFOE. The Contractual Arrangements were entered into by the parties voluntarily without any indications of fraud or coercion and do not violate the agreements of Dongyuan Heyi or Defeng Qixiang partnership, or violate the PRC Contract Law, PRC General Rules of Civil Law and other applicable PRC laws and regulations. The Contractual Arrangements shall therefore be binding on Dongyuan Heyi and Defeng Qixiang. As such, our PRC Legal Advisers are of the view that Dongyuan Heyi and Defeng Qixiang as limited liability partnerships, being our Registered Shareholders will not affect the effectiveness of the Contractual Arrangements.

Based on the above analysis and advices from our PRC Legal Advisers, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant arbitration clauses as described in “— Contractual Arrangements — Dispute Resolution,” each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations. Our PRC Legal Advisers are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. That being said, there is no guarantee that the Contractual Arrangements will not be prohibited by any new laws, regulations or rules by the PRC authorities in the future. If there is no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the validity of our Contractual Arrangements will not be affected.

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We are aware of a Supreme People's Court ruling (the "**Supreme People's Court Ruling**") made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2012 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law and the PRC General Rules of Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC; and (ii) the incentive for the Registered Shareholders under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisers are of the view that the relevant terms of the agreements under the Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Advisers are of the view that the agreements under the Contractual Arrangements would not be deemed as "concealing illegal intentions with a lawful form" such that they also do not fall within circumstance (iv) above under Article 52 of the PRC Contract Law because the agreements under the Contractual Arrangements were not entered into for illegitimate purposes. The purpose of the Contractual Arrangements are (a) to enable Mediwelcome Beijing to transfer its economic benefits to WFOE as service fees for engaging WFOE as their exclusive service provider; and (b) to ensure that the Registered Shareholders do not take any actions that are contrary to the interest of WFOE. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the agreements under the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangements, which is to allow our Company to list on the Stock Exchange while obtaining the economic benefits of our Consolidated Affiliated Entities, is not for an illegitimate purpose, as evidence by the fact that a number of currently listed companies also adopt similar contractual arrangements. In conclusion, our PRC Legal Advisers are of the view that the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law. Based on the above analysis, our PRC Legal Advisers are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under Article 52 of the PRC Contract Law and the applicable PRC laws and regulations.

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ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of our Consolidated Affiliated Entities

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, Mediwelcome Beijing will pay services fees to WFOE. The services fees, subject to WFOE's adjustment, are equal to the entirety of the total consolidated profit of Mediwelcome Beijing (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). WFOE may adjust the services scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entities. WFOE also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, WFOE has the ability, at its sole discretion, to extract all of the economic benefit of Mediwelcome Beijing through the Exclusive Business Cooperation Agreement.

Under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as WFOE's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our Consolidated Affiliated Entities, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

Under the Shareholders' Rights Proxy Agreement, WFOE can unconditionally and irrevocably exercise shareholders' rights (including appointment and removal of directors of Mediwelcome Beijing) and voting rights (directors' rights of Mediwelcome Beijing).

In addition, all the Contractual Agreements are irrevocable and renewable at the sole discretion of WFOE.

As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through WFOE and, at our Company's sole discretion, can receive all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of preparation of our Group's financial information for Track Record Period is disclosed in notes 1 and 2 to the Accountants' Report in Appendix I.

CONTRACTUAL ARRANGEMENTS

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The FIL

On March 15, 2019, the NPC approved the FIL, which came into effect on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the FIL, which came into effect on January 1, 2020. The FIL replaced the current foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. Please refer to “Risk Factors — Substantial uncertainties exist with respect to the interpretation and implementation of the FIL and how it may impact the viability of our current corporate structure, corporate governance and business operations” for details of the FIL.

Impact and Potential Consequences of the FIL

Conducting operations through contractual arrangements has been adopted by many PRC-based companies including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The FIL stipulates four forms of investment as foreign investment; however it does not explicitly stipulate the contractual arrangements as a form of foreign investments. The FIL, unlike the discussion draft of the proposed Foreign Investment Law of the PRC (《中華人民共和國外國投資法(草案徵求意見稿)》) published on January 2015 by the MOFCOM, does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC.

Notwithstanding the above, the FIL stipulates that “investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other manners.” Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may regard contractual arrangements as a way of foreign investment, at which time it will be uncertain whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations.

In the extreme scenario, we may be required to unwind our Contractual Arrangements and/or dispose of our PRC Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. In the event that our Company no longer has a sustainable business after the aforementioned unwinding of the Contractual Arrangements or disposal of our PRC Consolidated Affiliated Entities, it may have a material adverse effect on the trading of our Shares.

CONTRACTUAL ARRANGEMENTS

Therefore, there is no guarantee that our Contractual Arrangements and the business of our PRC Consolidated Affiliated Entities will not be materially and adversely affected in the future. That being said, given the FIL has not explicitly prohibited or restricted a foreign restricted business to be controlled by contractual arrangements, if there is no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the validity of our Contractual Arrangements will not be affected. Our PRC Legal Advisers are of the view that the Contractual Arrangements will continue to be legal, valid and binding on the parties thereunder.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will establish a risk management committee, which will perform regular review on the operations of Weiliandong and Ningxia Subsidiary to ensure they are only conducting businesses that are restricted or prohibited to foreign investors under the FI Restriction;
- (iv) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports;
- (v) our Company will maintain close contact with the relevant PRC regulatory authorities and make periodic enquiries to understand any new regulatory development and assess whether our Group has fulfilled to the Qualification Requirements. We undertake to provide periodic updates in annual and interim reports as requested by the Stock Exchange after the Listing to inform the investing public of our efforts and actions taken to comply with the Qualification Requirements as well as the progress of our efforts; and
- (vi) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), our ultimate Controlling Shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, were acting in concert with each other, will be entitled to exercise voting rights of approximately 51.76% of the issued share capital of our Company through the investment holding companies controlled by them. Accordingly, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, and the investment holding companies controlled by them, namely Ji Ze Investment, Shun Jia Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment, which constitute a group of controlling shareholders of our Company, will remain as our Controlling Shareholders upon the Listing.

On April 8, 2016, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, being our ultimate Controlling Shareholders, entered into an acting in concert agreement, and the details of which are set out in “History and Reorganization — Parties Acting In Concert.”

DELINEATION OF BUSINESS

Each of our Controlling Shareholders confirm that he/she/it does not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and his/her/its close associates after the Listing.

Management Independence

Our Board comprises six executive Directors, two non-executive Directors and four independent non-executive Directors. Although three of our executive Directors, Mr. Shi Wei, Mr. Yang Weimin, and Mr. Wang Liang, and one of our non-executive Directors, Ms. Zhang Yitao, are also our Controlling Shareholders, all of our other Directors and senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company and to make management decisions independent from our Controlling Shareholders. The balance of power and authority is ensured by the operation of the senior management and our Board. Please refer to “Directors and Senior Management” for details of our Directors and senior management’s biographies.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In addition, each of our Directors is aware of his/her fiduciary duties as a director of our Company which requires, among other things, that he/she acts for the benefit and in the best interests of our Group and our group of shareholders and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. We will comply with all the relevant requirements of the Stock Exchange and the SFC. In addition, we have a senior management team to make business decisions independently. Our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board. Please refer to “— Corporate Governance Measures” below for further details.

The independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirement under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinion.

Based on the above, our Directors are satisfied that our Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently after the Listing.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and carry out, our business operations independently. We have established our own organizational structure and each department is assigned to specific areas of responsibilities. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we have obtained all material licenses, approvals and permits to carry on our business and we have sufficient operational capacity in term of capital and employees to operate and manage our business independently. We do not rely on our Controlling Shareholders or their close associates for our operations. We have independent access to customers and suppliers and an independent senior management team to handle our daily operations. Our top five customers and suppliers for the Track Record Period were Independent Third Parties. We also have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting and reporting function of our Company. The finance department is independent from our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. In addition, we have been and are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their close associates.

As of the Latest Practicable Date, there were no loans, advances or balances due to and from our Controlling Shareholders and his/her/its close associates which have not been fully settled, nor were there any pledges and guarantees provided by any of our Controlling Shareholders and his close associates on our Group's borrowing which have not been fully released or discharged.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage potential conflicts of interest after the Listing. In particular, we will implement the following measures:

- as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;
- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed four independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

provide an impartial and external opinion to protect the interests of our public Shareholders. Please refer to “Directors and Senior Management — Directors — Independent non-executive Directors” for details of our independent non-executive Directors;

- in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either through its annual report or by way of announcements;
- we have appointed Shanxi Securities International Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors’ duties and corporate governance; and
- any transaction made (or proposed to be made) between our Company and our connected persons will be required to comply with (i) Chapter 14A of the Listing Rules which include, but without limitation, where applicable, the announcement, reporting, circular and shareholders’ approval requirements and (ii) those other conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

CONNECTED TRANSACTION

We have entered into a number of agreements with our connected persons, the details of which are set out below. The transaction disclosed in this section will constitute our continuing connected transaction under Chapter 14A of the Listing Rules upon the Listing.

CONNECTED PERSONS

The table below sets forth the connected persons of our Company involved in the connected transaction set out in this section and the nature of their connection with our Group:

Connected Persons	Connected Relationship
Mr. Shi Wei	Chairman of our Board, an executive Director and a Controlling Shareholder of our Company
Mr. Yang Weimin	Vice chairman of our Board, an executive Director and a Controlling Shareholder of our Company
Ms. Zhang Yitao	A non-executive Director and a Controlling Shareholder of our Company
Mr. Wang Liang	An executive Director, the chief executive officer and a Controlling Shareholder of our Company
Ms. Yan Jing	A substantial shareholder of Mediwelcome Beijing and the close associate of Ms. Zhang Yitao
Mediwelcome Beijing	an associate of our Controlling Shareholders

We set out below details of the non-exempted continuing connected transaction for our Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

As disclosed in "Contractual Arrangements," the business operations of the Consolidated Affiliated Entities constitute a business restricted or prohibited to foreign investment in the PRC, therefore, we cannot directly acquire equity interests in the Consolidated Affiliated Entities. As a result, our Group has entered into a series of agreements narrowly tailored to provide our Group with control over the Consolidated Affiliated Entities and grant our Group the right to acquire interests of the Consolidated Affiliated Entities when and to the extent

CONNECTED TRANSACTION

permitted by the PRC laws and regulations. Under the Contractual Arrangements, our Group supervises and controls the business operations and obtain all economic benefits developed by the Consolidated Affiliated Entities.

The Contractual Arrangements consist of four sets of agreements, namely Exclusive Business Cooperation Agreement, Exclusive Option Agreement, Equity Pledge Agreement and Shareholders' Rights Proxy Agreement. Please refer to "Contractual Arrangements" for further details. Our PRC Legal Advisers have advised that the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties and are enforceable under applicable PRC laws and regulations.

Listing Rules implications

Pursuant to Rules 14A.35, 14A.36, 14A.49 and 14A.55 of the Listing Rules, the transactions contemplated under the Contractual Arrangements will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Director's View

Our Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the Contractual Arrangements are fundamental to the legal structure and business operations of our Group. Such transaction has been and shall be entered into in the ordinary and usual course of business of our Group, is on normal commercial terms and is fair and reasonable, and is in the interests of our Company and its Shareholders as a whole.

Our Directors also believe that our Group's structure, which allows the financial results of the Consolidated Affiliated Entities to be consolidated into the financial statements of our Group as if it were a wholly-owned subsidiary of our Group and the flow of economic benefit of its business to our Company, places our Group in a special position in relation to the connected transaction rules. Accordingly, notwithstanding that the transaction contemplated under the Contractual Arrangements technically constitute continuing connected transaction for the purposes of Chapter 14A of the Listing Rules, our Directors consider that strict compliance with the requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transaction would be impracticable and unduly burdensome and would impose unnecessary administrative costs upon our Company.

CONNECTED TRANSACTION

APPLICATION FOR WAIVER

Contractual Arrangements

Pursuant to Rule 14A.105 of the Listing Rules, our Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with (i) announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) the requirement of setting maximum aggregate annual value (i.e. an annual cap) for the fees payable to our Group under the Contractual Arrangements; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as our Shares are listed on the Stock Exchange, subject to the following conditions:

- (a) *No change without independent non-executive Directors' approval.* Except as described below, no changes to the terms of the Contractual Arrangements will be made without the approval of the independent non-executive Directors.
- (b) *No change without independent Shareholders' approval.* Save as described in paragraph (d) below, no changes to the agreements governing the Contractual Arrangements will be made without the approval of the independent Shareholders. Once the independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.
- (c) *Economic benefits flexibility:* The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the Mediwelcome Beijing for nil consideration or minimum amount of consideration permitted by applicable PRC laws and regulations; (ii) the business structure under which the revenue generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to WFOE under the Exclusive Business Cooperation Agreement; and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Mediwelcome Beijing.

CONNECTED TRANSACTION

- (d) *Renewal.* On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on the one hand, and Mediwelcome Beijing, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as the connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.
- (e) *Ongoing reporting and approvals.* Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:
- (i) The Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.
 - (ii) The independent non-executive Directors will review the Contractual Arrangements annually and confirm in the annual reports and accounts of our Company for the relevant year that: (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by Mediwelcome Beijing to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (iii) any new contracts entered into, renewed or reproduced between our Group and Mediwelcome Beijing during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the best interests of our Company and Shareholders as a whole.
 - (iii) Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Mediwelcome Beijing to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

CONNECTED TRANSACTION

- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person,” the Consolidated Affiliated Entities will be treated as our Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- (v) The Consolidated Affiliated Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group’s management and our Company’s auditor with full access to its relevant records for the purpose of our Company’s auditor’s review of the connected transactions.

Directors’ View

Our Directors, including our independent non-executive Directors, are of the view that the contracts constituting the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations and that the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable as far as our Group is concerned and are in the interests of our Company and our Shareholders as whole.

Sole Sponsor’s View

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has obtained necessary representations and confirmations from our Company and our Directors and has participated in the due diligence and discussions with our management and our PRC Legal Advisers. Based on the above, the Sole Sponsor is of the view that the contracts constituting Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations and that the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable as far as our Group is concerned and are in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon the Listing, our Board will consist of twelve Directors, comprising six executive Directors, two non-executive Directors and four independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position(s)	Key Roles and Responsibilities	Time of Joining our Group	Date of Appointment as Director
Mr. Shi Wei (施焯)	45	Chairman of the Board and executive Director	Overall management, strategic planning and decision-making	September 2000	September 18, 2019
Mr. Yang Weimin (楊為民)	54	Vice chairman of the Board and executive Director	Strategic planning and assisting in the overall management of our Group	September 2000	September 18, 2019
Mr. Wang Liang (王亮)	45	Executive Director and chief executive officer	Strategic planning and supervising daily operations of our Group	September 2000	September 18, 2019
Mr. He Jiyong (賀繼永)	39	Executive Director and chief financial officer	Formulating corporate strategies, overall management of financial, mergers and acquisitions and capital market affairs and secretarial affairs of our Group	January 2019	September 18, 2019
Mr. Wang Wei (王偉)	43	Executive Director and vice president	Strategic planning, business development and operations and client relationship management of our Group	March 2002	September 18, 2019
Mr. Sui Huijun (睚輝俊)	36	Executive Director and vice president	Strategic planning and business operations of the Shanghai branch of our Group	August 2006	September 18, 2019

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Key Roles and Responsibilities	Time of Joining our Group	Date of Appointment as Director
Ms. Zhang Yitao (張藝濤)	54	Non-executive Director	Participating in formulation of major decisions of our Group	April 2016	September 18, 2019
Mr. Liu Xia (劉夏)	40	Non-executive Director	Participating in formulation of major decisions of our Group	January 2018	September 18, 2019
Mr. Song Ruilin (宋瑞霖)	57	Independent non-executive Director	Supervising our Board and providing independent judgment	December 21, 2020	December 21, 2020
Mr. Fei John Xiang (費翔)	49	Independent non-executive Director	Supervising our Board and providing independent judgment	December 21, 2020	December 21, 2020
Mr. David Zheng Wang (王正)	58	Independent non-executive Director	Supervising our Board and providing independent judgment	December 21, 2020	December 21, 2020
Mr. Yang Xiaoxi (楊曉曦)	45	Independent non-executive Director	Supervising our Board and providing independent judgment	December 21, 2020	December 21, 2020

Executive Directors

Mr. Shi Wei (施煒), aged 45, was appointed as our Director on February 21, 2019 and re-designated as an executive Director on September 18, 2019. Mr. Shi is also the chairman of our Board and responsible for the overall management, strategic planning and decision-making of our Group.

Mr. Shi, together Mr. Chen Chuan, Mr. Li Yuyang, Mr. Yang Weimin and Mr. Wang Liang founded our Group in September 2000. Mr. Shi served as the general manager of Mediwelcome Beijing, where he was responsible for the company's business and strategy development from May 2001 to April 2016. Mr. Shi has been serving as a director and the chairman of the board of Mediwelcome Beijing since the company's establishment, where he is responsible for board management, company strategy development and business planning. Mr. Shi currently also serves as a director of WFOE, the sole executive director and the general manager of Beijing Chuangyan and sole executive director and the general manager of Weiliandong, where he is responsible for overall operations and management of the companies and business planning.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Shi received his vocational college degree in electronic industry management from Beijing Information Science & Technology University (北京信息科技大學) in the PRC in July 1995.

Mr. Yang Weimin (楊為民), aged 54, was appointed as our executive Director on September 18, 2019. Mr. Yang is also the vice chairman of our Board and responsible for strategic planning and assisting in the overall management of our Group.

Mr. Yang, together with Mr. Shi Wei, Mr. Chen Chuan, Mr. Li Yuyang and Mr. Wang Liang, founded our Group in September 2000. He served as the vice general manager of Mediwelcome Beijing, where he was responsible for the management of business department from September 2000 to March 2016. Mr. Yang has been serving as one of the directors of Mediwelcome Beijing since its establishment, where he is responsible for strategic management, business development and client relationship management. Mr. Yang currently also serves as a director of WFOE and the sole executive director of Ningxia Subsidiary, where he is responsible for business planning.

Mr. Yang received his bachelor's degree in textile design in dyeing and weaving from Nanjing University of the Arts (南京藝術學院) in the PRC in July 1992.

Mr. Wang Liang (王亮), aged 45, was appointed as our executive Director on September 18, 2019. Mr. Wang is also our chief executive officer and responsible for strategic planning and supervising daily operations of our Group.

Mr. Wang, together with Mr. Shi Wei, Mr. Yang Weimin, Mr. Chen Chuan and Mr. Li Yuyang, founded our Group in September 2000. Mr. Wang served as the supervisor at Mediwelcome Beijing from its establishment to April 2006, and then has been serving as one of the directors and the general manager, where he is responsible for overall operations and management of the company. Mr. Wang currently also serves as the director of WFOE and the chairman of the board of Beijing Haice, where he is responsible for business planning and strategic decisions.

Mr. Wang received his vocational college degree in electronic industry management from Beijing Information Science & Technology University (北京信息科技大學) in the PRC in July 1996.

Mr. He Jiyong (賀繼永), age 39, was appointed as our executive Director in September 18, 2019. Mr. He is also our chief financial officer and responsible for formulating corporate strategies, the overall management of financing, mergers and acquisitions and capital market affairs and secretarial affairs of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Mr. He served as the director of the board and the chief executive officer of Yingtege (Beijing) Media Advertising Co., Ltd. (英特格(北京)傳媒廣告有限公司), a company founded by him, where he was responsible for the overall management from September 2007 to May 2009. From June 2009 to May 2010, Mr. He served as the vice president at China Agritech Inc., a company listed on the NASDAQ (stock code: CAGC-GM), where he was responsible for investor relations, financial and mergers and acquisitions affairs. From July 2010 to July 2013, Mr. He served as the vice president and chief financial officer at Jiangsu Fengye Technology Environmental Protection Group Co., Ltd. (江蘇峰業科技環保集團股份有限公司), where he was responsible for public offering and financial affairs. From July 2013 to December 2016, Mr. He served as the vice president at Xinjiang Huachun Investment Group Co., Ltd. (新疆華春投資集團有限公司), a company mainly engaged in the provision of microfinancing services, where he was responsible for the overall business management, strategy development and financial, mergers and acquisitions and capital market affairs. From June 2015 to December 2016, Mr. He served as the executive director and chief executive officer at Huachun China Financial Holdings Limited (華春中國金融控股有限公司), a company mainly engaged in investment business, where he was responsible for the strategy development and daily operations and management of the company. From November 2016 to January 2019, Mr. He served as the chief financial officer and secretary of the board at Happy Work Human Resources Co., Ltd. (快樂沃克人力資源股份有限公司), a company listed on the NEEQ (stock code: 831662), where he was responsible for the strategy development, financial, mergers and acquisitions and capital market affairs.

Mr. He received his bachelor's degree in law from Wuhan University (武漢大學) in the PRC in June 2005 and later obtained his postgraduate diploma in corporate finance and investment management from the University of Hong Kong in September 2012. In December 2013, Mr. He was selected as a business management expert in the High-level Talents Introduction Project of Xinjiang Uygur Autonomous Region (新疆維吾爾自治區高層次人才引進計劃工程).

Mr. Wang Wei (王偉), aged 43, was appointed as our executive Director on September 18, 2019. Mr. Wang is also our vice president and responsible for strategic planning, business development and operations and client relationship management of our Group.

Since the joining of our Group in March 2002, Mr. Wang has been serving as the vice general manager of Mediwelcome Beijing and is responsible for business development, company's operation management and client relationship management. Mr. Wang has been serving as one of the directors of Mediwelcome Beijing since April 2016.

Mr. Wang received his bachelor's degree in literature from International Modern Design Art College of Inner Mongolia Normal University (內蒙古師範大學國際現代設計藝術學院) in July 1999.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sui Huijun (眭輝俊), aged 36, was appointed as our executive Director on September 18, 2019. Mr. Sui is also our vice president and responsible for the strategic planning and business operations of the Shanghai Branch of our Group.

Mr. Sui joined our Group as the account manager at Mediwelcome Beijing, where he was responsible for brand management from August 2006 to September 2012. He has been serving as the vice general manager at Shanghai Branch of Mediwelcome Beijing since September 2012, where he is mainly responsible for overall operations and management of the Shanghai Branch. Mr. Sui currently also serves as the sole executive director and the general manager of Shanghai Xuanmai, where he is responsible for overall operations and management of the company and business planning.

Mr. Sui obtained his bachelor's degree in advertising from Xuzhou Normal University (徐州師範大學), later known as Jiangsu Normal University (江蘇師範大學) in the PRC in June 2006.

Non-executive Directors

Ms. Zhang Yitao (張藝濤), aged 54, was appointed as our non-executive Director on September 18, 2019. She is responsible for participating in the formulation of major decisions of our Group.

From July 1986 to May 1990, Ms. Zhang served as a nurse in the endocrinology department of China-Japan Friendship Hospital (中日友好醫院). From June 1990 to September 1990, Ms. Zhang served as a technician in Beijing Institute of Clinical Medicine (衛生部臨床檢驗中心). Ms. Zhang subsequently worked at the Department of Molecular Pharmacology at Albert Einstein College of Medicine as a researcher. Since October 1993, Ms. Zhang served as the senior research assistant of Joslin Diabetes Center of Harvard Medical School, where she was responsible for the general maintenance of the laboratory and conducted certain aspects of experiments.

Ms. Zhang was one of the holders of equity interest of Mediwelcome Beijing from May 2009 to April 2019 and served as one of the directors at Mediwelcome Beijing from April 2016 to April 2019, where she was responsible for public relations.

Ms. Zhang graduated from Beijing Secondary Professional School (北京中等專業學校) in the PRC in July 1986, where she completed the curriculum of nursing.

Mr. Liu Xia (劉夏), aged 40, was appointed as our non-executive Director on September 18, 2019. He is responsible for participating in formulation of major decisions of our Group.

From July 2003 to August 2006, Mr. Liu worked as the assistant of office director in National Satellite Ocean Application Center (國家衛星海洋應用中心), where he was responsible for the administrative management and financial management. From June 2012 to June 2013, Mr. Liu worked as the general manager in financial consulting department of

DIRECTORS AND SENIOR MANAGEMENT

Lianxun Securities Co., Ltd. (聯訊證券有限責任公司), where he was responsible for providing advisory services to listed companies on mergers and acquisitions and financial matters. From July 2013 to July 2017, Mr. Liu worked as the general manager in small and medium-sized enterprises investment banking and listing business department of Guodu Securities Co., Ltd. (國都證券股份有限公司), where he was responsible for investment banking related business. Mr. Liu has served as a vice general manager in Guodu Venture since July 2017 and a director of Shanghai Zhaoyan Education Science and Technology Co., Ltd. (上海兆研教育科技有限公司) since December 2017, respectively, where he was responsible for private equity investment management and fund management.

Mr. Liu has been serving as one of the directors of Mediwelcome Beijing since January 2018 and is responsible for participating in the company's overall operations and planning.

Mr. Liu received his bachelor's degree in public affairs from Renmin University of China (中國人民大學) in the PRC in July 2003 and later received his master's degree in business administration from Peking University (北京大學) in the PRC in January 2009.

Independent non-executive Directors

Mr. Song Ruilin (宋瑞霖), age 57, was appointed as our independent non-executive Director on December 21, 2020. He is responsible for supervising our Board and providing independent judgment to our Board.

Mr. Song has extensive experience in the research of the PRC healthcare and drugs laws and policies, and was involved in the drafting and review of a number of current PRC laws and regulations on healthcare and drugs. Mr. Song has previously served as the deputy director of the Legislative Affairs Office of the State Council (國務院法制辦公室). Mr. Song is currently the executive chairman of the China Pharmaceutical Industry Research and Development Association (中國醫藥創新促進會), the vice chairman of the China Rare Disease Alliance (中國罕見病聯盟) and the director of China Pharmaceutical Association (中國藥學會). Mr. Song is also selected as a member of the Biotechnology Advisory Panel of the Stock Exchange.

Mr. Song currently serves as a non-executive director at Luye Pharma Group Ltd. (綠葉製藥集團有限公司) (stock code: 02186) and an independent non-executive director at Shanghai Henlius Biotech, Inc. (上海復宏漢霖生物技術股份有限公司) (stock code: 2696), both companies are listed on the Stock Exchange. Mr. Song currently also serves as an independent director of three companies listed on the Shenzhen Stock Exchange, namely Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司) (stock code: 300158), Jiangxi Boya Bio-pharmaceutical Co., Ltd. (江西博雅生物製藥股份有限公司) (stock code: 300294) and Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司) (stock code: 002826), and an independent director of a company listed on the Shanghai Stock Exchange, Shenzhen Chipscreen Biosciences Co., Ltd. (深圳微芯生物科技股份有限公司) (stock code: 688321).

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Notwithstanding Mr. Song's engagement as the non-executive director, independent non-executive director or independent director of six companies listed on the Stock Exchange, Shenzhen Stock Exchange or Shanghai Stock Exchange, respectively, as advised and confirmed by Mr. Song, he has sufficient time to act as our independent non-executive Director based on the following:

- (i) none of his current engagement as the non-executive director, independent non-executive director or independent director of those listed companies would require his full time involvement and he does not participate in the day-to-day operations and management of those listed companies;
- (ii) with his background and experience, he is fully aware of the responsibilities and expected time involvements for an independent non-executive Director. He has not found any difficulties in devoting his time to multiple companies and he is confident that, with his experience in taking on multiple corporate roles, he will be able to discharge his duties to our Company;
- (iii) none of the listed companies that he has directorship with has questioned or complained about his time devoted to such listed companies; and
- (iv) his role in our Group is non-executive in nature and he will not be involved in the daily operations and management of our Group's business. Thus his engagement as an independent non-executive Director will not require his full-time participation.

Based on the foregoing, we do not have reasons to believe that the various positions currently held by Mr. Song will result in Mr. Song not having sufficient time to act as our independent non-executive Director or not properly discharging his duties as our independent non-executive Director. Nevertheless, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), our Board will (i) regularly review the contribution required from our Directors to perform their respective responsibilities to us, and whether each Director is spending sufficient time in performing their responsibilities; (ii) at the time when it proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, set out the reasons in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why our Board believes such individual should be elected, the reasons why such individual is considered to be independent by our Board and, if required under the Corporate Governance Code, explain why such individual who is considered to be overboarded would still be able to devote sufficient time to our Board.

Mr. Song received his bachelor's degree in law from China University of Political Science and Law (中國政法大學) in the PRC in July 1985 and later received his master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in November 2004. Mr. Song graduated from China Pharmaceutical University (中國藥科大學) in the PRC in December 2018 and received his doctor's degree in pharmacy.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fei John Xiang (費翔), aged 49, was appointed as our independent non-executive Director on December 21, 2020. He is responsible for supervising our Board and providing independent judgment to our Board.

From April 2003 to December 2016, Mr. Fei successively held various positions in various international investment banks, including Merrill Lynch (Asia Pacific) Limited, Deutsche Bank AG, Hong Kong Branch and ICBC International Holdings Limited (工銀國際控股有限公司), and subsequently served as the chief executive officer at Kim Eng Securities (HK) Limited (金英證券(香港)有限公司) and the chief executive officer at Wintech Group Limited. Mr. Fei currently serves as the chief executive officer at IG Securities Hong Kong Limited, and as an independent non-executive director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee at OCI International Holdings Limited (東建國際控股有限公司), a company listed on the Stock Exchange (stock code:329).

Mr. Fei received his bachelor's degree in science from The State University of New York at Binghamton in the United States in May 1994 and his master's degree in business administration from Columbia University in February 2001.

Mr. David Zheng Wang (王正), age 58, was appointed as our independent non-executive Director on December 21, 2020. He is responsible for supervising our Board and providing independent judgment to our Board.

Since 1995, Mr. Wang has been serving as the director of OSF Healthcare System in Illinois of the United States. From January 2005 to September 2019, Mr. Wang served as the vice chair of the Department of Neurology of the University of Illinois College of Medicine at Peoria ("UICOMP"). From 2011 to 2017, Mr. Wang successively served as the president at Chinese American Neurological Association (美國華人神經科學會) and as the chairman or co-founder of several American medical associations. Mr. Wang currently serves as a clinical professor of the Department of Neurology of UICOMP and also serves as an associate editor of Chinese Journal of Stroke (中國卒中雜誌).

Mr. Wang received his doctoral degree in orthopedic from Michigan State University in the United States in June 1989. Mr. Wang is the Fellow of the American Academy of Neurology.

Mr. Yang Xiaoxi (楊曉曦), age 45, was appointed as our independent non-executive Director on December 21, 2020. He is responsible for supervising our Board and providing independent judgment to our Board.

From September 1997 to May 2005, Mr. Yang served as an auditor at Zhonghua Accounting Firm (中華會計師事務所) and then at Hill Taylor LLC, an accounting office in the United States, where he was responsible for the audit of listed companies and the annual audit of enterprises. He subsequently served as a co-ordinator of the compliance department and then as the consultant of Acergy S.A., a company listed on the NASDAQ (stock code: ACGY),

DIRECTORS AND SENIOR MANAGEMENT

where he was mainly responsible for internal audit and compliance until March 2007. In April 2007, Mr. Yang joined Perfect World Co., Ltd. (完美世界股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002624) and NASDAQ (stock code: PWRD), and he successively served as the financial director and vice president, where he is responsible for finance, procurement, administration and other related work since then.

Mr. Yang received his bachelor's degree in accounting from Renmin University of China (中國人民大學) in the PRC in July 1997 and his master's degree in financial accounting in University of Illinois in the United States in July 2003. Mr. Yang is a PRC Certified Public Accountant and Certified Public Accountant in the United States.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this Prospectus, each of our Directors confirms that (i) he/she did not hold any other positions or short positions in the Shares, underlying Shares, debentures of our Company and/or any associated corporation (with the meaning of Part XV of the SFO) as the Latest Practicable Date; (ii) he/she had no other relationship with any Directors, senior management and/or substantial or Controlling Shareholders of our Company as of the Latest Practicable Date; (iii) he/she did not hold any directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (iv) there are no other matters concerning our Directors' appointments that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant Rule 13.51(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Our executive Directors and other members of our senior management are responsible for the day-to-day management and operations of our business. For the biographical details of Mr. Wang Liang, Mr. He Jiyong, Mr. Wang Wei and Mr. Sui Huijun, please refer to “— Executive Directors” for details. Members of the senior management of our Group also include the following:

Name	Age	Position(s)	Key Roles and Responsibilities	Time of Joining our Group
Mr. Jiang Haidong (姜海東)	45	Chief technology officer	Overall operations and management of technologies and internet hospital of our Group	September 2019
Ms. Zhao Luyang (趙魯陽)	43	Vice president of human resources and joint company secretary	Overseeing the administration, secretarial matters, and human resources	November 2009
Ms. Liu Guijin (劉桂金)	40	Vice president of finance	Managing the overall accounting and finance matters	December 2003
Mr. Yin Xingri (尹星日)	35	Vice president	Business operations and strategic planning	May 2011

Mr. Jiang Haidong (姜海東), age 45, is our chief technology officer and responsible for overall operations and management of technologies and Internet hospital of our Group.

Prior to joining our Group, from June 2009 to June 2012, Mr. Jiang served as the vice president of the research and development department at Beijing Jingdong Century Trading Co., Ltd. (北京京東世紀貿易有限公司), an e-commerce company, where he was responsible for management of logistics and internet technology. From July 2012 to February 2014, Mr. Jiang served as the chief technology officer at Lefeng (Shanghai) Information Technology Co., Ltd. (樂蜂(上海)信息技術有限公司), a company mainly engaged in online sales of cosmetics and other women’s products, where he was responsible for technology and logistics management. From February 2014 to October 2015, he served as the vice president at Guangzhou Vipshop Information Technology Co., Ltd. (廣州唯品會信息科技有限公司), an e-commerce company, where he was responsible for technology development. From October 2015 to October 2017, he served as the chief executive officer at Guangzhou Qilekang Pharmaceutical Chain Co., Ltd. (廣州七樂康藥業連鎖有限公司), an online drug retailer, where he was responsible for the overall operations and management of the company. From February 2018 to March 2019, he served as the chairman of the board and chief executive officer at Beijing Shangyi Zhixin Health Management Co., Ltd. (北京尚醫智信健康管理有限公司), a

DIRECTORS AND SENIOR MANAGEMENT

company mainly engaged in providing hospital management consulting services to medical institutions, where he was responsible for strategic decisions and overall operations and management of the company. From April 2019 to September 2019, he served as the chief executive officer at Dingdang Express Medical (Beijing) Technology Co., Ltd. (叮當快醫(北京)科技有限公司), a company mainly engaged in providing online medical services, where he was responsible for overall operations and management of the company.

Mr. Jiang received his bachelor's degree in radio communication in June 1997 and his master's degree in signal and information processing in May 2000 from Northern Jiaotong University (北方交通大學) in the PRC. Mr. Jiang also received his executive master degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC.

Ms. Zhao Luyang (趙魯陽), aged 43, is our vice president of human resources and one of our joint company secretaries. Ms. Zhao is responsible for overseeing the administration, secretarial matters, and human resources of our Group.

Prior to joining our Group, from March 1998 to January 1999, Ms. Zhao was an English teacher in Shenyang Art School (瀋陽市藝術學校). From November 2009 to March 2016, Ms. Zhao served as the vice general manager and director of human resources in Mediwelcome Beijing. She has also served as the vice general manager, secretary of the board and human resources director in Mediwelcome Beijing since April 2016.

Ms. Zhao received her bachelor's degree in English from Shenyang Normal University (瀋陽師範學院) in the PRC in July 1998.

Ms. Liu Guijin (劉桂金), aged 40, is our vice president of finance and responsible for managing the overall accounting and finance matters of our Group.

Ms. Liu has been serving as the financial director of Mediwelcome Beijing since December 2003, where she is responsible for overall financial management of the company.

Ms. Liu obtained her vocational college degree in public relations from Hunan Chenzhou Business School (湖南省郴州商業學校, later merged into Chenzhou Vocational Technical College (郴州職業技術學院)) in the PRC in July 1997. Ms. Liu received her bachelor's degree in accounting from University of International Business and Economics (對外經濟貿易大學) in the PRC in December 2010.

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Mr. Yin Xingri (尹星日), age 35, is our vice president and responsible for business operations and strategic planning of our Group.

From January 2009 to May 2011, Mr. Yin worked at Jiangsu Nhwa Pharmaceutical Co., Ltd. (江蘇恩華藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 2262), and served as an assistant product manager of the marketing department. Since then, he has been serving as the accounts director of Mediwelcome Beijing and is responsible for business development and client relationship management.

Mr. Yin received his bachelor's degree in pharmacy from Shandong University (山東大學) in the PRC in July 2005.

JOINT COMPANY SECRETARIES

Ms. Zhao Luyang (趙魯陽), aged 43, was appointed as one of our joint company secretaries on September 18, 2019. Please refer to “— Senior Management” for biographical details of Ms. Zhao Luyang (趙魯陽).

Ms. Leung Wai Ling, Wylie (梁慧玲), aged 53, was appointed as one of our joint company secretaries on September 18, 2019.

From August 1994 to September 1997, Ms. Leung served as the auditor at Ernst & Young (安永會計事務所). Ms. Leung subsequently served as an independent non-executive director of Capital Finance Holdings Ltd. (首都金融控股有限公司) (formerly named MP Logistics International Holdings Limited (物流國際控股有限公司)) (stock code: 8239) from 2002 to 2006. From June 2010 to January 2012, she served as the financial controller at Casablanca Group Limited (卡撒天嬌集團有限公司), a company listed on the Stock Exchange (stock code: 2223), where she was responsible for finance matters. From February 2012 to March 2015, she served as the associate director at Grandtop International Capital Limited, a company mainly engaged in accounting and secretarial businesses, where she was responsible for providing accounting and secretarial services. From January 2014 to October 2016, she served as the company secretary at Hong Wei (Asia) Holdings Company Limited (鴻偉(亞洲)控股有限公司), a company listed on the Stock Exchange (stock code: 8191). She currently serves as the financial controller at United Energy Products Limited (合眾能源產品有限公司), a company mainly engaged in investment business, and the independent non-executive director at King's Flair International (Holdings) Limited (科勁國際(控股)有限公司), a company listed on the Stock Exchange (stock code: 6822).

Ms. Leung received her bachelor's degree in business administration from the City University of New York in the United States in January 1992. Ms. Leung is currently a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Directors.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

We have established the following committees within our Board of Directors: an audit committee, a remuneration committee and a nomination committee. The committees operate in accordance with the terms of reference established by our Board of Directors and Rule 3.21 and Rule 3.25 of the Listing Rules.

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the paragraph C.3 of the Corporate Governance Code. The audit committee consists of three members, namely, Mr. Yang Xiaoxi, Mr. Fei John Xiang and Mr. Song Ruilin. Mr. Yang Xiaoxi is the chairman of the audit committee. The primary duties of the audit committee are to provide oversight of the financial reporting process, the audit process, the mechanism of internal control and compliance with laws and regulations and perform further duties and responsibilities as assigned by our Board from time to time.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code. The remuneration committee consists of three members, namely, Mr. Fei John Xiang, Mr. Song Ruilin and Mr. David Zheng Wang. Mr. Fei John Xiang is the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on the employee benefit arrangements.

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The nomination committee consists of three members, namely, Mr. Shi Wei, Mr. David Zheng Wang and Mr. Fei John Xiang. Mr. Shi Wei is the chairman of the nomination committee. The primary duties of the nomination committee are to make recommendations to our Board in relation to the appointment and removal of Directors and senior management and on matters of succession planning.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code. Our Company is committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.

Our Directors are aware that upon Listing, we are expected to comply with such code provision. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. We are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Save as disclosed in the above, we will comply with the code provisions set out in the Corporate Governance Code after the Listing.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, ethnicity, experience, independence and knowledge. We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

After Listing, the nomination committee of our Board will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules after Listing.

DIRECTORS AND SENIOR MANAGEMENT

WAIVERS GRANTED BY THE STOCK EXCHANGE

Management Presence

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules in relation to management presence in Hong Kong. Please refer to “Waivers from Strict Compliance with the Listing Rules — Management Presence in Hong Kong” for details of the waiver.

Joint Company Secretaries

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the qualifications of one of our joint company secretaries, Ms. Zhao Luyang. Please refer to “Waivers from Strict Compliance with the Listing Rules — Joint Company Secretaries” for details of the waiver.

COMPLIANCE ADVISER

We have appointed Shanxi Securities International Capital Limited as our compliance adviser upon the proposed Listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 regarding unusual movements in the price regarding volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to mutual agreement.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Group in the form of salary, emoluments paid or payable in respect of a person's services as a director, whether of the company or its subsidiaries undertaking employer's contribution of a retirement benefit scheme, and other.

The aggregate remuneration (including salary, emoluments paid or payable in respect of a person's services as a director, whether of the company or its subsidiaries undertaking employer's contribution of a retirement benefit scheme, and other) received by our Directors were approximately RMB1.6 million, RMB1.6 million, RMB3.3 million and RMB1.7 million for the three years ended December 31, 2019 and the six months ended June 30, 2020 respectively.

The aggregate amount of wages, salaries, bonuses, pension costs, other social security costs, housing benefits and other employee benefits paid to our Company's five highest paid individuals include four, four, four and four Directors for the three years ended December 31, 2019 and the six months ended June 30, 2020 respectively.

Pursuant to the arrangements currently in force, the aggregate amount of remuneration (excluding discretionary bonus) payable to and the benefits in kind receivable by our Directors for the year ending December 31, 2020 is estimated to be approximately RMB3.3 million.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable during the Track Record Period by our Group to our Directors.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on December 21, 2020. Please refer to "Appendix IV — Statutory and General Information — D. Other Information — 3. Share Option Scheme" for details of the Share Option Scheme.

RSU SCHEME

In recognition of the contributions of our Directors, senior managements and key employees and to incentivise them to further promote our development, we have adopted the RSU Scheme, pursuant to which restricted shares were reserved for the vesting of RSUs granted under the plan. Please refer to "Appendix IV — Statutory and General Information — D. Other Information — 2. RSU Scheme" for details.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Global Offering ⁽¹⁾		Shares held immediately following the completion of the Global Offering ⁽¹⁾	
		<i>Approximate Number</i>	<i>Percentage</i>	<i>Approximate Number</i>	<i>Percentage</i>
Mr. Shi Wei ⁽²⁾	Interest in a controlled corporation Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
Mr. Yang Weimin ⁽²⁾	Interest in a controlled corporation Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
Ms. Zhang Yitao ⁽²⁾	Interest in a controlled corporation Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
Mr. Wang Liang ⁽²⁾	Interest in a controlled corporation Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
Ji Ze Investment ⁽²⁾⁽³⁾	Beneficial owner Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
Shun Jia Investment ⁽²⁾⁽⁴⁾	Beneficial owner Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
He Hui Wan Yi ⁽²⁾⁽⁵⁾ Investment	Beneficial owner Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
Tai Zhi Feng Investment ⁽²⁾⁽⁶⁾	Beneficial owner Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
RSU Holdings	Beneficial owner	20,000,000 (L)	13.33%	20,000,000 (L)	10.0%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Our ultimate controlling shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, are parties acting in concerts and on October 13, 2019, they entered into written agreement to, among others, confirm their acting-in-concert arrangement. Please refer to “History and Reorganization — Parties Acting in Concert” for further details. Immediately following completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will together control approximately 51.76% of the total issued share capital of our Company. By virtue of the SFO, each Controlling Shareholder will be deemed to be interested in the Shares beneficially owned by other Controlling Shareholders.
- (3) Ji Ze Investment is wholly-owned by Mr. Shi Wei. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Shun Jia Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by Ji Ze Investment.
- (4) Shun Jia Investment is wholly-owned by Mr. Yang Weimin. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by Shun Jia Investment.
- (5) He Hui Wan Yi Investment is wholly-owned by Ms. Zhang Yitao. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by He Hui Wan Yi Investment.
- (6) Tai Zhi Feng Investment is wholly-owned by Mr. Wang Liang. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment and He Hui Wan Yi Investment are deemed to be interested in the Shares held by Tai Zhi Feng Investment.

If the Over-allotment Option is fully exercised (without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), beneficial interests of each of Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment, He Hui Wan Yi Investment, Tai Zhi Feng Investment and RSU Holdings will be approximately 49.89%, 49.89%, 49.89%, 49.89%, 49.89%, 49.89%, 49.89%, 49.89% and 9.64%, respectively.

Except as disclosed in this Prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the authorized and issued Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme):

	Nominal value <i>(HK\$)</i>
Authorized share capital:	
38,000,000,000 Shares of HK\$0.00001 each	380,000
Issued and to be issued, fully paid or credited as fully paid:	
150,000,000 Shares in issue as of the date of this Prospectus	1,500
<u>50,000,000</u> Shares to be issued under the Global Offering	<u>500</u>
<u>200,000,000</u> Total	<u>2,000</u>

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this Prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme).

Further information on this general mandate is set out in “Statutory and General Information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on December 21, 2020” in Appendix IV.

RSU SCHEME

We have adopted the RSU Scheme on September 18, 2019. As of the Latest Practicable Date, none of the RSUs under the RSU Scheme have been granted. A summary of the principal terms of the RSU Scheme is set out in “Statutory and General Information — D. Other information — 2. RSU Scheme” in Appendix IV.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme on December 21, 2020. A summary of the principal terms of the Share Option Scheme is set out in “Statutory and General Information — D. Other information — 3. Share Option Scheme” in Appendix IV.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Please refer to “Appendix III — Summary of the Constitution of our Company and Cayman Companies Act” which sets out the circumstances under which general meeting and class meeting are required.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our results of operations and financial condition in conjunction with our consolidated financial statements included in “Appendix I — Accountants’ Report,” together with the accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. You should read the entire Accountants’ Report and not merely rely on the information contained in this section.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors. To evaluate our business, you should carefully consider the information provided in “Risk Factors” and “Business.”

OVERVIEW

We are the largest provider in the Integrated Healthcare Marketing Solutions Market for CCVDs in China in terms of revenue in 2019, with a market share of 4.9% in the highly fragmented integrated healthcare marketing solutions industry for CCVDs, according to the CIC Report. The Integrated Healthcare Marketing Solutions Market for CCVDs in China was a RMB5.6 billion market in 2019, accounting for approximately 10.6% of the overall Integrated Healthcare Marketing Solutions Market in China. Our integrated healthcare marketing solutions consist of:

- *Medical conference services.* Medical conference services primarily represent the medical conventions and seminars that we organize, which are generally hosted by medical NGOs and sponsored by enterprises in the healthcare industry.
- *Patient education and screening services.* We are generally engaged by medical NGOs to provide patient education and screening services on a project-by-project basis. Our patient education and screening services primarily consist of onsite patient education classes, online patient education services and disease risk screening services. Our onsite patient education classes refer to disease education classes organized for patients in hospitals. Our online patient education services are primarily carried out through educational videos recorded by physicians. Our disease risk screening services refer to the examination and testing services to test patients’ susceptibility to CCVDs.

FINANCIAL INFORMATION

- *Marketing strategy and consulting services.* We provide marketing strategy and consulting services to pharmaceutical companies. Our marketing strategy and consulting services assist pharmaceutical companies in formulating and implementing effective business strategies, which enhance their brand and product awareness among physicians.

In addition to providing integrated healthcare marketing solutions, we also began to offer CRO services and internet hospital services in late 2019:

- *CRO service.* We provide CRO services mainly to pharmaceutical companies. Our CRO services assist our customers to collect and record patient data from customers' clinical trials, monitor the integrity and accuracy of data recorded, review and organize data records and conduct follow-up visits with patients.
- *Internet hospital services.* We developed a mobile platform, including a WeChat public account and a mobile app, to provide internet hospital services. Patients can schedule online follow up consultations, obtain e-prescriptions and purchase medicine through the platform.

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our revenue was RMB258.9 million, RMB299.0 million, RMB427.2 million, RMB161.9 million and RMB138.7 million, respectively. For the corresponding periods, our net profit/(loss) was RMB30.2 million, RMB39.7 million, RMB22.1 million, RMB2.1 million and RMB(4.0) million, respectively. Our adjusted profit (which is a non-HKFRS measure and is adjusted by excluding the effect of Listing expenses) for the year ended December 31, 2019 and the six months ended June 30, 2020 was RMB35.7 million and RMB(0.5) million, respectively. Please refer to “— Non-HKFRS Measures” for details.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the following are the key factors affecting our results of operations.

Effect of Governmental Policies in China

Over the past decade, the PRC Government has introduced numerous policies with the overarching objective of addressing the uneven distribution of medical resources in China and lowering the burden on the healthcare system in the long run. Please refer to “Industry Overview” for details of these policies. These policies have the following effects on our services and industry:

- *Medical conference services.* Medical NGOs aim to provide better training for physicians, starting from those in Grade 3 hospitals and having them train physicians in lower-tier cities and rural areas. Through these efforts, patient flow can be redirected to smaller hospitals in lower-tier cities and rural areas which can reduce burden on Grade 3 hospitals. Medical seminars are increasingly being held in lower-tier cities in China.

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- *Patient education and screening services.* Patient education and screening is being implemented in stages in China. The first step of effectively lowering the burden on the healthcare system in the long run is enhancing patients' disease awareness and diagnosis rates. We started to implement disease risk screening projects for medical NGOs in first-tier cities since 2013. We were then engaged in 2016 to provide onsite and online disease education services targeting patients identified in disease risk screening projects. Medical NGOs enhanced their efforts to expand disease risk screening projects to lower-tier cities and rural areas in late 2018 and many projects were scheduled to commence in 2019. As more patients are expected to be identified in lower-tier cities and rural areas, there would be an increasing demand for our disease education services.
- *Marketing strategy and consulting services.* As a result of favorable policies issued by the PRC Government to encourage domestic research and development of new and innovative drugs, demand from PRC pharmaceutical companies for our marketing strategy and consulting services has increased during the Track Record Period. We expect that our future service offerings will continue to be driven by governmental policies in China, which will have an impact on our results of operations.

Changes in Effective Tax Rate

Our effective tax rates were 20.7%, 19.3% and 15.1% in 2017, 2018 and 2019, respectively, calculated by dividing income tax expense by profit before taxation for the corresponding year. Our effective tax rate during the Track Record Period was affected by Horgos Yizong, which became exempt from EIT from 2017 to 2020 for its operation in the Horgos Economic Development Zone. Beijing Chuangyan and Weiliandong were approved as "high and new technology enterprises" and became entitled to a preferential income tax rate of 15% for a three-year period commencing 2018. In addition, eligible research and development expenses of Mediwelcome Beijing and Beijing Chuangyan enjoyed a tax deduction of 50% in 2017 and 75% in 2018 and 2019, and eligible research and development expenses of Weiliandong enjoyed a tax deduction of 75% commencing 2017. Our effective income tax rate decreased from 19.3% in 2018 to 15.1% in 2019 primarily because Mediwelcome Beijing was approved as a "high and new technology enterprise" in December 2019 and became entitled to a preferential income tax rate of 15% for a three-year period commencing 2019. Changes in tax policies and the availability of preferential tax treatments will continue to have an effect on our effective tax rate.

FINANCIAL INFORMATION

Seasonality

Even though we implement events and projects for our customers throughout the year, demand for our services is subject to seasonality. Historically, due to the Chinese New Year holiday season, demand for our services is generally lower in the first quarter and we organize relatively fewer events and projects during this period. Demand for our services is generally higher in the second half of the year (especially in the fourth quarter) as medical NGOs are striving to complete their physician and patient education projects planned for the period; and pharmaceutical companies are accomplishing their sales and marketing goals before year end. As a result, revenue generated from the first half of the year is generally lower than that from the second half of the year.

Impact of the COVID-19 Outbreak

We experienced temporary operating loss during the first half of 2020, amid the COVID-19 outbreak.

Impact on revenue

The COVID-19 outbreak reduced our Offline Services, especially medical convention projects, resulting in a significant decrease in our revenue from medical convention projects for the six months ended June 30, 2020, despite our endeavor in shifting a portion of our medical conventions to our online platforms, mainly due to the reduction in sponsorship fees from sponsoring enterprises as the scale of conventions has diminished. Our flagship medical convention, the 2020 TISC, originally scheduled in the first half of 2020, was postponed to and completed in October 2020 generated a total revenue of around RMB13.0 million; while the 2019 TISC contributed a revenue of RMB19.6 million in the first half of 2019. As the scale of the 2020 TISC diminished amid the COVID-19 outbreak, there was reduction in both the number of onsite attendees and the designated areas for sponsoring enterprises to set up booths and host seminars. As a result, there was a corresponding decrease in service fees from medical NGOs and sponsorship fees from sponsoring enterprises. Revenue of our medical conventions may experience similar decrease as the number of onsite participants reduced in our combined offline and online medical conventions.

Revenue generated from medical seminar projects only decreased mildly, while our revenue from patient education and screening services and marketing strategy and consulting services experienced certain level of growth, as we successfully shifted most of our onsite medical seminars, onsite patient education and screening services to our online platforms after discussing and reaching agreements with our customers. Such growth was also contributed by our broadened customer base.

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Impact on cost structure

Shifting of medical conventions to online platform

The cost of onsite medical conventions mainly includes: (i) speaker fees; (ii) project implementation costs, which principally represent fees paid to suppliers for services we procure for project implementation; (iii) travel costs incurred by speakers and our employees for project implementation; (iv) lodging and venue costs; (v) material and equipment costs; and (vi) staff costs. The cost of online medical conventions mainly includes: (i) speaker fees; (ii) staff costs; and (iii) online platform costs.

While we save certain costs by shifting onsite medical conventions to online, the service fees generated from online medical conventions are reduced to a certain extent, accordingly. Sponsorship fees and registration fees also reduced as the scale of an online medical convention is generally smaller than an onsite medical convention.

Shifting of onsite medical seminars and patient education classes to online platforms

Medical seminar projects or patient education projects possess a duration of up to one year and may involve hundreds or thousands of medical seminars or patient education classes. The current COVID-19 outbreak has only affected a portion of the projects. We negotiated with our customers and reached agreement that the affected onsite medical seminars and patient education classes would mostly be completed online, with each onsite medical seminar or patient education class split into multiple online live seminars or classes without affecting the previously agreed contract value. Attendees could choose to attend one of the online live meetings, thus maintaining a similar level of attendance.

The cost of onsite medical seminars and patient education classes mainly includes: (i) speaker fees; (ii) project implementation costs, which principally represent fees paid to suppliers for services we procure for project implementation; (iii) travel costs incurred by speakers and our employees for project implementation; (iv) lodging and venue costs; (v) material and equipment costs; and (vi) staff costs. The cost of online medical seminars and patient education projects mainly includes: (a) speaker fees; (b) staff costs; and (c) online platform costs.

As the number of medical seminars or patient education classes increases, speaker fees increase, while the other costs typically incurred in onsite medical seminars and patient education classes are saved. In general, the cost to revenue ratio of shifted medical seminars and patient education classes has not materially changed.

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Impact on operating expenses

Our operating expenses for the six months ended June 30, 2020 increased when compared to the six months ended June 30, 2019, mainly caused by our launch in internet hospital services. We have not downsized nor plan to cut off our operating expenses, as we believe the impact of the COVID-19 outbreak on our business growth is only temporary.

Impact on overall financial performance

As a result of the foregoing, we experienced temporary operating loss for the six months ended June 30, 2020, principally due to the significant decrease in revenue from medical convention amid the COVID-19 outbreak. With the upturn of the COVID-19 outbreak in mainland China in the second half of 2020, and taking into account the other factors explained above, as well as our seasonality, we believe our financial performance in the second half of 2020 will improve significantly. We expect our revenue for the year ending December 31, 2020 will remain similar to our revenue for the year ended December 31, 2019, but we expect our net profit for the year ending December 31, 2020 will decrease but will not be less than RMB21.0 million, primarily due to increasing selling expenses of our internet hospital services, as we continue to expand this new service line. Please refer to “Appendix IIB – Profit Forecast” for details.

BASIS OF PRESENTATION

Our historical financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the principles of merger accounting. In preparing the historical financial information, we have adopted HKFRS 9 “Financial Instruments” (“**HKFRS 9**”), HKFRS 15 “Revenue from Contracts with Customers” (“**HKFRS 15**”), HKFRS 16 “Leases” (“**HKFRS 16**”) and HK(IFRIC) — “Interpretation 23 Uncertainty over Income Tax Treatments” consistently throughout the Track Record Period. Our historical financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets which are carried at fair value at subsequent reporting dates.

HKFRS 9 replaces the provisions of HKAS 39 “Financial Instruments: Recognition and Measurement” (“**HKAS 39**”) that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. HKFRS 15 replaces the previous revenue standards of HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and related interpretations.

HKFRS 16 replaces the previous HKAS 17 “Leases” (“**HKAS 17**”) and related interpretations.

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HKFRS 15 and HKFRS 9 are mandatorily effective for financial year beginning on or after January 1, 2018 and HKFRS 16 is mandatorily effective for financial year beginning on or after January 1, 2019. In preparation of our historical financial information, they are applied consistently throughout the Track Record Period. Except as described below, we consider that the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 does not have any significant impact on our financial position and performance compared to the requirements of HKAS 39, HKAS 18 and HKAS 17.

Adoption of HKFRS 9

HKFRS 9 introduces (i) new requirements for the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting.

Classification and measurement of financial assets

HKFRS 9 addresses the classification of financial assets. Under HKFRS 9, our unlisted equity investments of nil, RMB17,352,000, RMB12,614,000 and RMB17,635,000 as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively, are measured at fair value through other comprehensive income. Should HKAS 39 be applied throughout the Track Record Period, nil, RMB17,352,000, RMB12,614,000 and RMB17,635,000 would be reclassified as “available-for-sale financial assets” as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

Impairment under expected credit loss model

The adoption of HKFRS 9 has changed our impairment assessment of financial assets at amortized costs by replacing the HKAS 39 “incurred loss model” to the “expected credit losses” (“ECL”) model. We apply the HKFRS 9 simplified approach to measure ECL, which uses a lifetime ECL for all trade receivables, resulting in earlier provision of credit losses which are not yet incurred. Based on ECL model under HKFRS 9, we recognized additional loss allowance of approximately RMB1,255,000, RMB153,000 and RMB2,676,000 with deferred tax assets of RMB314,000, RMB38,000 and RMB401,000 for the years ended December 31, 2017, 2018 and 2019, respectively, compared with incurred loss model under HKAS 39. We also recognized reversal of impairment losses of RMB714,000 for the six months ended June 30, 2020.

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The following table sets forth the impact of the adoption of HKFRS 9 on our net assets:

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	<i>(in thousands of RMB)</i>			
As if reported under				
HKAS 39	100,248	128,214	148,708	149,008
Currently reported under				
HKFRS 9	98,735	126,586	144,805	145,819
Difference	(1,513)	(1,628)	(3,903)	(3,189)

The following table sets forth the impact of the adoption of HKFRS 9 on our net profit/(loss):

	For the year ended December 31,			For the six months ended June 30,
	2017	2018	2019	2020
	<i>(in thousands of RMB)</i>			
As if reported under				
HKAS 39	31,157	39,792	24,332	(4,721)
Currently reported under				
HKFRS 9	30,216	39,677	22,057	(4,007)
Difference	(941)	(115)	(2,275)	714

Taking into account the impact disclosed above, we consider that the adoption of HKFRS 9 does not have significant impact on our financial position and performance.

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Adoption of HKFRS 15

The adoption of HKFRS 15 has no significant impact on the amount and timing of our revenue recognition, compared with HKAS 18.

HKFRS 15 requires an entity to recognize as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs, and also requires an entity to recognize as an asset the costs incurred to fulfill a contract which generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future. Accordingly, fees paid to suppliers in fulfilling our responsibilities stipulated in service contracts with customers before revenue for relevant service could be recognized as of December 31, 2017, 2018 and 2019 and June 30, 2020 was RMB3,091,000, RMB9,033,000, RMB4,421,000 and RMB11,258,000, respectively, which would otherwise be included in prepayments, deposits and other receivables, and are separately disclosed as contract costs upon adoption of HKFRS 15.

Under HKFRS 15, contract costs recognized are subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the contract costs relate. Under HKAS 18, fees paid to suppliers are recognized in profit or loss when our Group receives the services provided by the suppliers.

Other than the above, under HKFRS 15, a contract liability, rather than receipt in advance under HKAS 18, is recognized when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before we recognize the related revenue. Accordingly, advances from customers as of December 31, 2017, 2018 and 2019 and June 30, 2020 was RMB14,506,000, RMB36,152,000, RMB30,346,000 and RMB31,184,000, respectively, which would otherwise be included in receipts in advance, and are disclosed as contract liabilities upon adoption of HKFRS 15.

Taking into account the impact disclosed above, we consider that the adoption of HKFRS 15 does not have significant impact on our financial position and performance.

Adoption of HKFRS 16

HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognize depreciation of the right-of-use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows.

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As a result of the adoption of HKFRS 16, we recognized right-of-use assets and corresponding lease liabilities in respect of all leases unless they qualify for low value or short-term leases. Lease liabilities represent payments for the right to use the underlying assets. Our lease liabilities amounted to RMB2,960,000, RMB8,072,000, RMB4,164,000 and RMB37,155,000 as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. Our right-of-use assets amounted to RMB2,940,000, RMB8,037,000, RMB4,023,000 and RMB37,070,000 as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively.

Following the adoption of HKFRS 16, leases are recognized in the form of an asset (being the right-of-use assets) together with financial liabilities (being lease liabilities) and in respect of which depreciation expenses and finance costs are charged instead of lease expenses. However, that has no material impact on our net assets or net profit.

Due to the classification of certain portion of the lease liabilities under current liabilities, certain financial ratios are affected. The following table sets forth the impact of the adoption of HKFRS 16 on our current ratio:

	As of December 31,			As of
	2017	2018	2019	June 30, 2020
As if reported under				
HKAS 17	3.35	2.08	2.26	2.34
Currently reported under				
HKFRS 16	3.16	1.93	2.15	2.04

The following table sets forth the impact of the adoption of HKFRS 16 on our net assets:

	As of December 31,			As of
	2017	2018	2019	June 30, 2020
	<i>(in thousands of RMB)</i>			
As if reported under				
HKAS 17	98,751	126,613	144,878	145,894
Currently reported under				
HKFRS 16	98,735	126,586	144,805	145,819
Difference	(16)	(27)	(73)	(75)

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The following table sets forth the impact of the adoption of HKFRS 16 on our net profit:

	For the year ended December 31,			For the six months ended June 30,
	2017	2018	2019	2020
	<i>(in thousands of RMB)</i>			
As if reported under				
HKAS 17	30,232	39,688	22,103	(4,005)
Currently reported under				
HKFRS 16	30,216	39,677	22,057	(4,007)
Difference	(16)	(11)	(46)	(2)

Taking into account the impact disclosed above, we consider that the adoption of HKFRS 16 does not have significant impact on our financial position and performance.

Our Company was incorporated in the Cayman Islands on February 21, 2019 as an exempted company with limited liability under the Companies Act. In preparation of the Listing, we underwent the Reorganization, which primarily included (i) the incorporation of our Company, Mediwelcome BVI, Mediwelcome HK and WFOE; and (ii) entering into the Contractual Arrangements. We completed the Reorganization on July 5, 2019. Please refer to “History and Reorganization” for details. Our Group comprising our Company, Mediwelcome BVI, Mediwelcome HK, WFOE and Mediwelcome Beijing has always been under the common control of our Controlling Shareholders during the Track Record Period and before and after the Reorganization. Therefore, it is regarded as a continuing entity and the financial information of the Track Record Period has been prepared as if our Company has always been the holding company of our Group. Our consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020 include the financial performance, changes in equity and cash flows of the companies comprising our Group and have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment/acquisition, whichever is a shorter period. Our consolidated statements of financial position as of December 31, 2017, 2018 and 2019 and June 30, 2019 and 2020 have been prepared to present the assets and liabilities of the companies now comprising our Group at the carrying amounts shown in the financial statements of the group entities which had been in existence at those dates, taking into account their respective dates of incorporation/establishment/acquisition, where applicable.

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SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Our significant accounting policies and critical accounting estimates, which are important for an understanding of our financial condition and results of operations, are set forth in details in Note 2 and Note 3 in “Appendix I — Accountants’ Report.”

Significant Accounting Policies

Revenue Recognition

We offer a variety of integrated healthcare marketing solutions, including medical conference services, patient education and screening services and marketing strategy and consulting services. In addition to providing integrated healthcare marketing solutions, we also began to offer CRO services and internet hospital services in late 2019. Revenue is recognized when or as the control of the goods or services is transferred to the customer.

- *Medical conference services.* We generate revenue by organizing medical conferences for medical NGOs and pharmaceutical companies through onsite conferences and online seminars. Our medical conference services include (a) preparation of materials used for conferences, (b) arranging speakers for the conferences, (c) venue selection and rental, (d) providing onsite services during conferences, and (e) development and maintenance of online platforms used for online medical seminars. The preparation of materials used for conferences ((a)) and the delivery of conferences (composing of (b), (c), (d) and (e)) are considered as two separate performance obligations. Revenue from the preparation of materials used for conferences is recognized when the relevant materials are delivered and accepted by customers, while revenue from delivery of conferences is recognized upon completion of conferences.
- *Patient education and screening services.* We generate revenue by providing patient education and screening services through onsite patient education classes, online patient education services and disease risk screening services. Our services for patient education and screening services include (a) preparation of materials used for classes, (b) arranging physicians to organize patient education classes or record patient educational videos, (c) site selection and rental, (d) providing onsite services during the classes, and (e) development and maintenance of online platforms used for online patient education services. The preparation of materials used for classes ((a)) and the delivery of onsite patient education classes and online patient educational services (composing of (b), (c), (d) and (e)) are considered as two separate performance obligations. Revenue from the preparation of materials used for classes is recognized when the relevant materials are delivered and accepted by customers, while revenue from delivery of onsite patient education classes and online patient educational services is recognized upon completion of classes or services.

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- *Marketing strategy and consulting services.* We generate revenue by providing marketing strategy and consulting services to pharmaceutical companies, including developing marketing strategy, producing marketing materials and planning and organizing product launch conferences and annual conferences. Such services only involve one single performance obligation. Revenue from marketing strategy and consulting services is recognized when the relevant materials or services are delivered and accepted by the customers.
- *CRO services.* We are appointed mainly pharmaceutical companies and drug developers as project manager to provide services for their research projects under fee-for-service (“FFS”) contracts, which included delivery of deliverable units (sales of research data) and management services of research projects, which are separate performance obligations. Deliverable units are generally in the form of technical laboratory reports and/or samples prepared by physicians who are engaged by us on behalf of our customers. The FFS contracts usually contain multiple deliverable units, and each of the deliverable units is a separate performance obligation with individual selling price specified within the contracts. We recognize such revenue arising from FFS contracts at a point in time upon finalization, delivery and acceptance of the deliverable units by customers. Management services of research projects involve monitoring the overall progress of medical research projects as project manager, which are separate performance obligations. We recognize revenue for the provision of management services of research projects over time based on the progress towards completion measured by input method.
- *Internet hospital services.* We provide a mobile platform for physicians to provide internet hospital services to patients. Patients purchase medicine through the mobile platform after attending the online consultation and diagnosis with physicians (who are registered in the mobile platform free of charge and are not our employees) and obtaining e-prescription. Pharmacies will deliver the medicine to patients after we, as the practice license holder of internet hospital, approves the e-prescription issued by physicians. We earn commissions for sales of medicine from pharmacies and the commission rate is determined based on the transaction amount of medicine being sold in each transaction. We recognize commission income for sale of medicine at a point in time when the medicine is delivered and accepted by patients. We record revenue on a net basis as we are not the principal because we do not have latitude in establishing prices of medicine and do not have inventory risk.

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Principal VS. Agent

We are a principal if we control the specified good or service before that good or service is transferred to a customer. In contrast, we are an agent if our performance obligation is to arrange for the provision of the specified good or service by another party. When another party is involved in providing goods or services to a customer, we determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (in such case we are a principal) or to arrange for those goods or services to be provided by the other party (in such case we are an agent).

When providing medical conference services, patient education and screening services and marketing strategy and consulting services, we act as a principal as we have the right to direct how third parties (suppliers) should deliver their services to our customers and our customers do not have such right. In addition, we are obliged to pay these suppliers even if our customers fail to pay us. When engaging speakers, we enter into contracts with them and direct them to deliver relevant seminars or conferences according to our instructions.

When providing CRO services, we act as an agent of pharmaceutical companies, medical NGOs and drug developers for provision of delivery of deliverable units as we do not have latitude in determining the remuneration for physicians. We acts as a principal for provision of management services of research projects to monitor the overall progress of medical research projects as project manager.

When providing internet hospital services, we act as an agent as we do not have latitude in establishing prices of medicine and we do not have inventory risk.

Critical Accounting Estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Our management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below.

Impairment of Non-financial Assets

We test annually whether goodwill has suffered any impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

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Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by us in assessing impairment could materially affect the result of the impairment test and hence affect our financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to accrue additional impairment charge to the consolidated statement of comprehensive income.

Useful Lives and Amortization Charges of Intangible Assets

Our management determines the estimated useful lives and related amortization charges for our intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. Our management will revise the amortization charges where useful lives are different to that of previously estimated, or we will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

Current and Deferred Income Taxes

We are subject to income taxes in the PRC. Judgment is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when we consider it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

Fair Value of Financial Assets

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. The fair value of our equity instruments at FVTOCI as of December 31, 2018 and 2019 and June 30, 2020 was arrived at with reference to valuations carried out by Independent Third Party professional valuers using the market comparison method. As of December 31, 2017, 2018 and 2019 and June 30, 2020, the fair value of financial assets at FVTPL amounting to RMB5.0 million, RMB1.0 million, RMB17.9 million and RMB17.4 million, respectively, was determined by the spot rate quoted by the issuer of the financial products. As of December 31, 2018, the fair value of financial

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assets at FVTPL amounting to RMB289,000 was determined by the spot rate quoted by the issuer of the unlisted fund investments and was fully disposed in 2019 . Please refer to Note 4.4 in “Appendix I — Accountants’ Report” for details.

We have performed the following due diligence works in relation to the valuation work performed by each of the Independent Third Party professional valuers:

- our Directors obtained and reviewed the respective engagement letters and scope of services, credentials and track record of related works of the valuers, and were satisfied that (i) the valuers are independent of and have no conflict of interest with our Company, the vendors of the valuated companies, the valuated companies (Beijing Cezhiyi, Shanghai Bohuikang Biological Technology Co., Ltd., Lingchuang Yigu and Weiliandong), and their respective connected persons, and our Directors have no personal interests in the success of the transactions; (ii) the valuers are respectively suitably qualified and of sufficient reputation for the valuations and that their opinion will withstand challenge; and (iii) the valuers have the relevant expertise and adequate resources to perform the valuations properly;
- our Directors have provided all material information requested to the valuers; and
- our Directors have obtained and reviewed the valuation reports prepared by each of the valuers with a critical attitude towards the basis of computation, scope of review, assumptions, limitations and qualifications and valuation methodologies; discussed and enquired with both the valuers to satisfy themselves about the valuations and the valuers’ assumptions or methodologies.

Based on the above, our Directors are satisfied with the valuation work performed by the valuers for financial assets categorized within Level 3 of fair value measurement with reference to the Guidance Note on Directors’ Duties in the Context of Valuations in Corporate Transactions issued by the SFC.

The Sole Sponsor has performed the following due diligence works in relation to the valuation works performed by each of the valuers:

- obtained the respective engagement letters of the valuers and reviewed their scope of services, obtained the qualifications of the valuers in performing related valuation works, and concluded that the valuers possessed the relevant qualifications and resources to provide the relevant services and that their scope of work is sufficient;
- obtained and reviewed the valuation reports prepared by each of the valuers, discussed with the valuers on the applicability of different valuation approaches, methodologies of valuation and the assumptions and bases made by the valuers, and concluded that the assumptions and bases made were reasonable;

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- conducted independent due diligence interviews with the valuers to understand their scope of works, methodologies of valuation, and assumptions and bases and found them to be consistent with the valuation report and the scope of work of the engagement letter;
- obtained and reviewed the sale and purchase agreements and cross checked against the valuation reports and Accountants' Report and found them to be consistent;
- received independence confirmation executed by each of the valuers and concluded that the valuers (i) are independent from our Company; and (ii) have no conflict of interest as regards to our Company, the vendors, the valuated companies and their respective connected persons, and have no personal interest in the success of the transactions related to the valuated companies; and
- concluded that the independence confirmations executed by the valuers were in line with the Sole Sponsor's understanding pursuant to the respective due diligence interviews conducted with the valuers.

The Reporting Accountants performed the following audit procedures in relation to the valuation works performed by each of the valuers:

- evaluated the competence, capabilities, objectivity and independence of the valuers;
- with the assistance of Reporting Accountants' internal valuation specialists, discussed with the management and the valuers the valuation methodology and the key estimates and assumptions adopted in the valuations;
- evaluated the appropriateness of the valuation models and the judgment made by the management and the valuers;
- challenged the reasonableness of key assumptions used based on Reporting Accountants' knowledge of the business and industry; and
- checked on a sample basis, the accuracy and reliance of the input data used.

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Provision of Expected Credit Loss for Trade Receivables, Contract Assets and Loan Receivable

We use provision matrix to calculate expected credit loss for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on our historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for expected credit loss individually.

We determine the provision of impairment of loan receivables based on expected credit loss. We assess the expected credit loss for the loan receivable individually based on the financial position and the economic environment in which the borrower operates.

The provision of expected credit loss is sensitive to changes in estimates. The information about the expected credit loss and our trade receivables are disclosed in Note 4.2(b) and Note 20 in “Appendix I — Accountants’ Report.”

Discount Rate for Lease Liability

In determining the discount rate for lease liabilities, we are required to estimate and determine the discount rate (being the lessee’s incremental borrowing rates) taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of comprehensive income for the period indicated.

	For the year ended December 31,			For the six months ended June 30,						
	2017	2018	2019	2019	2020					
	<i>(in thousands of RMB, except for percentages)</i>									
Revenue	258,880	100.0%	298,968	100.0%	427,159	100.0%	161,945	100.0%	138,681	100.0%
Cost of sales	(187,506)	(72.4)	(214,372)	(71.7)	(332,291)	(77.8)	(126,329)	(78.0)	(110,549)	(79.7)
Gross profit	71,374	27.6	84,596	28.3	94,868	22.2	35,616	22.0	28,132	20.3
Other income, gains and losses	573	0.2	2,290	0.8	3,339	0.8	1,627	1.0	1,015	0.7
Selling expenses	(4,180)	(1.6)	(4,636)	(1.6)	(6,377)	(1.5)	(2,653)	(1.6)	(5,758)	(4.1)
Administrative expenses	(23,643)	(9.1)	(26,384)	(8.8)	(34,196)	(8.0)	(17,519)	(10.9)	(18,309)	(13.2)
Research and development expenses	(4,037)	(1.6)	(5,110)	(1.7)	(11,589)	(2.7)	(2,665)	(1.6)	(7,208)	(5.2)
Listing expenses	–	–	–	–	(13,605)	(3.2)	(8,085)	(5.0)	(3,503)	(2.5)
Finance costs	(268)	(0.1)	(301)	(0.1)	(309)	(0.1)	(195)	(0.1)	(352)	(0.3)
(Impairment losses)/reversal on impairment losses on trade receivables	(1,640)	(0.7)	(1,278)	(0.4)	(6,113)	(1.4)	(1,959)	(1.2)	1,415	1.0
Other expenses	(61)	(0.0)	(25)	(0.0)	(46)	(0.0)	(9)	(0.0)	–	–
Profit/(loss) before taxation	38,118	14.7	49,152	16.5	25,972	6.1	4,158	2.6	(4,568)	(3.3)
Income tax (expense)/credit	(7,902)	(3.0)	(9,475)	(3.2)	(3,915)	(0.9)	(2,083)	(1.3)	561	0.4
Profit/(loss) for the year/period	30,216	11.7	39,677	13.3	22,057	5.2	2,075	1.3	(4,007)	(2.9)
Other comprehensive income/(loss)										
Item that will not be reclassified to profit or loss:										
Fair value changes in equity instruments at fair value through other comprehensive income	–	–	677	0.2	(3,839)	(0.9)	(3,717)	(2.3)	5,021	3.6
Total comprehensive income/(loss) for the year/period	30,216	11.7	40,354	13.5	18,218	4.3	(1,642)	(1.0)	1,014	0.7
Profit/(loss) for the year/period attributable to:										
Owners of the Company	29,657	11.5	38,041	12.7	20,852	4.9	2,538	1.6	(2,278)	(1.6)
Non-controlling interests	559	0.2	1,636	0.6	1,205	0.3	(463)	(0.3)	(1,729)	(1.3)
	30,216	11.7	39,677	13.3	22,057	5.2	2,075	1.3	(4,007)	(2.9)
Total comprehensive income/(loss) for the year/period attributable to:										
Owners of the Company	29,657	11.5	38,718	13.0	17,013	4.0	(1,179)	(0.7)	2,743	2.0
Non-controlling interests	559	0.2	1,636	0.5	1,205	0.3	(463)	(0.3)	(1,729)	(1.3)
	30,216	11.7%	40,354	13.5%	18,218	4.3%	(1,642)	(1.0)%	1,014	0.7%

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Non-HKFRS Measures

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we also use a non-HKFRS measure, adjusted profit for the year or period, as an additional financial measure, which is not required by, or presented in accordance with, HKFRSs. We believe that such non-HKFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of the Listing expenses that our management do not consider to be indicative of our operating performance. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

The following table sets forth our profit and normalized profit, which is adjusted by adding back Listing expenses, for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>(in thousands of RMB)</i>				
Profit/(loss) for the year/period	30,216	39,677	22,057	2,075	(4,007)
Add back: Listing expenses	–	–	13,605	8,085	3,503
Non-HKFRS Measure					
Adjusted profit/(loss) for the year/period	30,216	39,677	35,662	10,160	(504)

* *Adjusted profit/(loss) for the year/period is defined as profit/(loss) for the year/period excluding Listing expenses.*

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Our revenue is stated net of VAT and business tax. During the Track Record Period, we primarily generated revenue from our integrated healthcare marketing solutions, consisting of:

- revenue from medical conference services, which primarily includes (i) fees we charge medical NGOs for organizing medical conventions; (ii) fees we charge medical NGOs and pharmaceutical companies for organizing medical seminars; (iii) sponsorship fees we receive from enterprises in the healthcare industry for medical conventions; and (iv) registration fees we charge physicians for attending medical conventions;

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- revenue from patient education and screening services, representing fees we charge medical NGOs for organizing onsite patient education classes, producing online educational videos and providing disease risk screening services;
- revenue from marketing strategy and consulting services, representing fees we charge pharmaceutical companies for assisting them with business strategy formulation and implementation;

In addition to these services, we also began to generate revenue from CRO services and internet hospital services in late 2019:

- revenue from CRO services, representing fees we charge medical NGOs and pharmaceutical companies for assisting in the collection and recording of patient data from clinical trials, monitoring the integrity and accuracy of data recorded, reviewing and organizing data records and conducting follow-up visits with patients; and
- revenue from internet hospital services, representing commissions we charge pharmacies for sales of medicines to patients through our internet hospital platform.

The following table sets forth a breakdown of our revenue by service type for the period indicated.

	For the year ended December 31,						For the six months ended June 30,				
	2017		2018		2019		2019		2020		
<i>(in thousands of RMB, except for percentages)</i>											
Medical conference services	137,148	53.0%	173,294	58.0%	282,262	66.1%	115,810	71.5%	75,087	54.1%	
Patient education and screening services	78,652	30.4	77,834	26.0	72,782	17.1	18,649	11.5	27,453	19.8	
Marketing strategy and consulting services	43,080	16.6	47,840	16.0	67,622	15.8	27,486	17.0	33,151	23.9	
CRO services ⁽¹⁾	-	-	-	-	4,482	1.0	-	-	2,920	2.1	
Internet hospital services ⁽¹⁾	-	-	-	-	11	0.0	-	-	70	0.1	
Total	258,880	100.0%	298,968	100.0%	427,159	100.0%	161,945	100.0%	138,681	100.0%	

Note:

- (1) We started to generate revenue from CRO services and internet hospital services in late 2019. Please refer to “Business — Business Strategies” for details.

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Cost of Sales

Our cost of sales primarily consists of (i) speaker fees paid to physicians who deliver speeches at our medical conferences, onsite patient education classes and record educational videos; (ii) project implementation costs, which principally represent fees paid to suppliers for services we procure for project implementation such as venue set-up, video recording and production and onsite event management; (iii) travel costs incurred by speakers and our employees for project implementation; (iv) lodging and venue costs, including lodging costs incurred by speakers and venue booking costs for our conferences; (v) material and equipment costs, mainly representing procurement costs for materials in setting up medical conventions and seminars, and medical equipment used for disease risk screening; and (vi) staff costs, representing salaries and benefits of our business operation personnel. The following table sets forth a breakdown of our cost of sales by nature for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	<i>(in thousands of RMB, except for percentages)</i>									
Speaker fees	48,147	25.7%	46,484	21.7%	85,184	25.6%	29,243	23.1%	40,749	36.9%
Project implementation costs	33,846	18.1	46,426	21.7	72,675	21.9	31,240	24.7	15,744	14.2
Travel costs	29,479	15.7	33,269	15.5	56,490	17.0	18,931	15.0	11,507	10.4
Lodging and venue costs	33,030	17.6	38,189	17.8	53,815	16.2	18,030	14.3	10,788	9.8
Material and equipment costs	16,794	9.0	19,990	9.3	29,817	9.0	10,628	8.4	11,785	10.7
Staff costs	23,985	12.8	26,256	12.2	26,972	8.1	16,475	13.0	13,971	12.6
Others ⁽¹⁾	2,225	1.1	3,758	1.8	7,338	2.2	1,782	1.5	6,005	5.4
Total	187,506	100.0%	214,372	100.0%	332,291	100.0%	126,329	100.0%	110,549	100.0%

(1) Mainly includes business and other taxes.

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The following table sets forth a breakdown of our cost of sales by service type for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2017	2018		2019		2019		2020		
	<i>(in thousands of RMB, except for percentages)</i>									
Medical conference services	99,406	53.0%	125,489	58.5%	216,267	65.1%	90,337	71.5%	62,234	56.3%
Patient education and screening services . .	62,514	33.3	59,381	27.7	61,361	18.5	16,570	13.1	22,998	20.8
Marketing strategy and consulting services . .	25,586	13.7	29,502	13.8	51,512	15.5	19,422	15.4	22,033	19.9
CRO services	-	-	-	-	3,064	0.9	-	-	2,928	2.7
Internet hospital services	-	-	-	-	87	0.0	-	-	356	0.3
Total	187,506	100.0%	214,372	100.0%	332,291	100.0%	126,329	100.0%	110,549	100.0%

Gross Profit and Gross Profit Margin

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our gross profit was RMB71.4 million, RMB84.6 million, RMB94.9 million, RMB35.6 million and RMB28.1 million, respectively. Our overall gross profit margin was 27.6%, 28.3%, 22.2%, 22.0% and 20.3% for the same years or periods, respectively. The following table sets forth our gross profit and gross profit margin by service type for the period indicated.

FINANCIAL INFORMATION

	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit margin	Gross profit	Gross profit margin
	<i>(in thousands of RMB, except for percentages)</i>									
Medical conference services	37,742	27.5%	47,805	27.6%	65,995	23.4%	25,473	22.0%	12,853	17.1%
Patient education and screening services	16,138	20.5	18,453	23.7	11,421	15.7	2,079	11.1	4,455	16.2
Marketing strategy and consulting services	17,494	40.6	18,338	38.3	16,110	23.8	8,064	29.3	11,118	33.5
CRO services	-	-	-	-	1,418	31.6	-	-	(8)	N/A ⁽¹⁾
Internet hospital services	-	-	-	-	(76)	N/A ⁽¹⁾	-	-	(286)	N/A ⁽¹⁾
Total gross profit/overall gross profit margin	<u>71,374</u>	<u>27.6%</u>	<u>84,596</u>	<u>28.3%</u>	<u>94,868</u>	<u>22.2%</u>	<u>35,616</u>	<u>22.0%</u>	<u>28,132</u>	<u>20.3%</u>

(1) Not applicable because we recorded gross loss.

Gross profit margins for medical conference services decreased from 22.0% in the first half of 2019 to 17.1% in the first half of 2020 mainly driven by the significant decrease in revenue from medical conventions organized, amid the COVID-19 outbreak, which used to have higher gross profit margins than medical seminars as there are sponsorship fees from sponsoring enterprises for medical conventions. The gross profit margin of medical conference services dropped from 22.0% to 17.1% due to the reduction in sponsorship fee as the scale of medical conventions diminished amid the COVID-19 outbreak.

Gross profit margins for patient education and screening services fluctuated during the Track Record Period, reflecting (i) different types of patient education and screening projects implemented by medical NGOs at different stages in China (for example, disease risk screening projects, which have lower gross profit margins compared to patient education projects that have higher gross profit margins); and (ii) three large-scale projects with relatively lower gross profit margins in 2019, together accounting for approximately 45% of the total revenue generated from patient education and screening services during the same year, for which we reduced our price in order to capture more market share.

FINANCIAL INFORMATION

Gross profit margins for marketing strategy and consulting services decreased from 38.3% in 2018 to 23.8% in 2019 primarily due to two new large-scale annual conferences we organized in 2019 for a global pharmaceutical company, which contributed RMB18.4 million of revenue, that we strategically charged a lower price in order to capture potential business opportunities for its future product launches and other marketing and consulting matters, which were delivered in 2019, drove down the gross profit margin.

We began to offer CRO services and internet hospital services in late 2019, which recorded a gross profit margin of 31.6% and gross loss, respectively, in 2019. Gross loss were recorded for these two business segments in the first half of 2020 as revenue generated from CRO services was relatively low in the first half of 2020, with its fixed staff costs recorded; while substantial costs were incurred for the development of mobile platforms and recruitment of new employees for internet hospital services.

Other Income, Gains and Losses

Our other income, gains and losses primarily consist of (i) a government subsidy we received in 2018 in relation to Mediwelcome Beijing's listing on the NEEQ and government subsidy granted for our business development in 2019; (ii) VAT refund in 2019 and in the first half of 2020; (iii) gain on change in fair value of financial assets at FVTPL, which represents gains from our investment in financial products; and (iv) bank interest income. The following table sets forth a breakdown of our other income, gains and losses for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>(in thousands of RMB)</i>				
Government subsidy	–	1,150	1,193	815	133
Value added tax refund . .	–	–	1,041	–	431
Gain on change in fair value of financial assets at FVTPL	356	651	627	299	176
Bank interest income . . .	219	358	466	269	150
Foreign exchange(loss)/gain . . .	(4)	4	3	–	(1)
(Loss)/gain on disposal of property, plant and equipment	(2)	–	2	7	(120)
Others ⁽¹⁾	4	127	7	237	246
Total	573	2,290	3,339	1,627	1,015

(1) Mainly includes reversal of impairment losses on other receivables.

FINANCIAL INFORMATION

Selling Expenses

Our selling expenses consist of (i) staff costs, representing wages, benefits and bonuses of our business development team who is responsible for developing new customers and account managers that are responsible for covering existing customers; and (ii) travel and business development expenses incurred by our business development team and account managers. The following table sets forth a breakdown of our selling expenses for the period indicated.

	For the year ended December 31,			For the six months ended June 30,						
	2017	2018	2019	2019	2020					
	<i>(in thousands of RMB, except for percentages)</i>									
Staff costs	3,009	72.0%	3,111	67.1%	4,101	64.3%	1,846	69.5%	3,798	66.0%
Travel and business development expenses . .	959	22.9	1,175	25.4	2,007	31.4	649	24.5	1,890	32.8
Others ⁽¹⁾	212	5.1	350	7.5	269	4.3	158	6.0	70	1.2
Total	4,180	100.0%	4,636	100.0%	6,377	100.0%	2,653	100.0%	5,758	100.0%

(1) Mainly includes meal allowance.

Our selling expenses represented 1.6%, 1.6%, 1.5%, 1.6% and 4.2% when compared to our revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, representing wages, benefits and bonuses of our administrative staff; (ii) amortization and depreciation expenses for our property, plant and equipment and lease for our office premises; (iii) office related expenses, representing office expenses and repair and maintenance expenses; (iv) travel and business expenses incurred by our administrative staff; and (v) professional fee, which primarily represents remuneration paid to auditors. The following table sets forth a breakdown of our administrative expenses for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2017		2018		2019		2019		2020	
	<i>(in thousands of RMB, except for percentages)</i>									
Staff costs	6,817	28.8%	8,936	33.9%	14,235	41.6%	7,516	42.9%	7,798	42.6%
Amortization and depreciation	8,176	34.6	8,206	31.1	7,605	22.2	4,212	24.0	4,176	22.8
Office related expenses	3,095	13.1	3,370	12.8	5,172	15.1	2,090	11.9	3,974	21.7
Travel and business expenses	4,276	18.1	4,600	17.4	5,157	15.1	2,506	14.3	1,608	8.8
Professional fee	766	3.2	645	2.4	739	2.2	377	2.2	311	1.7
Others ⁽¹⁾	513	2.2	627	2.4	1,288	3.8	818	4.7	442	2.4
Total	23,643	100.0%	26,384	100.0%	34,196	100.0%	17,519	100.0%	18,309	100.0%

(1) Mainly includes meal allowance and website maintenance expenses.

Our administrative expenses represented 9.1%, 8.8%, 8.0%, 10.9% and 13.2% when compared to our revenue for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, respectively.

Research and Development Expenses

Research and development expenses primarily consist of (i) wages, benefits and bonuses for our research and development team; and (ii) costs paid to third-party developers for the development of online platforms and apps for our medical conference services, patient education and screening services and internet hospital services. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our research and development expenses were RMB4.0 million, RMB5.1 million, RMB11.6 million, RMB2.7 million and RMB7.2 million, respectively. Our research and development expenses significantly increased in 2019 and the first half of 2020 primarily because we made more investment in technology platforms for internet hospital services.

FINANCIAL INFORMATION

Listing Expenses

In preparation of the Global Offering, we recorded Listing expenses of RMB13.6 million and RMB3.5 million for the year ended December 31, 2019 and the six months ended June 30, 2020. No Listing expenses were recorded for the years ended December 31, 2017 and 2018.

Finance Costs

For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our finance costs were RMB0.3 million, RMB0.3 million, RMB0.3 million, RMB0.2 million and RMB0.4 million, respectively. Our finance costs represent interest on lease liabilities. Please refer to “— Description of Certain Items in the Consolidated Statements of Financial Position — Lease Liabilities” for details.

Impairment Losses/Reversal of Impairment Losses on Trade Receivables

We recognize impairment losses on trade receivables under HKFRS 9 when we consider such amount is not recoverable or reverse the impairment losses if the amount previously impaired is recovered. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019, our impairment losses on trade receivables amounted to RMB1.6 million, RMB1.3 million, RMB6.1 million and RMB2.0 million, respectively. The increase in expected credit losses was in line with the growth in trade receivables as our business expanded. We recognized reversal of impairment losses on trade receivables of approximately RMB1.4 million for the six months ended June 30, 2020. The reversal was due to the decrease in the net impairment amount of trade receivables recognized, under the ECL model, as of June 30, 2020, in comparison with that as of December 31, 2019, caused by the decrease in our trade receivables, which was in turn, primarily due to (i) the decrease in our revenue in the first half of 2020 amid the COVID-19 outbreak, and (ii) our successful collection of certain of the past due trade receivables as of December 31, 2019 which were fully impaired as of December 31, 2019.

Other Expenses

Our other expenses primarily represent donations we made. For the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2019 and 2020, our other expenses were RMB61,000, RMB25,000, RMB46,000, RMB9,000 and nil, respectively.

Income Tax Expense/Credit

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, we are not subject to any income tax in the Cayman Islands and British Virgin Islands. We had no assessable profit in Hong Kong during the Track Record Period and were not subject to any Hong Kong profits tax. During the Track Record Period, other than Horgos Yizong, Beijing Chuangyan and Weiliandong, which enjoyed preferential tax rates, the other five PRC Operating Entities were subject to standard EIT rate of 25%.

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For the years ended December 31, 2017, 2018 and 2019, our effective income tax rate, which is calculated by dividing income tax expense by profit before taxation for the corresponding year, was approximately 20.7%, 19.3% and 15.1%, respectively. Horgos Yizong became exempt from EIT from 2017 to 2020 for its operation in the Horgos Economic Development Zone. Beijing Chuangyan and Weiliandong were approved as “high and new technology enterprises” and became entitled to a preferential income tax rate of 15% for a three-year period commencing 2018. In addition, eligible research and development expenses of Mediwelcome Beijing and Beijing Chuangyan enjoyed a tax deduction of 50% in 2017 and 75% in 2018 and 2019, and eligible research and development expenses of Weiliandong enjoyed a tax deduction of 75% commencing 2017. Our effective income tax rate decreased from 19.3% in 2018 to 15.1% in 2019 primarily because Mediwelcome Beijing was approved as a “high and new technology enterprise” in December 2019 and became entitled to a preferential income tax rate of 15% for a three-year period commencing 2019. For the six months ended June 30, 2020, we recorded income tax credit of RMB0.6 million primarily due to our net loss in the first half of 2020 and tax effect of additional tax reduction for eligible research and development expenses of Mediwelcome Beijing, Beijing Chuangyan and Weiliandong.

Our Directors confirm that during the Track Record Period, we had made all the required tax filings with the relevant tax authorities in the PRC and we are not aware of any outstanding or potential disputes with such tax authorities.

Other Comprehensive Income/Loss

For the year ended December 31, 2018, our other comprehensive income of RMB0.7 million represents our unrealized fair value gains on our investment in the equity interests of four companies, namely, Beijing Cezhiyi, Weiliandong, Shanghai Bohuikang Biological Technology Co., Ltd. and Lingchuang Yigu in 2018. For the year ended December 31, 2019, our other comprehensive loss of RMB3.8 million mainly represented unrealized fair value losses on our investment in Weiliandong. For the six months ended June 30, 2020, our other comprehensive income of RMB5.0 million mainly represented unrealized fair value gains on our investment in Beijing Cezhiyi, Shanghai Bohuikang Biological Technology Co., Ltd. and Lingchuang Yigu. For details of our equity interests at FVTOCI, please refer to “Description of Certain Items in the Consolidated Statements of Financial Position — Equity Instruments at Fair Value Through Other Comprehensive Income” for details.

FINANCIAL INFORMATION

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Revenue

Our revenue decreased by 14.3% from RMB161.9 million for the six months ended June 30, 2019 to RMB138.7 million for the six months ended June 30, 2020, primarily due to the decrease in revenue from our medical conference services amid the COVID-19 outbreak, partially offset by the increase in revenue from our patient education and screening services and marketing strategy and consulting services.

Medical Conference Services

Revenue from medical conference services decreased by 35.1% from RMB115.8 million for the six months ended June 30, 2019 to RMB75.1 million for the six months ended June 30, 2020, primarily due to the significant decrease in the revenue generated from medical conventions amid the COVID-19 outbreak. Two large medical convention projects were delayed in the first half of 2020, including our flagship medical convention, the 2020 TISC, with total revenue of around RMB13.0 million, originally scheduled in the first half of 2020, was postponed to and completed in October 2020; while the 2019 TISC contributed a revenue of RMB19.6 million in the first half of 2019. As the scale of the 2020 TISC has diminished amid the COVID-19 outbreak, there was reduction in both the number of onsite attendees and the designated areas for sponsoring enterprises to set up booths and host seminars. As a result, there was corresponding decrease in service fees from medical NGOs and sponsorship fees from sponsoring enterprises. Revenue of our medical conventions may experience similar decrease as the number of onsite participants reduced in our combined offline and online medical conventions.

Patient Education and Screening Services

Revenue from patient education and screening services increased by 47.8% from RMB18.6 million for the six months ended June 30, 2019 to RMB27.5 million for the six months ended June 30, 2020, primarily due to a large-scale project with a contract value of RMB28.5 million, which started in the second half of 2019 and continued in the first half of 2020. We recognized revenue of RMB10.7 million under this project in the first half of 2020.

Marketing Strategy and Consulting Services

Revenue from marketing strategy and consulting services increased by 20.7% from RMB27.5 million for the six months ended June 30, 2019 to RMB33.2 million for the six months ended June 30, 2020, primarily due to the expansion of our customer base.

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Cost of Sales

Our cost of sales decreased by 12.5% from RMB126.3 million for the six months ended June 30, 2019 to RMB110.5 million for the six months ended June 30, 2020, primarily due to the decrease in our revenue generated from our medical conference services amid the COVID-19 outbreak.

Gross Profit and Gross Profit Margin

Our overall gross profit decreased by 21.1% from RMB35.6 million for the six months ended June 30, 2019 to RMB28.1 million for the six months ended June 30, 2020 primarily due to the decrease in our gross profit from medical conference services, partially offset by the increase in gross profit from our patient education and screening services and marketing strategy and consulting services. Our overall gross profit margin decreased from 22.0% to 20.3%, which was principally attributable to the decrease in revenue from medical conventions organized amid the COVID-19 outbreak, which used to have higher gross profit margins than medical seminars as there are sponsorship fees from sponsoring enterprises for medical conventions. The gross profit margin of medical conference services dropped from 22.0% to 17.1% due to the reduction in sponsorship fee as the scale of medical conventions diminished amid the COVID-19 outbreak. Gross profit margin for patient education and screening services increased because we had three large-scale projects with relatively lower gross profit margins in 2019. Gross profit margin for marketing strategy and consulting services increased primarily because two large-scale annual conferences for a global pharmaceutical company we strategically charged a lower price in order to capture potential business opportunities for its future product launches and other marketing and consulting matters were delivered in 2019 drove down the gross profit margin.

Other Income, Gains and Losses

Our other income, gains and losses decreased by 37.5% from RMB1.6 million for the six months ended June 30, 2019 to RMB1.0 million for the six months ended June 30, 2020, primarily due to a decrease of RMB0.7 million in the government subsidy; partially offset by an increase of RMB0.4 million in the value added tax refund as a result of a VAT preferential tax policy enacted in April 2020 as an economy stimulus in response to the COVID-19 outbreak.

Selling Expenses

Our selling expenses increased by 114.8% from RMB2.7 million for the six months ended June 30, 2019 to RMB5.8 million for the six months ended June 30, 2020, primarily due to an increase of RMB2.0 million in staff costs and an increase of RMB1.2 million in travel and business development expenses in relation to the development of our new internet hospital services.

FINANCIAL INFORMATION

Administrative Expenses

Our administrative expenses increased by 4.6% from RMB17.5 million for the six months ended June 30, 2019 to RMB18.3 million for the six months ended June 30, 2020, primarily due to an increase of RMB1.9 million in office related expenses as we expanded our business, especially our internet hospital services, partially offset by a decrease of RMB0.9 million in travel and business expenses amid the COVID-19 outbreak.

Research and Development Expenses

Our research and development expenses increased by 166.7% from RMB2.7 million for the six months ended June 30, 2019 to RMB7.2 million for the six months ended June 30, 2020, primarily due to an increase in salary of RMB4.4 million in our research and development team primarily due to the launch of our internet hospital services.

Listing Expenses

Our Listing expenses decreased by 56.8% from RMB8.1 million for the six months ended June 30, 2019 to RMB3.5 million for the six months ended June 30, 2020, reflecting the stage payments according to the progress of our proposed Listing.

Finance Costs

Our finance costs increased by 100.0% from RMB0.2 million for the six months ended June 30, 2019 to RMB0.4 million for the six months ended June 30, 2020, primarily due to the increase in interest on lease liabilities due to higher office rent which was in line with our office expansion.

Impairment Losses/Reversal of Impairment Losses on Trade Receivables

For the six months ended June 30, 2020, we had reversal of impairment losses on trade receivables of RMB1.4 million as certain customers settled the trade receivables we recorded as impaired in 2019. For the six months ended June 30, 2019, we had impairment losses on trade receivables of RMB2.0 million, which were in line with the increased trade receivables as our business expanded.

Income Tax Expense/Credit

We recorded income tax credit of RMB0.6 million for the six months ended June 30, 2020, primarily due to our net loss in the first half of 2020 and tax effect of additional tax reduction for eligible research and development expenses of Mediwelcome Beijing, Beijing Chuangyan and Weiliandong. We recorded income tax expense of RMB2.1 million for the six months ended June 30, 2019.

FINANCIAL INFORMATION

Profit/Loss for the Period

As a result of the foregoing, we recorded net loss of RMB4.0 million for the six months ended June 30, 2020, amid the COVID-19 outbreak which hit revenue generated from our medical convention projects. Our adjusted profit (which is a non-HKFRS measure and is adjusted by excluding the effect of Listing expenses) for the six months ended June 30, 2020 was RMB(0.5) million. We recorded profit for the period of RMB2.1 million for the six months ended June 30, 2019. Our adjusted profit (which is a non-HKFRS measure and is adjusted by excluding the effect of Listing expenses) for the six months ended June 30, 2019 was RMB10.2 million and our adjusted net profit margin for the same period was approximately 6.3% (which is a non-HKFRS measure and is adjusted by excluding the effect of Listing expenses).

Other Comprehensive Loss/Income

We recorded other comprehensive income of RMB5.0 million for the six months ended June 30, 2020, mainly representing unrealized fair value gains on our investment in Beijing Cezhiyi, Shanghai Bohuikang Biological Technology Co., Ltd. and Lingchuang Yigu. We recorded other comprehensive loss of RMB3.7 million for the six months ended June 30, 2019, mainly representing unrealized fair value losses on our investment in Weiliandong, which subsequently became a wholly-owned subsidiary of Mediwelcome Beijing in March 2019. We invested in the equity interest of Beijing Cezhiyi, Weiliandong, Shanghai Bohuikang Biological Technology Co., Ltd. in 2018, which did not give rise to any other comprehensive gains or losses for the six months ended June 30, 2019.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 42.9% from RMB299.0 million for the year ended December 31, 2018 to RMB427.2 million for the year ended December 31, 2019, reflecting revenue growth in our medical conference services and our marketing strategy and consulting services, partially offset by a decrease in revenue from our patient education and screening services.

Medical Conference Services

Revenue from medical conference services increased by 62.9% from RMB173.3 million for the year ended December 31, 2018 to RMB282.3 million for the year ended December 31, 2019, primarily because (i) we strengthened business relationship with our existing customers and offered more medical conference services; and (ii) we developed new customers and expanded our customer base.

FINANCIAL INFORMATION

Patient Education and Screening Services

Revenue from patient education and screening services decreased slightly by 6.4% from RMB77.8 million for the year ended December 31, 2018 to RMB72.8 million for the year ended December 31, 2019, primarily because our medical NGO customers completed their disease risk screening projects in first-tier cities in late 2018 and experienced a transition and planning period before launching disease risk screening projects in lower-tier cities and rural areas, resulting in the decrease in our revenue in 2019.

Marketing Strategy and Consulting Services

Revenue from marketing strategy and consulting services increased by 41.4% from RMB47.8 million for the year ended December 31, 2018 to RMB67.6 million for the year ended December 31, 2019, primarily driven by our organization of two new large-scale annual conferences for a global pharmaceutical company in 2019, which generated revenue of RMB18.4 million.

Cost of Sales

Our cost of sales increased by 55% from RMB214.4 million for the year ended December 31, 2018 to RMB332.3 million for the year ended December 31, 2019, which was generally in line with the increase in our revenue and primarily due to an increase of RMB38.7 million in our speaker fee as more speakers were engaged.

Gross Profit and Gross Profit Margin

Our overall gross profit increased by 12.2% from RMB84.6 million for the year ended December 31, 2018 to RMB94.9 million for the year ended December 31, 2019 primarily due to an increase in gross profit of RMB18.2 million from medical conference services. Our overall gross profit margin decreased from 28.3% to 22.2%, which was principally attributable to decrease in the gross profit margin of patient education and screening services from 23.7% to 15.7% and marketing strategy and consulting services from 38.3% to 23.8%. The gross profit margin of medical conference services decreased slightly from 27.6% in 2018 to 23.4% in 2019, primarily because the number of smaller scale medical seminars, which have a lower revenue per unit, increased, while costs such as speaker fees are relatively fixed for each medical seminar. The decrease in gross profit margin for patient education and screening services reflected the lower gross profit margin of three large-scale projects in 2019, together accounting for approximately 45% of the total revenue generated from patient education and screening services during the same year, for which we reduced our price in order to capture more market share. Gross profit margin for marketing strategy and consulting services decreased due to two large-scale annual conferences we organized for a global pharmaceutical company, for which we strategically charged a lower price in order to capture potential business opportunities for its future product launches and other marketing and consulting matters.

FINANCIAL INFORMATION

Other Income, Gains and Losses

Our other income, gains and losses increased by 43.5% from RMB2.3 million for the year ended December 31, 2018 to RMB3.3 million for the year ended December 31, 2019 mainly due to an increase of RMB1.0 million in VAT refund.

Selling Expenses

Our selling expenses increased by 39.1% from RMB4.6 million for the year ended December 31, 2018 to RMB6.4 million for the year ended December 31, 2019, primarily due to an increase of RMB1.0 million in staff costs as a result of our salary increase.

Administrative Expenses

Our administrative expenses increased by 29.5% from RMB26.4 million for the year ended December 31, 2018 to RMB34.2 million for the year ended December 31, 2019, primarily due to (i) an increase of RMB5.3 million in staff costs as a result of our salary increase and an increase in headcount of administrative staff following our acquisition of Beijing Baichuan in September 2018 and due to our overall business expansion; (ii) an increase of RMB1.8 million in office related expenses; and (iii) an increase of RMB0.6 million in travel and business expenses.

Research and Development Expenses

Our research and development expenses increased by 127.5% from RMB5.1 million for the year ended December 31, 2018 to RMB11.6 million for the year ended December 31, 2019, primarily because we made more our investment in technology platforms for patient education and screening services.

Listing Expenses

In preparation for the Global Offering, we recorded Listing expenses of RMB13.6 million for the year ended December 31, 2019, while no Listing expenses were recorded for the year ended December 31, 2018.

Finance Costs

Our finance costs remained stable at RMB0.3 million for the years ended December 31, 2018 and 2019.

Impairment Losses on Trade Receivables

Our impairment losses on trade receivables increased from RMB1.3 million for the year ended December 31, 2018 to RMB6.1 million for the year ended December 31, 2019 as our business expanded.

FINANCIAL INFORMATION

Income Tax Expense

Our income tax expense decreased by 58.9% from RMB9.5 million for the year ended December 31, 2018 to RMB3.9 million for the year ended December 31, 2019 as there was a decrease in our profit before taxation. Our effective income tax rate decreased from 19.3% to 15.1% primarily due to Mediwelcome Beijing was approved as a “high and new technology enterprise” in December 2019 and became entitled to a preferential income tax rate of 15% for a three-year period commencing 2019.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 44.3% from RMB39.7 million for the year ended December 31, 2018 to RMB22.1 million for the year ended December 31, 2019. Our adjusted profit (which is a non-HKFRS measure and is adjusted by excluding the effect of Listing expenses) for the year ended December 31, 2019 was RMB35.7 million. Our net profit margin in 2019 was approximately 5.2% and our adjusted net profit margin was 8.3% (which is a non-HKFRS measure and is adjusted by excluding the effect of Listing expenses). Please refer to “— Non-HKFRS Measures” for details.

Other Comprehensive Loss

We recorded other comprehensive loss of RMB3.8 million for the year ended December 31, 2019, mainly representing unrealized fair value losses on our investment in Weiliandong, which subsequently became a wholly-owned subsidiary of Mediwelcome Beijing in March 2019. We recorded other comprehensive income of RMB0.7 million for the year ended December 31, 2018, representing our unrealized fair value gains on our investment in the equity interests of Beijing Cezhiyi, Weiliandong, Shanghai Huibokang Biological Technology Co., Ltd. and Lingchuang Yigu in 2018.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 15.5% from RMB258.9 million in 2017 to RMB299.0 million in 2018, mainly reflecting revenue growth in our medical conference services and marketing strategy and consulting services, while revenue from our patient education and screening services remained relatively stable.

Medical Conference Services

Revenue from medical conference services increased by 26.4% from RMB137.1 million in 2017 to RMB173.3 million in 2018 as medical NGOs broadened their coverage in lower-tier cities in China and organized more medical seminars. Such increase was partially offset by a decrease in revenue from medical conventions as we organized more smaller-scale non-CCVD medical conventions.

FINANCIAL INFORMATION

Patient Education and Screening Services

Revenue from patient education and screening services remained relatively stable at RMB77.8 million in 2018 compared with RMB78.7 million in 2017.

Marketing Strategy and Consulting Services

Revenue from marketing strategy and consulting services increased by 10.9% from RMB43.1 million in 2017 to RMB47.8 million in 2018. Such increase was mainly driven by our acquisition of a 51% equity interest in Beijing Haice in May 2017. The full-year results of Beijing Haice was then consolidated in our financial statements in 2018. Through our synergies following the acquisition of Beijing Haice, our customer base of pharmaceutical companies was broadened by leveraging the broad pharmaceutical customer base of Beijing Haice, to whom it primarily provided marketing strategy and consulting services in the past. We were able to increase our share of wallet in these pharmaceutical customers and offered more marketing strategy and consulting services in 2018.

Cost of Sales

Our cost of sales increased by 14.3% from RMB187.5 million in 2017 to RMB214.4 million in 2018, primarily due to an increase in project implementation costs of RMB12.6 million, an increase in lodging and venue costs of RMB5.2 million and an increase in travel costs of RMB3.8 million. Such increases were in line with the increase in the number of medical conferences and marketing strategy and consulting projects.

Gross Profit and Gross Profit Margin

Our overall gross profit increased by 18.5% from RMB71.4 million in 2017 to RMB84.6 million in 2018, which was driven by the increase in our gross profit from medical conference services. Our overall gross profit margin remained relatively stable at 28.3% in 2018 as compared to 27.6% in 2017.

Other Income, Gains and Losses

Our other income, gains and losses increased significantly from RMB0.6 million in 2017 to RMB2.3 million in 2018, mainly representing (i) a one-off government subsidy of RMB1.0 million we received in 2018 in relation to Mediwelcome Beijing's listing on the NEEQ; and (ii) an increase of RMB0.3 million in gain on change in fair value of financial assets at FVTPL.

Selling Expenses

Our selling expenses increased by 9.5% from RMB4.2 million in 2017 to RMB4.6 million in 2018, primarily due to an increase of RMB0.2 million in travel and business development expenses incurred by our enhanced sales and marketing efforts.

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Administrative Expenses

Our administrative expenses increased by 11.9% from RMB23.6 million in 2017 to RMB26.4 million in 2018, which was caused by an increase of RMB2.1 million in staff costs following our acquisition of Beijing Baichuan in September 2018.

Research and Development Expenses

Our research and development expenses increased from RMB4.0 million in 2017 to RMB5.1 million in 2018, mainly representing increased costs paid to third party developers for the development of online platforms for medical conference services and patient education and screening services.

Finance Costs

Our finance costs remained stable at RMB0.3 million in 2017 and 2018.

Impairment Losses on Trade Receivables

For the years ended December 31, 2017 and 2018, our impairment losses on trade receivables remained relatively stable at RMB1.6 million and RMB1.3 million, respectively.

Income Tax Expense

As our profit before tax increased from RMB38.1 million in 2017 to RMB49.2 million in 2018, our income tax expense increased from RMB7.9 million in 2017 to RMB9.5 million in 2018. Our effective tax rate decreased from 20.7% in 2017 to 19.3% in 2018 primarily because (i) beginning in 2018, Beijing Chuangyan enjoyed a preferential EIT rate of 15% as it was approved as a “high and new technology enterprise” in 2018; and (ii) eligible research and development expenses of certain of our PRC Operating Entities enjoyed a tax deduction of 75% in 2018 as opposed to 50% in 2017 pursuant to changes in PRC Governmental policies.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 31.5% from RMB30.2 million in 2017 to RMB39.7 million in 2018. Our net profit margin increased from 11.7% in 2017 to 13.3% in 2018, primarily due to our Group’s share of Beijing Baichuan’s profit following the acquisition of its 55% equity interest in September 2018.

Other Comprehensive Income

We recorded other comprehensive income of RMB0.7 million in 2018 in relation to our investment in equity interests, while there was no such equity interest investment in 2017.

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DESCRIPTION OF CERTAIN ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment consists of motor vehicles, electronic equipment, leasehold improvements and furniture and fixtures. The carrying value of our property, plant and equipment increased from RMB6.1 million as of December 31, 2017 to RMB6.6 million as of December 31, 2018, mainly representing our purchases of electronic equipment and motor vehicles. The carrying value of our property, plant and equipment decreased from RMB6.6 million as of December 31, 2018 to RMB6.0 million as of December 31, 2019 primarily due to depreciation, partially offset by purchases of electronic equipment, leasehold improvements and purchases of motor vehicles. The carrying value of our property, plant and equipment increased from RMB6.0 million as of December 31, 2019 to RMB8.0 million as of June 30, 2020 primarily attributable to leasehold improvements in relation to our newly leased offices.

Right-of-use Assets

We recognize a right-of-use asset and a corresponding lease liability on the lease commencement date, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. As of December 31, 2017, 2018 and 2019, we recorded right-of-use assets, which related to offices and warehouses of RMB2.9 million, RMB8.0 million and RMB4.0 million, respectively. Our right-of-use assets was relatively low as of December 31, 2017, primarily given that certain of our leases expired in 2017 and had not been renewed as of December 31, 2017. Our right-of-use assets decreased from RMB8.0 million as of December 31, 2018 to RMB4.0 million as of December 31, 2019 primarily because certain of our leases expired in 2019 or will expire in first half of 2020 and we had not renewed such leases or signed other lease agreements as of December 31, 2019. Our right-of-use assets increased from RMB4.0 million as of December 31, 2019 to RMB37.1 million as of June 30, 2020 primarily due to a new lease contract, with a duration from May 2020 to September 2024. Our total annual rent increased during the Track Record Period due to our office expansion.

Equity Instruments at Fair Value through Other Comprehensive Income

As of December 31, 2018 and 2019 and June 30, 2020, our equity instruments at fair value through other comprehensive income represented our long-term investments made in 2018 in the equity interests of four companies, namely, Beijing Cezhiyi, Weiliandong, Shanghai Bohuikang Biological Technology Co., Ltd. and Lingchuang Yigu. These investments are held for long-term strategic purposes instead of trading.

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Details of each of these companies are set out below:

- *Beijing Cezhiyi.* We invested in a 5% equity interest in Beijing Cezhiyi in March 2018. Beijing Cezhiyi is engaged in market research and consulting in the healthcare industry and specializes in research for drugs in an early development stage. We believe our investment in Beijing Cezhiyi enables us to provide better integrated healthcare marketing solution services by having a stake in a company with up and coming pharmaceuticals.
- *Shanghai Bohuikang Biological Technology Co., Ltd.* We invested in a 9% equity interest in this company in May 2018. The company is engaged in the development and production of cancer diagnostic reagents and ancillary instruments. We invested in this company primarily because we believe genetic testing is complementary to our existing service.
- *Lingchuang Yigu.* We invested in a 15% equity interest in this company in November 2018. The company is principally engaged in the production and sale of spinal endoscopes. We invested in the company primarily because we believe pain treatment is a rising segment of the healthcare industry and Lingchuang Yigu's spinal endoscopes have relatively strong competitiveness in the market.
- *Weiliandong.* We invested in a 18.37% equity interest in this company in May 2018 and acquired its remaining equity interest in March 2019. Weiliandong owns the Giraffe Platform, a video conferencing and online education tool with hardware and software systems which enable hospitals to host or attend online medical conferences and access training videos recorded by physicians.

Our Directors have elected to designate these investments as equity instruments at fair value through other comprehensive income as they believe such long-term investments can realize their performance potential in the long run. The fair values of the aforesaid equity instruments at fair value through other comprehensive income were assessed by Independent Third Party professional valuers using the market comparison method. We engaged two different valuers for the valuation of our investments in the equity instruments during the Track Record Period for cost reasons. After replacing the previous valuer, the appraisal professionals of the new valuer obtained a detailed understanding of the previous valuation model and maintained consistency with the previous valuation approach. The principles and methods of parameter selection have also remained consistent. Our Reporting Accountants have performed audit procedure including evaluating the competence, capabilities and objectivity of the valuers, obtaining understandings of the work of the valuers, and evaluating the reasonableness and appropriateness of the key inputs and valuation techniques used by the valuers. Our Reporting Accountants are of the view that the valuation approaches, bases and assumptions adopted by the valuers are reasonable. Furthermore, our Reporting Accountants have performed audit procedures on the fair value measurements of our Group's investments as of December 31, 2017, 2018 and 2019, and the fair value measurements are in accordance with HKFRS 13 "Fair Value Measurement." Our equity instruments at fair value through other

FINANCIAL INFORMATION

comprehensive income decreased from RMB17.4 million as of December 31, 2018 to RMB12.6 million as of December 31, 2019 as Weiliandong was no longer subject to such fair value assessment as of December 31, 2019 after our acquisition of all of its remaining equity interest in March 2019. Our equity instruments at fair value through other comprehensive income increased from RMB12.6 million as of December 31, 2019 to RMB17.6 million as of June 30, 2020 due to an increase of RMB5.0 million in the fair values of our investment in Beijing Cezhiyi, Shanghai Bohuikang Biological Technology Co., Ltd. and Lingchuang Yigu.

Mr. Sun Jian (孫健), who holds 41.65% of equity interest in Beijing Haice, holds 8.50% of equity interest in Lingchuang Yigu. Save as disclosed in the Prospectus, we have no other past or present relationships (business, family, employment, financing or otherwise) with each of the issuers and counterparties of our investments in our equity instruments at fair value through other comprehensive income.

Loan Receivable

We provided a loan of RMB20.0 million with a term of five years to Weiliandong in December 2018 through a trustee which is an Independent Third Party. Such loan was secured by a pledge of 40% equity interest in Weiliandong and bore an annual interest rate of 4.35%. The loan was subsequently repaid in March 2019 and the pledge of shares has been released. Our PRC Legal Advisers are of the view that our provision of the loan complied with relevant PRC laws and regulations.

Goodwill

As of December 31, 2017, carrying amount of goodwill of RMB0.6 million arose from our acquisition of a 51% equity interest in Beijing Haice in May 2017. The carrying amount of our goodwill increased to RMB1.0 million as of December 31, 2018 following our acquisition of a 55% equity interest in Beijing Baichuan in September 2018, which then further increased to RMB3.1 million as of December 31, 2019 after our acquisition of the remaining equity interest in Weiliandong in March 2019. Our goodwill remained at RMB3.1 million as of June 30, 2020 as no impairment was found under the goodwill impairment test.

Impairment tests for goodwill

As of June 30, 2020, the goodwill includes (i) goodwill of RMB591,000 recognized from the acquisition of Beijing Haice on May 31, 2017; (ii) goodwill of RMB371,000 recognized from the acquisition of Beijing Baichuan on September 30, 2018; and (iii) goodwill of RMB2,153,000 recognized from the acquisition of Weiliandong on March 25, 2019.

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Beijing Haice

During the Track Record Period, our management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a five-year period as approved by our management and using a pre-tax discount rate of 19%. The revenue growth rate applied for the year ended December 31, 2017 are 10%, 8%, 6%, 4% and 3% for each of the five years from 2018 to 2022, respectively. The revenue growth rate applied for the year ended December 31, 2018 are 10%, 8%, 6%, 4% and 3% for each of the five years from 2019 to 2023, respectively. The revenue growth rate applied for the year ended December 31, 2019 are 10%, 8%, 6%, 4% and 3% for each of the five years from 2020 to 2024, respectively. The revenue growth rate applied for the six months ended June 30, 2020 are 8%, 6%, 4%, 2% and 2% for each of the five years from 2021 to 2025, respectively. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Our management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

The headroom for goodwill impairment testing as of December 31, 2017, 2018 and 2019 and as of June 30, 2020 are RMB11,518,000, RMB11,170,000, RMB14,679,000 and RMB20,624,000, respectively. The sensitivity analysis and headroom for goodwill impairment testing for the Track Record Period is as below:

	<i>(in thousands of RMB, except for percentages)</i>		
	-3%	0%	+3%
 As of December 31, 2017			
Change in discount rate	17,269	11,518	7,827
Change in terminal growth rate	9,555	11,518	14,590
 As of December 31, 2018			
Change in discount rate	19,699	11,170	5,830
Change in terminal growth rate	8,168	11,170	15,919
 As of December 31, 2019			
Change in discount rate	23,895	14,679	8,463
Change in terminal growth rate	11,513	14,679	19,318
 As of June 30, 2020			
Change in discount rate	30,883	20,624	13,812
Change in terminal growth rate	17,356	20,624	25,526

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(in thousands of RMB, except for percentages)

	-5%	0%	+5%
As of December 31, 2017			
Change in gross profit	10,637	11,518	12,399
As of December 31, 2018			
Change in gross profit	7,692	11,170	14,648
As of December 31, 2019			
Change in gross profit	10,719	14,679	18,639
As of June 30, 2020			
Change in gross profit	16,216	20,624	25,032

Beijing Baichuan

During the Track Record Period, our management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a five-year period as approved by our management and using a pre-tax discount rate of 19%. The revenue growth rate applied for the year ended December 31, 2018 are 50%, 40%, 30%, 10% and 5% for each of the five years from 2019 to 2023, respectively. The revenue growth rate applied for the year ended December 31, 2019 are 30%, 20%, 15%, 10% and 5% for each of the five years from 2020 to 2024, respectively. The revenue growth rate applied for the six months ended June 30, 2020 are 19%, 15%, 10%, 5% and 2% for each of the five years from 2021 to 2025, respectively. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Our management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

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The headroom for goodwill impairment testing as of December 31, 2018 and 2019 and as of June 30, 2020 are RMB7,013,000, RMB1,659,000 and RMB2,399,000, respectively. The sensitivity analysis and headroom for goodwill impairment testing for the Track Record Period is as below:

	<i>(in thousands of RMB, except for percentages)</i>		
	-3%	0%	+3%
As of December 31, 2018			
Change in discount rate	9,334	7,013	5,479
Change in terminal growth rate	6,288	7,013	8,161
As of December 31, 2019			
Change in discount rate	2,511	1,659	1,050
Change in terminal growth rate	1,413	1,659	2,019
As of June 30, 2020			
Change in discount rate	3,084	2,399	1,914
Change in terminal growth rate	2,214	2,399	2,677

	<i>(in thousands of RMB, except for percentages)</i>		
	-5%	0%	+5%
As of December 31, 2018			
Change in gross profit	5,214	7,013	8,814
As of December 31, 2019			
Change in gross profit	441	1,659	2,027
As of June 30, 2020			
Change in gross profit	1,415	2,399	3,383

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Weiliandong

During the Track Record Period, our management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a five-year period as approved by our management and using a pre-tax discount rate of 17%. The revenue growth rate applied for the year ended December 31, 2019 are 15%, 10%, 8%, 5% and 3% for each of the five years from 2020 to 2024, respectively. The revenue growth rate applied for the six months ended June 30, 2020 are 13%, 8%, 5%, 2% and 2% for each of the five years from 2021 to 2025, respectively. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Our management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

The headroom for goodwill impairment testing as of December 31, 2019 and June 30, 2020 are RMB13,560,000 and RMB15,162,000, respectively. The sensitivity analysis and headroom for goodwill impairment testing for the Track Record Period is as below:

	<i>(in thousands of RMB, except for percentages)</i>		
	-3%	0%	+3%
 As of December 31, 2019			
Change in discount rate	17,537	13,560	10,959
Change in terminal growth rate	12,256	13,560	15,591
 As of June 30, 2020			
Change in discount rate	20,703	15,162	15,121
Change in terminal growth rate	14,142	15,162	17,924

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(in thousands of RMB, except for percentages)

-5% 0% +5%

As of December 31, 2019

Change in gross profit	11,035	13,560	16,086
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As of June 30, 2020

Change in gross profit	12,121	15,162	18,202
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In the opinion of the directors of our Company, any reasonably possible change in any of these assumptions would not cause its carrying amount to exceed its recoverable amount. Our management determines that the cash-generating unit containing the goodwill has not suffered an impairment loss.

The directors of our Company use the discount rate of similar comparable listed companies for Beijing Haice, Beijing Baichuan and Weiliandong during the Track Record Period, as there is no significant change in the industries of the three companies operated, therefore the respective discount rates for each of the three companies have minimal changes during the Track Record Period.

Intangible Assets

Our intangible assets primarily represent (i) software and systems used for our medical conference services, patient education and screening services and internet hospital services; and (ii) customer contracts of Weiliandong related to the installation of software and equipment of the Giraffe Platform in hospitals. As of December 31, 2017, 2018 and 2019 and June 30, 2020, the net carrying amount of our intangible assets amounted to RMB0.5 million, RMB2.8 million, RMB21.5 million and RMB23.1 million, respectively. The significant increase in our intangible assets from December 31, 2018 to December 31, 2019 was primarily due to our increase in investment in developing software and online platforms for our services, and also attributable to the customer contracts of Weiliandong following our acquisition of its remaining equity interests in March 2019. The increase in our intangible assets from December 31, 2019 to June 30, 2020 was primarily due to our increase in investment in software and systems used for our internet hospital services.

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Trade Receivables

Trade receivables represent outstanding amounts due from customers for services that we have provided in the ordinary course of business. We generally grant credit terms of 90 days from the date of billing to our customers. The following table sets forth our trade receivables and turnover days of our trade receivables as of the date indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	<i>(in thousands of RMB)</i>			
Trade receivables from				
third parties	30,065	34,478	81,645	58,820
Less: allowance for				
credit losses	(2,535)	(3,813)	(9,926)	(8,511)
Total	27,530	30,665	71,719	50,309
 Average trade receivables				
turnover days ⁽¹⁾	26.7	35.5	43.7	79.2

Note:

- (1) Average trade receivables turnover days for each year/period equals the average of the beginning and ending balances of trade receivables for that year/period divided by revenue for that year/period and multiplied by the number of days in that year/period.

As of December 31, 2017, 2018 and 2019 and June 30, 2020, our trade receivables amounted to RMB27.5 million, RMB30.7 million, RMB71.7 million and RMB50.3 million, respectively with a corresponding trade receivables turnover days of 26.7 days, 35.5 days, 43.7 days and 79.2 days, respectively. The increase in our trade receivables was generally in line with our revenue growth during the Track Record Period. In particular, our trade receivables increased significantly as of December 31, 2019 as more invoices to our customers were issued in the last quarter of 2019, and substantially all of which were settled in the first half of 2020. Our average trade receivables turnover days increased to 79.2 days as of June 30, 2020 primarily due to the slowdown of our customer's operations in the first half of 2020 amid the COVID-19 outbreak.

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Our finance department assesses our customers' credit quality by evaluating their historical credit records and monitors our trade receivables balance and follows up with customers with past due trade receivables on a quarterly basis. Our finance department evaluates the recoverability of past due trade receivables regularly. We made allowance for expected credit losses of RMB2.5 million, RMB3.8 million and RMB9.9 million as of December 31, 2017, 2018 and 2019, respectively. We recognized reversal of impairment losses on trade receivables of RMB1.4 million for the six months ended June 30, 2020. The reversal was due to the decrease in the net impairment amount of trade receivables recognized, under the ECL model, as of June 30, 2020, in comparison with that as of December 31, 2019, caused by the decrease in our trade receivables, which was in turn, primarily due to (i) the decrease in our revenue in the first half of 2020 due to the COVID-19 outbreak; and (ii) our successful collection of certain of the past due trade receivables as of December 31, 2019 which were fully impaired as of December 31, 2019.

The following table sets forth an aging analysis of the trade receivables, net of allowance for impairment as of the date indicated, based on the invoice date.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	<i>(in thousands of RMB)</i>			
Within 90 days	26,525	30,108	71,319	47,442
Over 90 days but within 180 days	1,005	557	400	2,867
Total	27,530	30,665	71,719	50,309

As of the Latest Practicable Date, RMB51.3 million, or 87.2% of our trade receivables as of June 30, 2020, were subsequently settled.

Contract Costs

Contract costs represent fees we paid to suppliers in fulfilling our responsibilities stipulated in service contracts with customers before revenue for relevant service could be recognized. Contract costs are recognized as cost of sales in the consolidated statement of comprehensive income when revenue for relevant services is recognized. As of December 31, 2017, 2018 and 2019 and June 30, 2020, our contract costs amounted to RMB3.1 million, RMB9.0 million, RMB4.4 million and RMB11.3 million, respectively. Our contract costs may vary based on the timing in which we enter into contracts and the pace and status of our projects. Typically, our contract costs are recognized as cost of sales within a single financial year as we generally complete projects within one year. As such, the continuous increase in our contract costs was driven by the increasing number of medical conferences and the marketing strategy and consulting projects during the Track Record Period.

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Our contract costs of RMB3.1 million as of December 31, 2017 were in relation to over 40 projects, including projects related to ischemic stroke and vascular health, and marketing and consulting projects for global pharmaceutical company customers, reflecting the increase in fees paid to suppliers that had not been recognized as cost of sales as of that date. Our contract costs increased to RMB9.0 million as of December 31, 2018, primarily due to the increase in projects for which we had fees paid to suppliers from over 40 projects as of December 31, 2017 to in relation to over 60 projects as of December 31, 2018, reflecting our overall business growth. Such contract costs were primarily in relation to a number of marketing and consulting projects for global pharmaceutical companies and medical conference projects for CCVDs. Our contract costs decreased to RMB4.4 million as of December 31, 2019, primarily due to costs paid to suppliers in relation to over 70 projects, including a number of medical conference projects for CCVDs and diabetes disease risk screening projects and marketing and consulting projects for global pharmaceutical customers, reflecting the time lag between the payment of project implementation costs and revenue recognition. Our contract costs increased to RMB11.3 million as of June 30, 2020, primarily due to costs paid to suppliers in relation to over 100 projects.

As of the Latest Practicable Date, approximately RMB10.1 million, or 89.8% of the contract costs as of June 30, 2020 were subsequently recognized as cost of sales.

Tax Recoverable

Tax recoverable represented EIT refunds that we are entitled to. We had tax recoverable of RMB0.8 million as of December 31, 2017.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables mainly consist of deposits paid for the acquisition of software and systems used for our medical conference services and patient education and screening services, and prepayments and rental deposits for our office premises.

Our prepayments, deposits and other receivables increased from RMB3.0 million as of December 31, 2017 to RMB6.3 million as of December 31, 2018, primarily representing deposits paid to a third-party software developer in relation to the development of a patient education and screening app for diabetes. Our prepayments, deposits and other receivables further increased to RMB12.9 million as of December 31, 2019, primarily attributable to (i) an increase of RMB4.8 million in other receivables, mainly representing advances to suppliers which were fully refunded in March 2020; (ii) an increase of RMB3.2 million in prepaid Listing expenses for the Global Offering; and (iii) an increase of RMB2.0 million in other prepaid taxation; partially offset by refund of deposits of RMB4.0 million paid to a third-party software developer. Our prepayments, deposits and other receivables increased to RMB15.3 million as of June 30, 2020, which primarily include rental deposits, prepaid Listing expenses and advances to suppliers.

FINANCIAL INFORMATION

Financial Assets at FVTPL

Financial assets at FVTPL mainly represent financial products we purchased. These financial products were primarily low risk structured fixed deposits from reputable PRC commercial banks with a three-month maturity, the principal of which was invested in low risk debt instruments primarily issued by reputable PRC commercial banks, such as money market instruments, bonds and other fixed income investments, while the interest was invested in derivatives market. The financial products we held as of December 31, 2019 and as of June 30, 2020 had an expected rate of return of approximately 2% to 3% per annum depending on the returns of the derivatives. In addition, we invested in an investment fund in 2018 issued by a PRC commercial bank with no fixed commitment period. Such fund invests in a portfolio of money market and derivatives instruments, including bank deposits with a maturity of less than one year, bond repurchases, central bank bills, interbank deposit certificates, bonds, non-financial corporate debt financing instruments and asset-backed securities.

The financial assets at FVTPL are initially measured at fair value, and transaction costs that are directly attributable to the acquisition of financial products are recognized immediately in profit or loss. The fair values of these financial assets at FVTPL are determined based on the redemption valuation quoted by banks with reference to the expected return of the underlying assets. Our financial assets at FVTPL decreased from RMB5.0 million as of December 31, 2017 to RMB1.3 million as of December 31, 2018 as our structured fixed deposits reached their respective maturity. We had financial assets at FVTPL of RMB17.9 million as of December 31, 2019 and RMB17.4 million as of June 30, 2020 as we purchased new structured fixed deposits, while we also redeemed matured structured fixed deposits.

We invested in these financial products during the Track Record Period with an aim to enhance our income by generating higher yield than cash deposits, while maintaining a stable liquidity at low level risk. We generally limit our investments in financial products to low-risk, short-term products from reputable PRC commercial banks. Our finance department is responsible for the investment in financial products, the decision of which has to be approved by our vice president of finance. In the future, we intend to continue to invest in such low-risk financial products with a short maturity period based on our operational needs.

Save as disclosed in this Prospectus, we have no other past or present relationships (business, family, employment, financing or otherwise) with each of the issuers and counterparties of our investments in our financial assets at FVTPL.

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Bank Balances and Cash

Our bank balances and cash consist of (i) bank deposits denominated in Renminbi and carried PBOC benchmark interest rate throughout the Track Record Period; and (ii) cash on hand. Our bank balances and cash decreased from December 31, 2018 to June 30, 2020 primarily because we purchased structured fixed deposits, acquired intangible assets and paid certain Listing expenses.

Trade Payables

Trade payables mainly represent the balances due to suppliers for the procurement of goods and services used for our service offerings, such as travel and lodging services, presentation materials, venue set-up and rental services and video production services. During the Track Record Period, our suppliers generally granted us a credit period of 90 days upon our receipt of the invoices. The following table sets forth an aging analysis of the trade payables, based on the invoice date, and turnover days as of the dates indicated.

	<u>As of December 31,</u>			<u>As of June 30,</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<i>(in thousands of RMB)</i>			
Within 90 days	10,124	14,868	25,243	12,853
Over 90 days but within 180 days	556	386	1,089	1,133
Over 180 days but within 360 days	647	153	849	6,663
Over 360 days	478	356	176	180
Total	<u>11,805</u>	<u>15,763</u>	<u>27,357</u>	<u>20,829</u>
Average trade payables turnover days ⁽¹⁾	<u>23.1</u>	<u>23.5</u>	<u>23.7</u>	<u>39.2</u>

Note:

- (1) Average trade payables turnover days for each year/period equals the average of the beginning and ending balances of trade payables for that year/period divided by cost of sales for that year/period and multiplied by the number of days in that year/period.

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Our trade payables increased from RMB11.8 million as of December 31, 2017 to RMB15.8 million as of December 31, 2018 and further increased to RMB27.4 million as of December 31, 2019, reflecting the level of procurement and amounts due to suppliers as our revenue grew. Our trade payables decreased from RMB27.4 million as of December 31, 2019 to RMB20.8 million as of June 30, 2020 primarily due to the diminished onsite business activities amid COVID-19 outbreak and our seasonality. For the years ended December 31, 2017, 2018 and 2019, our trade payables turnover days remained stable at 23.1 days, 23.5 days and 23.7 days, respectively. For the six months ended June 30, 2020, our trade payables turnover days increased to 39.2 days, primarily due to the slowdown of issuance of invoices led by the slowdown of our supplier's operations in the first half of 2020, amid the COVID-19 outbreak.

As of the Latest Practicable Date, RMB17.7 million, or 85.1% of our trade payables as of June 30, 2020, were subsequently settled.

Contract Liabilities

Our contract liabilities primarily relate to deposits we receive from our customers, before preparation work of our services commences. After we provide relevant underlying services, contract liabilities will be recognized as revenue. Our contract liabilities increased from RMB14.5 million as of December 31, 2017 to RMB36.2 million as of December 31, 2018, which then decreased to RMB30.3 million as of December 31, 2019, and then remained stable at RMB31.2 million as of June 30, 2020. Such movement reflects the time lag between the receipt of customer deposits and revenue recognition.

The contract liabilities we recorded at the end of each year or period during the Track Record Period generally were related to different projects as our projects generally had a duration of one year. Our contract liabilities of RMB14.5 million as of December 31, 2017 was in relation to approximately 20 projects, including medical conference and patient education and screening projects relating to CCVDs such as stroke and vascular diseases. Our contract liabilities increased to RMB36.2 million as of December 31, 2018, primarily because we had approximately 40 projects for which we received deposits prior to the commencement of our services. Such projects include a number of patient education and screening and medical conference projects relating to diabetes and vascular disease. Our contract liabilities then decreased to RMB30.3 million as of December 31, 2019, which were primarily in relation to over 30 projects that included medical conference and patient education and screening projects related to CCVDs. Our contract liabilities remained stable at RMB31.2 million as of June 30, 2020, which were primarily in relation to around 50 projects.

As of the Latest Practicable Date, approximately RMB22.6 million, or 72.5%, of our contract liabilities as of June 30, 2020 were subsequently recognized as revenue.

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Other Payables and Accruals

Our other payables and accruals primarily consist of (i) other tax payables, which primarily represent VAT and individual income tax payable for our staff; (ii) salary payables; (iii) accrued Listing expenses; and (iv) reimbursements to staff. The following table sets forth a breakdown of our other payables and accruals as of the date indicated.

	As of December 31,			As of June 30,
	2017	2018	2019	2020
	<i>(in thousands of RMB)</i>			
Other tax payables	3,208	4,159	6,866	3,652
Salary payable	2,149	2,444	3,368	4,598
Accrued Listing expenses . .	–	–	2,793	4,201
Reimbursement to staff . . .	1,462	615	2,195	401
Accrued social security costs	79	172	906	459
Others	291	457	395	265
Total	7,189	7,847	16,523	13,576

Our other payables and accruals remained relatively stable at RMB7.8 million as of December 31, 2018 compared with RMB7.2 million as of December 31, 2017. Our other payables and accruals increased to RMB16.5 million as of December 31, 2019, primarily due to (i) the accrual of Listing expenses for the Global Offering of RMB2.8 million; (ii) an increase of RMB2.7 million of other tax payables mainly representing an increase in VAT payable; and (iii) an increase of RMB1.6 million of reimbursement to staff. Our other payables and accruals decreased to RMB13.6 million as of June 30, 2020 primarily due to the decrease in our other tax payables mainly representing a decrease in VAT payable.

Lease Liabilities

Lease liabilities primarily related to our leased office premises, which generally have a term ranging from one to three years. We recognize a corresponding lease liability for our right-of-use assets on the lease commencement date, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. As of December 31, 2017, 2018, and 2019 and June 30, 2020, our lease liabilities amounted to RMB3.0 million, RMB8.1 million, RMB4.2 million and RMB37.2 million, respectively. Following expiry of certain leases, our lease liabilities decreased from RMB8.1 million as of December 31, 2018 to RMB4.2 million as of December 31, 2019. Our lease liabilities increased to RMB37.2 million as of June 30, 2020 primarily due to a new lease contract, with a duration from May 2020 to September 2024.

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Tax Payable

Our tax payable represents EIT payable. We recorded tax payable of RMB5.1 million and RMB8.8 million as of December 31, 2017 and 2018, respectively, which was in line with the growth in our profit before tax. Our tax payable decreased to RMB5.5 million as of December 31, 2019, mainly reflecting the decrease in our profit before tax for the year ended December 31, 2019. Our tax payable decreased to RMB1.4 million as of June 30, 2020, as we settled tax payable in 2019.

NET CURRENT ASSETS

The following table sets forth details of our net current assets as of the date indicated.

	As of December 31,			As of June 30,	As of October 31,
	2017	2018	2019	2020	2020
	<i>(in thousands of RMB)</i>				<i>(unaudited)</i>
Current assets					
Trade receivables	27,530	30,665	71,719	50,309	78,026
Contract costs	3,091	9,033	4,421	11,258	13,546
Tax recoverable	757	–	–	–	–
Prepayments, deposits and other receivables	2,751	2,092	12,214	12,518	5,180
Financial assets at					
FVTPL	5,000	1,289	17,900	17,400	18,500
Bank balances and cash	90,219	99,205	73,642	65,534	48,391
Total current assets	129,348	142,284	179,896	157,019	163,643
Current liabilities					
Trade payables	11,805	15,763	27,357	20,829	19,519
Contract liabilities	14,506	36,152	30,346	31,184	17,001
Other payables and accruals	7,189	7,847	16,523	13,576	7,769
Lease liabilities	2,394	5,106	3,794	9,908	8,656
Tax payable	5,061	8,753	5,471	1,416	3,930
Total current liabilities	40,955	73,621	83,491	76,913	56,875
Net current assets	88,393	68,663	96,405	80,106	106,768

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Our net current assets decreased from RMB88.4 million as of December 31, 2017 to RMB68.7 million as of December 31, 2018, primarily due to (i) an increase of RMB21.6 million in contract liabilities, representing the receipt of customer deposits in 2018; and (ii) an increase of RMB4.0 million in trade payables; partially offset by (a) an increase of RMB5.9 million in contract costs, representing fees we paid to suppliers for the increasing number of medical conferences and the marketing strategy and consulting projects in 2018; and (b) an increase of RMB9.0 million in bank balances and cash.

Our net current assets increased from RMB68.7 million as of December 31, 2018 to RMB96.4 million as of December 31, 2019, primarily due to (i) an increase of RMB41.1 million in trade receivables under business expansion and because we issued more invoices to our customers in the last quarter of 2019; (ii) an increase of RMB16.6 million in financial assets at FVTPL mainly from structured fixed deposits we purchased in 2019; and (iii) an increase of RMB10.1 million in prepayments, deposits and other receivables mainly represented prepayments to suppliers and prepaid Listing expenses; partially offset by (a) a decrease of RMB25.6 million in bank balances and cash due to our purchases of structured fixed deposits and payment of Listing expenses; (b) an increase of RMB11.6 million in trade payables; and (c) an increase of RMB8.7 million in other payables and accruals mainly due to the accrual of Listing expenses for the Global Offering.

Our net current assets decreased from RMB96.4 million as of December 31, 2019 to RMB80.1 million as of June 30, 2020, primarily due to (i) a decrease of RMB21.4 million in our trade receivables caused by our seasonality and the COVID-19 outbreak; and (ii) an increase of RMB6.1 million in our lease liabilities as a result of the increase of our office rental expenses; partially offset by (a) a decrease of RMB6.5 million in trade payables caused by our seasonality and the diminished onsite business activities amid COVID-19 outbreak; and (b) an increase of RMB6.8 million in contract costs, representing fees we paid to suppliers in relation to over 50 projects.

Our net current assets increased from RMB80.1 million as of June 30, 2020 to RMB106.8 million as of October 31, 2020, primarily due to (i) an increase of RMB27.7 million in trade receivables; and (ii) a decrease of RMB14.2 million in contract liabilities; partially offset by (a) a decrease of RMB17.1 million in bank balances and cash; and (b) a decrease of RMB7.3 million in prepayments, deposits and other receivables.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our principal uses of cash are for working capital. During the Track Record Period, our principal sources of liquidity and capital resources were cash from operating activities and proceeds from Pre-IPO Investments. As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had cash and cash equivalents of RMB90.2 million, RMB99.2 million, RMB73.6 million and RMB65.5 million, respectively. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity that can meet our working capital needs while supporting a healthy level of business scale and expansion.

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Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash from operating activities, bank balances and cash and net proceeds from the Global Offering. As of the Latest Practicable Date, we did not enter into any banking facility agreement and had no unutilized banking facilities.

Our Directors are of the view that we have sufficient working capital for our present requirements and for at least for the next 12 months following the date of this Prospectus.

Cash Flows

The following table sets forth selected cash flow data for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2017	2018	2019	2019	2020
	<i>(in thousands of RMB)</i>				
Operating cash flows before movements in working capital .	47,675	58,029	42,028	10,448	1,905
Change in working capital	(43,192)	6,196	(29,222)	(40,971)	4,943
Income tax paid	(6,124)	(5,386)	(8,291)	(7,542)	(3,921)
Net cash (used in)/from operating activities	(1,641)	58,839	4,515	(38,065)	2,927
Net cash from/(used in) investing activities	2,460	(30,383)	(24,523)	264	(7,627)
Net cash from/(used in) financing activities	31,179	(19,470)	(5,555)	(2,994)	(3,408)
Net increase/ (decrease) in cash and cash equivalents	31,998	8,986	(25,563)	(40,795)	(8,108)
Cash and cash equivalents at beginning of the year/period	58,221	90,219	99,205	99,205	73,642
Cash and cash equivalents at end of the year/period . .	90,219	99,205	73,642	58,410	65,534

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Net Cash from/(Used in) Operating Activities

For the six months ended June 30, 2020, our net cash from operating activities amounted to RMB2.9 million, consisting of cash from operations of RMB6.8 million and income tax paid of RMB3.9 million. Our cash flow from operating activities before movements in working capital was RMB1.9 million for the six months ended June 30, 2020. The positive adjustment for movements in working capital primarily represented a decrease of RMB22.8 million in trade receivables caused by our seasonality and the COVID-19 outbreak; which was partially offset by (i) an increase of RMB6.8 million in contract costs, representing fees we paid to suppliers for in relation to over 50 projects; and (ii) a decrease of RMB6.5 million in trade payables caused by our seasonality and the COVID-19 outbreak.

For the year ended December 31, 2019, our net cash from operating activities amounted to RMB4.5 million, consisting of cash from operations of RMB12.8 million and income tax paid of RMB8.3 million. Our cash flow from operating activities before movements in working capital was RMB42.0 million for the year ended December 31, 2019. The negative adjustment for movements in working capital mainly represented (i) an increase of RMB47.0 million in trade receivables in line with our revenue growth; and (ii) a decrease of RMB5.8 million in contract liabilities, reflecting the time lag between the receipt of customer deposits and revenue recognition; which was partially offset by (a) an increase of RMB11.6 million in trade payables as our revenue grew; and (b) an increase of RMB8.6 million in other payables and accruals mainly due to accrued Listing expenses.

For the year ended December 31, 2018, our net cash from operating activities amounted to RMB58.8 million, consisting of cash from operations of RMB64.2 million and income tax paid of RMB5.4 million. Our cash flow from operating activities before movements in working capital was RMB58.0 million for the year ended December 31, 2018. The positive adjustment for movements in working capital primarily represented (i) an increase of RMB7.6 million in contract liabilities, reflecting the time lag between the receipt of customer deposits and revenue recognition; (ii) a decrease of RMB4.4 million in prepayments, deposits and other receivables; and (iii) an increase of RMB4.0 million in trade payables, reflecting the level of procurement and amounts due to suppliers as our revenue grew; which was partially offset by (a) an increase of RMB5.9 million in contract costs, representing fees we paid to suppliers for the increasing number of medical conferences and the marketing strategy and consulting projects in 2018; and (b) an increase of RMB4.4 million in trade receivables in line with our revenue growth.

For the year ended December 31, 2017, our net cash used in operating activities amounted to RMB1.6 million, consisting of cash from operations of RMB4.5 million and income tax paid of RMB6.1 million. Our cash flow from operating activities before movements in working capital was RMB47.7 million for the year ended December 31, 2017. The negative adjustment for movements in working capital principally composed of (i) a decrease of RMB28.8 million in contract liabilities as we began to implement certain projects in 2017 and relevant deposits received in 2016 were then recognized as revenue in 2017; and (ii) an increase of RMB16.5 million in trade receivables in line with our revenue growth; which was partially offset by an increase of RMB3.3 million in other payables and accruals as a result of the change in our salary pay day in 2017.

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Net Cash from/(Used in) Investing Activities

Our net cash used in investing activities for the six months ended June 30, 2020 amounted to RMB7.6 million, primarily attributable to (i) acquisition of intangible assets of RMB5.0 million for software and systems mainly used for our internet hospital services; (ii) purchases of financial assets at FVTPL of RMB5.0 million; and (iii) purchases of property, plant and equipment of RMB3.5 million; partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB5.7 million.

Our net cash used in investing activities for the year ended December 31, 2019 amounted to RMB24.5 million, primarily attributable to (i) purchases of financial assets at FVTPL of RMB70.0 million; (ii) loan of RMB20.0 million advanced to Weiliandong prior to our acquisition in March 2019; and (iii) acquisition of intangible assets of RMB10.9 million for software and systems mainly used for our patient education and screening services; partially offset by (a) proceeds from disposal of financial assets at FVTPL of RMB54.0 million; and (b) loan repayment of RMB20.0 million from Weiliandong.

Our net cash used in investing activities for the year ended December 31, 2018 amounted to RMB30.4 million, primarily attributable to (i) loan of RMB20.0 million advanced to Weiliandong; (ii) purchases of equity instruments at FVTOCI, which represented our capital injection in our equity interest in four companies of RMB16.7 million; and (iii) purchases of property, plant and equipment of RMB3.1 million; partially offset by (a) net cash inflow for acquisition of a 55% equity interest in Beijing Baichuan of RMB6.7 million; and (b) proceeds from disposal of financial assets at FVTPL of RMB5.7 million.

Our net cash from investing activities for the year ended December 31, 2017 amounted to RMB2.5 million, primarily attributable to proceeds from disposal of financial assets at FVTPL of RMB43.4 million; partially offset by (i) purchases of financial assets at FVTPL of RMB38.0 million; and (ii) purchases of property, plant and equipment of RMB3.1 million.

Net Cash from/(Used in) Financing Activities

Our net cash used in financing activities for the six months ended June 30, 2020 amounted to RMB3.4 million, which primarily represented payment for principal portion of lease liabilities of RMB3.1 million.

Our net cash used in financing activities for the year ended December 31, 2019 amounted to RMB5.6 million, which primarily represented payment for principal portion of lease liabilities of RMB5.2 million.

Our net cash used in financing activities for the year ended December 31, 2018 amounted to RMB19.5 million, which represented (i) dividends paid of RMB13.8 million; and (ii) payment for lease liabilities of RMB5.4 million.

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Our net cash from financing activities for the year ended December 31, 2017 amounted to RMB31.2 million, which represented the proceeds we received from the Pre-IPO Investors of RMB36.7 million; partially offset by payment for lease liabilities of RMB5.2 million. Please refer to “History and Reorganization — Our Major Subsidiaries and Operating Entities” for details.

INDEBTEDNESS

Our indebtedness represents lease liabilities. Our indebtedness as of December 31, 2017, 2018 and 2019 and June 30, 2020, and October 31, 2020, being the latest practicable date for determining our indebtedness, were as follows:

	As of December 31,			As of June 30,	As of October 31,
	2017	2018	2019	2020	2020
	<i>(in thousands of RMB)</i>				<i>(unaudited)</i>
Lease liabilities					
Current	2,394	5,106	3,794	9,908	8,656
Non-current	566	2,966	370	27,247	24,642
Total	2,960	8,072	4,164	37,155	33,298

Lease Liabilities

Upon the application of HKFRS 16, we recognized a corresponding lease liability for our right-of-use assets in respect of all leases unless they qualify for low value or short-term leases. As of June 30, 2020, we, as a lessee, had outstanding current and non-current lease liabilities of RMB37.2 million. The lease liabilities represent payment for the right to use underlying assets, which is unsecured and unguaranteed.

As of October 31, 2020, being the latest practicable date for determining our indebtedness, except as otherwise disclosed in this Prospectus, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, mortgages, charges or other material contingent liabilities.

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CONTINGENT LIABILITIES

As of October 31, 2020, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against us that is likely to have a material and adverse effect on our business, financial condition or results of operations.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet commitments or arrangements.

CAPITAL EXPENDITURE

Our capital expenditures amounted to RMB3.4 million, RMB5.2 million, RMB13.0 million and RMB8.5 million for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively. These capital expenditures related to (i) purchases of property, plant and equipment; and (ii) expenses for research and development activities capitalized as intangible assets. We are expected to incur expenses to develop computer and mobile software and platforms for our internet hospital services, which may be capitalized. These expenses will be financed by net proceeds from the Global Offering and cash flow from operating activities.

RELATED PARTY TRANSACTIONS

For the year ended December 31, 2019, we paid services fee to Shanghai Yiman Medical Technology Co., Ltd., whose sole shareholder is the director of Beijing Baichuan, in relation to production of marketing materials. Please refer to Note 33 in “Appendix I — Accountants’ Report” for details. Our Directors confirm that the related party transactions were carried out on an arm’s length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

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KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the date or for the period indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2017	2018	2019	2020
Gross profit margin ⁽¹⁾	27.6%	28.3%	22.2%	20.3%
Net profit margin ⁽²⁾	11.7%	13.3%	5.2% ⁽²⁾	N/A ⁽⁷⁾
Return on average equity ⁽³⁾	47.8%	35.2%	16.3% ⁽³⁾	N/A ⁽⁸⁾
Return on average assets ⁽⁴⁾	25.7%	23.1%	10.2% ⁽⁴⁾	N/A ⁽⁸⁾
Current ratio ⁽⁵⁾ / quick ratio ⁽⁶⁾	3.16	1.93	2.15	2.04

Notes:

- (1) Calculated as gross profit for the year/period divided by revenue for that year/period and multiplied by 100%.
- (2) Calculated as profit for the year/period divided by revenue for that year/period and multiplied by 100%.
- (3) Calculated as profit for the year/period divided by average balance of total equity at the beginning and the end of that year/period, then multiplied by 100%.
- (4) Calculated as profit for the year/period divided by average balance of total assets at the beginning and the end of that year/period, then multiplied by 100%.
- (5) Calculated as current assets divided by current liabilities as of the same date.
- (6) During the Track Record Period, we did not have any inventory and therefore our current ratio equals our quick ratio.
- (7) Not applicable because we recorded net loss.
- (8) Not applicable because demand for our services is subject to seasonality, and therefore our interim results may not be comparable or representative of our full year financial performance.

Gross Profit Margin

Please refer to “— Period-To-Period Comparison of Results of Operations” for details of changes of our gross profit margin during the Track Record Period.

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Net Profit Margin

Our net profit margin decreased from 13.3% in 2018 to 5.2% in 2019 primarily due to decrease in gross profit margin and Listing expenses. The decrease in our overall gross profit margin was principally attributable to decrease in the gross profit margin of patient education and screening services from 23.7% to 15.7% and marketing strategy and consulting services from 38.3% to 23.8%. We recorded net loss for the six months ended June 30, 2020, amid the COVID-19 outbreak which hit revenue generated from our medical convention projects. Please refer to “— Period-To-Period Comparison of Results of Operations” for details of changes of our net profit margin during the Track Record Period.

Return on Average Equity

Our return on average equity decreased from 47.8% in 2017 to 35.2% in 2018, mainly attributable to the continuous increase in our total equity attributable to the Pre-IPO Investments in 2017. Our return on average equity decreased from 35.2% in 2018 to 16.3% in 2019, mainly attributable to the decrease in our net profit and the relatively lower average balance of total equity of 2018, due to the RMB54.2 million of dividends we declared and settled in 2018.

Return on Average Assets

Our return on average assets decreased from 25.7% in 2017 to 23.1% in 2018 as our total assets increased from RMB140.3 million as of December 31, 2017 to RMB203.2 million as of December 31, 2018. Our return on average assets decreased from 23.1% in 2018 to 10.2% in 2019, mainly attributable to the decrease in our net profit and the increase in our average balance of total assets.

Current Ratio

Our current ratio decreased from 3.16 as of December 31, 2017 to 1.93 as of December 31, 2018 as our current liabilities (which mainly composed of contract liabilities) increased from RMB41.0 million as of December 31, 2017 to RMB73.6 million as of December 31, 2018. Our current ratio increased from 1.93 as of December 31, 2018 to 2.15 as of December 31, 2019 as our current assets increased from RMB142.3 million as of December 31, 2018 to RMB179.9 million as of December 31, 2019, primarily reflecting an increase in trade receivables. Our current ratio remained stable at 2.04 as of June 30, 2020, compared with 2.15 as of December 31, 2019. Please refer to “— Net Current Assets” for reasons of fluctuations in our current assets and current liabilities.

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PROFIT FORECAST FOR THE YEAR ENDING DECEMBER 31, 2020

We have prepared the following profit forecast for the year ending December 31, 2020.

Forecast consolidated profit attributable to owners of the Company ⁽¹⁾	Not less than RMB21.0 million (equivalent to HK\$24.8 million) ⁽³⁾
Unaudited pro forma forecast earnings per Share ⁽²⁾	Not less than RMB0.11 (equivalent to HK\$0.13) ⁽³⁾

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending December 31, 2020 has been prepared are summarized in “Profit Forecast” in Appendix IIB to this prospectus. Our forecast consolidated profit attributable to owners of the Company for the year ending December 31, 2020 prepared by our Directors is based on (i) the audited consolidated financial information of our Group for the six months ended June 30, 2020; (ii) the unaudited consolidated results based on management accounts of our Group for the five months ended November 30, 2020; and (iii) a forecast of the consolidated results of our Group for the remaining one month ending December 31, 2020, in the absence of unforeseen circumstances. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarized in “Accountants’ Report” as set out in Appendix I to this prospectus.
- (2) The calculation of the unaudited pro forma forecast earnings per Share for the year ending December 31, 2020 is based on the forecast consolidated profit attributable to owners of the Company for the year ending December 31, 2020, assuming the Global Offering had been completed on January 1, 2020 and a total of 200,000,000 Shares were in issue during the entire year, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.
- (3) The forecast consolidated profit attributable to owners of the Company and unaudited pro forma forecast earnings per Share in RMB are converted to Hong Kong dollars at the rate of RMB0.8456 to HK\$1. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including foreign exchange risk, credit risk and liquidity risk. Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our senior management is responsible for carrying out our risk management. Please refer to Note 4.2 in “Appendix I — Accountants’ Report” for details.

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures. We did not hedge against any fluctuation in foreign currency during the Track Record Period.

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We operate mainly in the PRC with most of the transactions settled in Renminbi. Our management considers that our business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of ours are denominated in the currencies other than the respective functional currencies of our entities.

Credit Risk

At the end of the reporting period, our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position. Our credit risk is primarily attributable to loan receivables, trade and other receivables and bank balances. Please refer to Note 4.2(b) in “Appendix I — Accountants’ Report” for details.

Liquidity risk

We aim to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, we maintain flexibility in funding by maintaining adequate cash and cash equivalents. Please refer to Note 4.2(c) in “Appendix I — Accountants’ Report” for details.

Capital Risk Management

Our objectives in managing capital (including funding from us and related parties) are to safeguard our ability to continue as a going concern in order to provide returns for us and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity value in the long term.

DIVIDENDS

In 2018, we declared and settled dividends of RMB54.2 million, of which RMB13.8 million was paid in cash and the remaining RMB40.4 million was paid in shares. No other dividend were paid or declared during the Track Record Period. Future dividend payments will depend upon the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of net profits calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

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Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. Currently, we do not have a fixed payout ratio. In addition, our Directors may from time to time pay such interim dividends on shares of our Company outstanding and authorize payment of the same out of the funds of our Company lawfully available.

DISTRIBUTABLE RESERVES

As of December 31, 2019, our Company had retained earnings of RMB32.0 million under HKFRSs, as reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2020. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the net tangible assets of our Group attributable to owners of our Company as of June 30, 2020 or at any future date.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2020 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2020	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share as of June 30, 2020 ⁽³⁾	
	<i>(RMB in thousands)</i>			<i>RMB</i>	<i>HK\$⁽⁴⁾</i>
Based on an Offer Price of HK\$3.00 per Offer Share . . .	112,418	92,620	205,038	1.03	1.21
Based on an Offer Price of HK\$4.00 per Offer Share . . .	112,418	128,981	241,399	1.21	1.43

(1) The audited consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2020 is extracted from the Accountants' Report set forth in Appendix I, which is based on the audited consolidated net assets of our Group attributable to owners of our Company as of June 30, 2020 of RMB138,664,000 with an adjustment for the goodwill of RMB3,115,000 and intangible assets of RMB23,131,000 as of June 30, 2020.

FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on 50,000,000 Shares at the indicative Offer Price of HK\$3.00 and HK\$4.00 per Offer Share, being the low-end and high-end of the indicated Offer Price range respectively, after deduction of the estimated underwriting fees and other related expenses to be incurred by our Group other than Listing expenses which has been recognized in profit or loss up to June 30, 2020.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company is arrived at on the basis that Shares were in issue assuming that the Global Offering has been completed on June 30, 2020 but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates for the issue or repurchase of Shares granted to the Directors.
- (4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company, the amount stated in Renminbi is converted into Hong Kong dollars at the rate of RMB0.8456 to HK\$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of June 30, 2020 to reflect any trading result or other transactions of our Group entered into subsequent to June 30, 2020.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB54.3 million (equivalent to approximately HK\$64.2 million, accounting for approximately 36.7% of the total gross proceeds from the Global Offering) (based on the mid-point of the Offer Price range of HK\$3.50 per Share) (including underwriting commission, brokerage, SFC transaction levy and Stock Exchange trading fee) and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. During the Track Record Period, approximately RMB17.1 million were charged to our consolidated statements of comprehensive income. After June 30, 2020, approximately RMB9.2 million is expected to be charged to our consolidated statements of comprehensive income, and approximately RMB28.0 million is expected to be accounted for as a deduction from equity upon the Listing. For the year ending December 31, 2020, approximately RMB7.0 million is expected to be charged to our consolidated statements of comprehensive income. After December 31, 2020, approximately RMB5.7 million is expected to be charged to our consolidated statements of comprehensive income. The Listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENT AND NO MATERIAL AND ADVERSE CHANGE

In response to the recent outbreak of a novel coronavirus named COVID-19 in China and overseas, the PRC Government has implemented widespread disease containment and treatment measures, including but not limited to extending Chinese New Year holidays, restricting onsite office work, traffic control, travel bans, mobilizing medical resources nationwide to support treatment in the disease epicenter of Wuhan, and requiring hospitals to manage and control staff and services to avoid patient crowding and cross-infections.

FINANCIAL INFORMATION

Although our operations and financial performance have been negatively affected by the COVID-19 outbreak in the first quarter of 2020, based on our current assessment, our Directors do not expect our full year 2020 financial performance to be materially and adversely affected by the COVID-19 outbreak.

Please refer to “Summary — Recent Development and No Material and Adverse Change” and “Risk factors — Risks Relating to Our Business and Industry — We may be subject to natural disasters, acts of war or terrorism, occurrence of epidemics or other factors beyond our control” for details.

After due and careful consideration, our Directors confirm that, up to the date of this Prospectus, save as the effects of the COVID-19 outbreaks and disclosed in “— Listing Expenses,” there has been no material and adverse change in our financial and trading position or prospects since June 30, 2020, and there is no event since June 30, 2020 that would materially affect the information shown in the Accountants’ Report, the text of which is set forth in Appendix I.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Please refer to “Business — Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds which we will receive after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering (assuming the payment of aggregate underwriting commission, including incentives fees, if any, amounting to 13.0% of the Offer Price multiplied by the Offer Shares):

Assuming an Offer Price of HK\$3.50 per Share (being the mid-point of the indicated Offer Price range stated in this Prospectus)	HK\$110.8 million
Assuming an Offer Price of HK\$4.00 per Share (being the high end of the indicated Offer Price range stated in this Prospectus)	HK\$132.3 million
Assuming an Offer Price of HK\$3.00 per Share (being the low end of the indicated Offer Price range stated in this Prospectus)	HK\$89.3 million

We intend to use the net proceeds from the Global Offering as follows, assuming an Offer Price of HK\$3.50 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus, and that the Over-allotment Option is not exercised:

Allocation of proceeds	Detailed initiatives	Implementation plan		
		2021	2022	2023 and onwards
approximately 58% of our total estimated net proceeds, or HK\$64.3 million	Broaden our customer base, disease area coverage and patient base:			
	(i) approximately 26%, or HK\$28.8 million, will be used to offer onsite disease risk screening services in lower-tier cities and rural areas in China through recruiting approximately 100 employees to cover approximately 1,000 hospitals;	Approximately HK\$7.6 million to recruit 35 to 45 employees to expand our coverage to substantially all major hospitals in first-tier cities in China (including relevant costs such as travel expenses)	Approximately HK\$10.2 million in staff costs for relevant personnel newly recruited in 2021 and to recruit 20 to 25 additional employees to expand our coverage to major hospitals in a number of second-tier cities (such as Chongqing and Nanjing) and certain smaller hospitals of first-tier cities in China (including relevant costs such as travel expenses)	Approximately HK\$11.0 million in staff costs for relevant personnel newly recruited in 2021 and 2022 and to recruit 20 to 30 additional employees to expand our coverage to community hospitals of first- and second-tier cities, and to hospitals in third- and fourth-tier cities (including relevant costs such as travel expenses)

FUTURE PLANS AND USE OF PROCEEDS

Allocation of proceeds	Detailed initiatives	Implementation plan		
		2021	2022	2023 and onwards
	(ii) approximately 12%, or HK\$13.3 million, will be used to recruit approximately 80 business operation personnel to strengthen our business network in, and coverage of, cities with developed healthcare infrastructure and to execute new projects;	Approximately HK\$1.5 million to recruit 15 to 25 employees to expand our disease area coverage by offering services to pharmaceutical companies engaged in non-CCVDs (mainly diabetes and respiratory diseases) and expand our customer base to reach more PRC pharmaceutical companies	Approximately HK\$5.8 million in staff costs for relevant personnel newly recruited in 2021 and to recruit 45 to 50 additional employees to expand our customer base by offering services to pharmaceutical companies engaged in CCVDs	Approximately HK\$6.0 million in staff costs for relevant personnel newly recruited in 2021 and 2022 and to recruit 5 to 10 additional employees to further expand our customer base to reach more PRC and global pharmaceutical companies and expand our disease area coverage
	(iii) approximately 12%, or HK\$13.3 million, will be used to acquire integrated healthcare marketing solutions providers and medical consulting and advisory service providers to broaden our customer base and our disease area coverage. Please refer to “Business — Business Strategies — Expand and strengthen our integrated healthcare marketing solutions” for details of our criteria for selecting targets for our acquisition. As of the Latest Practicable Date, we did not have any specific targets and were not in negotiations with any specific targets; and	N/A	N/A	N/A

FUTURE PLANS AND USE OF PROCEEDS

Allocation of proceeds	Detailed initiatives	Implementation plan		
		2021	2022	2023 and onwards
	(iv) approximately 8%, or HK\$8.9 million, will be used to build our online database.	Approximately HK\$6.9 million to procure software and hardware, in staff costs for relevant personnel and to recruit two to four supervisors, two to four technical and administrative personnel	Approximately HK\$1.0 million in staff costs for relevant personnel newly recruited in 2021 and to recruit two to four additional technical and administrative personnel	Approximately HK\$1.0 million in staff costs for relevant personnel newly recruited in 2021 and 2022 and to recruit one to three additional technical and administrative personnel
approximately 25% of our total estimated net proceeds, or HK\$27.7 million	Develop our internet hospital services: (i) approximately 15%, or HK\$16.6 million, will be used to build up a designated team responsible for operations with prior internet hospital operation experience, which consists of (a) management personnel that are responsible for overseeing and managing our internet hospital services; (b) account managers that are responsible for recruiting physicians to offer online consultation service through our mobile platform; and (c) account managers that are responsible for liaising with pharmaceutical companies and pharmacies to develop e-prescription service; and	Approximately HK\$3.0 million in staff costs for account managers to expand our physician network and maintain existing physicians on the platform	Approximately HK\$4.0 million in staff costs for relevant personnel newly recruited in 2021 and to additionally recruit a regional sales directors and three to seven account managers responsible for recruiting physicians and maintaining existing physicians and three to seven account managers responsible for liaising with pharmaceutical companies and pharmacies to extend our services to more provinces	Approximately HK\$9.6 million in staff costs for relevant personnel newly recruited in 2021 and 2022 and to additionally recruit a regional sales directors and 15 to 25 account managers responsible for recruiting physicians and maintaining existing physicians and 15 to 25 account managers responsible for liaising with pharmaceutical companies and pharmacies to further extend our services

FUTURE PLANS AND USE OF PROCEEDS

Allocation of proceeds	Detailed initiatives	Implementation plan		
		2021	2022	2023 and onwards
	(ii) approximately 10%, or HK\$11.1 million, will be used to develop our mobile platform for internet hospital services through (a) recruiting approximately eight to 12 IT professionals; and (b) procuring servers and software.	Approximately HK\$2.3 million in staff costs for IT professionals and build server	Approximately HK\$3.8 million in staff costs for relevant personnel newly recruited in 2021 and to recruit four to six additional IT professionals and upgrade and maintain the server	Approximately HK\$5.0 million in staff costs for relevant personnel newly recruited in 2021 and 2022 and to recruit one to three additional IT professionals and upgrade and maintain the server
approximately 12% of our total estimated net proceeds, or HK\$13.3 million	Working capital and general corporate purposes.	-	-	-
approximately 5% of our total estimated net proceeds, or HK\$5.5 million	Develop CRO services, including recruiting a team of experienced personnel.	Approximately HK\$1.0 million in staff costs for relevant personnel and to recruit one to three experienced personnel, including patient education and screening coordinators, account managers to develop our CRO disease coverage in neurological diseases	Approximately HK\$1.8 million in staff costs for relevant personnel newly recruited in 2021 and to recruit four to eight additional experienced personnel to develop our CRO disease coverage in CCVDs	Approximately HK\$2.7 million in staff costs for relevant personnel newly recruited in 2021 and 2022 and to recruit six to 10 additional experienced personnel to develop our CRO disease coverage in diabetes

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this Prospectus.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK\$134.3 million, assuming an Offer Price of HK\$3.50 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purposes in the proportions stated above.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits with licensed banks in the PRC and/or Hong Kong. Our Directors consider that the net proceeds from the Global Offering together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plan as set out in this section.

REASONS FOR LISTING

Our current objective is to obtain a form of financing that is flexible and will enable us to achieve our expansion plans without being exposed to significant financial risks. Our Directors believe that our listing status upon Listing will (i) enhance our brand image; (ii) attract experienced personnel to join us; (iii) further increase our competitiveness; (iv) enhance internal control and corporate governance practices which can foster customers' and suppliers' confidence in us; and (v) attract more China's esteemed medical NGOs and pharmaceutical companies to cooperate with us. Further, in view of our future business expansions and long term development needs and goals, we believe the Listing would not only allow us to raise our international profile, but also allow us to access international capital.

UNDERWRITING

HONG KONG UNDERWRITERS

CEB International Capital Corporation Limited

Aristo Securities Limited

BOCOM International Securities Limited

CMBC Securities Company Limited

Ruibang Securities Limited

SPDB International Capital Limited

Wonderland International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 5,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this Prospectus and the Application Forms.

Subject to:

- (a) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this Prospectus and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Global Coordinator (for itself and on behalf of the other Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Sole Global Coordinator at its sole and absolute discretion (for itself and on behalf of the other Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

- (a) there has developed, occurred, existed or come into force:
 - (i) any statement contained in any of this Prospectus, Application Forms the formal notice to be published in connection with the Hong Kong Public Offering on December 31, 2020, in substantially agreed form and in accordance with the requirements under the Listing Rules, (the “**Formal Notice**”), any supplemental offering materials, announcement, the Formal Notice, the roadshow materials and any other document published or issued by or on behalf of the Company or the International Underwriters for the purposes of or in connection with the International Offering (the “**Offer Documents**”) was, when it was issued, or has become, untrue, incorrect, misleading or deceptive in any respect or that any forecast, expression of opinion, intention or expectation expressed in any of the Offer Documents is not, in the reasonable opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters), in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission therefrom; or
 - (iii) any material breach of any of the obligations imposed or to be imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (in each case, other than on the part of any of the Underwriters); or
 - (iv) any material adverse change in the business, assets, liabilities, results of operations (financial or trading) or performance of any member of our Group (“**Group Company**”); or
 - (v) any breach of, or any event or circumstance rendering any of the representations, warranties, agreements and undertakings to be given by any of our Company, our executive Directors and our Controlling Shareholders respectively in terms set out in the Hong Kong Underwriting Agreement untrue or incorrect in material respect; or

UNDERWRITING

- (vi) the approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, or is qualified (other than subject to customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) our Company withdraws any of the Offer Documents or the Global Offering; or
 - (viii) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or
 - (ix) a petition or an order is presented for the winding-up or liquidation of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
 - (x) an authority or a political body in any relevant jurisdiction has commenced any investigation or other action against any of the executive Directors as set out in “Directors and Senior Management” section of this Prospectus which will have material adverse effect on the Group’s operation; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any event, or series of events in the nature of force majeure (including, without limitation, any acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, outbreaks of infectious diseases, pandemics or epidemics (excluding such diseases subsisting as of the date of the Hong Kong Underwriting Agreement which have not materially escalated thereafter), in or affecting any of Hong Kong, the PRC, the United States, the Cayman Islands, the European Union (or any member thereof) or any other jurisdictions relevant to any Group Company or the Global Offering (the “**Specific Jurisdictions**”); or
 - (ii) any material change or any event or series of events resulting or representing any material change in any local, regional, national, international, financial, economic, political, military, industrial, fiscal, legal regulatory, currency,

UNDERWRITING

credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets); or

- (iii) any suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ Global Market; or
- (iv) any new law(s), rule(s), statute(s), ordinance(s), regulation(s), guideline(s), opinion(s), notice(s), circular(s), order(s), judgment(s), decree(s) or ruling(s) of any governmental authority (“**Law(s)**”), or any material change or development in existing Laws, or any material change in the interpretation or application of existing Laws by any court or other competent authority, in each case, in or affecting any of the Specific Jurisdictions; or
- (v) any general moratorium on commercial banking activities, or any disruption in commercial banking activities, foreign exchange trading or securities settlement or clearance services or procedures or matters, in or affecting any of the Specific Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by or for any of the Specific Jurisdictions; or
- (vii) any material adverse change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment Laws in or affecting any of the Specific Jurisdictions; or
- (viii) any litigation or claim of any third party being threatened or instigated against any Group Company; or
- (ix) any of the executive Directors as set out in the “Directors and Senior Management” section of this Prospectus being charged with an indictable offense or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company which will have material adverse effect on the Group’s operation; or
- (x) the commencement by any governmental, regulatory or political body or organization of any public action against an executive or a non-executive Director in his or her capacity as such or an announcement by any governmental, regulatory or political body or organization that it intends to take any such action; or
- (xi) a contravention by any Group Company or any executive or non-executive Director of the Listing Rules, the Companies Ordinance or any other Laws applicable to the Global Offering in any material respect; or

UNDERWRITING

- (xii) a prohibition on our Company by any Laws for whatever reason from allotting, issuing or selling the Offer Shares pursuant to the terms of the Global Offering; or
- (xiii) non-compliance of the Relevant Documents or any aspect of the Global Offering with the Listing Rules or any other Laws applicable to the Global Offering in any material respect; or
- (xiv) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplemental prospectus or offering documents in connection with the Global Offering pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC in circumstances where the matter to be disclosed is, in the reasonable opinion of the Sole Global Coordinator materially adverse to the marketing for or implementation of the Global Offering; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any Group Company or in respect of which any Group Company is liable prior to its stated maturity,

and which in each case individually or in aggregate in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (a) has or is or will or may or is likely to have a material effect on the business or prospects of our Company or our Group or any Group Company as a whole; or
- (b) has or will or may have or is likely to have a material effect on the success of the Global Offering and/or make it impracticable or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
- (c) makes or will make or may make it inadvisable, inexpedient or impracticable to proceed with Hong Kong Public Offering and/or Global Offering or the delivery of Offer Shares on terms and in the manner contemplated by this Prospectus.

UNDERWRITING

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, it shall not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this Prospectus (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this Prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any securities in our Company beneficially owned by it in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by it will be disposed of, immediately inform us in writing of such indications.

UNDERWRITING

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings given to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, among others, except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the exercise of any options granted or to be granted under the share option scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, and will procure each other Group Company not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters) which consent shall not be unreasonably withheld or delayed and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an pledge, charge, lien, mortgage, option, restriction, right of first refusal, security interest, claim, pre-emption rights, equity interest, third party rights or interests or rights of the same nature as that of the foregoing or other encumbrances or security interest of any kind or another type of preferential arrangement (including without limitation, retention arrangement) having similar effect (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any other warrants or other rights to purchase, any Shares or any shares of such other Group Company, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, with a depository in connection with the issue of depository receipts; or repurchase any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable; or

UNDERWRITING

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other Group Company, as applicable); or
- (c) enter into any transaction with the same economic effect as any transactions specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other Group Company, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Our Company has also undertaken that it will not, and will procure each other Group Company not to, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, such that any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”).

In the event that, during the Second Six-Month Period, our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in any Shares or other securities of our Company.

UNDERWRITING

By our Controlling Shareholders

Each of our Controlling Shareholders has undertaken jointly and severally to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, except pursuant to the Global Offering, the exercise of the Over-allotment Option and the Stock Borrowing Agreement and in compliance with the requirements under Rule 10.07(3) of the Listing Rules, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

- (i) at any time during the First Six-Month Period, it/he/she shall not, and shall procure that the relevant registered holder(s), any nominee or trustee holding on trust for it/him/her and the companies controlled by it/he/she (together, the “**Controlled Entities**”) shall not,
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge or pledge (other than using the issued share capital of our Company beneficially owned by it/him/her as security (including a charge or a pledge) in favor of an authorized institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan in compliance with Note (2) to Rule 10.07(2) of the Listing Rules), hypothecate, lend, grant or sell any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) beneficially owned by it/him/her directly or indirectly through its Controlled Entities (the “**Relevant Securities**”), or deposit any Relevant Securities with a depository in connection with the issue of depository receipts; or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or
 - (c) enter into or effect any transaction with the same economic effect as any of the transactions referred to in sub-paragraphs (a) or (b) above; or
 - (d) offer to or agree to or announce any intention to enter into or effect any of the transactions referred to in sub-paragraphs (a), (b) or (c) above, which any of the foregoing transactions referred to in sub-paragraphs (a), (b), (c) or (d) is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

UNDERWRITING

- (ii) at any time during the Second Six-Month Period, it/he/she shall not, and shall procure that the Controlled Entities shall not, enter into any of the transactions referred to in (i)(a), (b) or (c) above or offer to or agree to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it/he/she would cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be “Controlling Shareholders” (as defined in the Listing Rules) of our Company;
- (iii) in the event that it/he/she enters into any of the transactions specified in (i) (a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction within the Second Six-Month Period, it/he/she shall take all reasonable steps to ensure that it/he/she will not create a disorderly or false market for any Shares or other securities of our Company; and
- (iv) it/he/she shall, and shall procure that the relevant registered holder(s) and other Controlled Entities shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by it/he/she or by the registered holder(s) and/or other Controlled Entities of any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the other Hong Kong Underwriters that, within the period from the date by reference to which disclosure of their shareholding in our Company is made in this Prospectus and ending on the date which is twelve months from the Listing Date, it/he/she will:

- (i) when it/he/she pledges or charges any securities or interests in the Relevant Securities in favor of an authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company and the Sole Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and
- (ii) when it/he/she receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Sponsor in writing of such indications.

UNDERWRITING

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this Prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Offering

International Offering

In connection with the International Offering, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering. Please refer to "Structure of the Global Offering – International Offering" for further details.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the International Underwriters from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 7,500,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover over-allocations in the International Offering, if any.

UNDERWRITING

Total Commission and Expenses

We will pay the Sole Global Coordinator (for itself and on behalf of the other Underwriters) an underwriting commission of 9.5% of the aggregate Offer Price of all Offer Shares from the Global Offering, out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters, but not the Hong Kong Underwriters. In addition, we may, at our discretion, pay to the Sole Global Coordinator an additional incentive fee of up to 3.5% of the aggregate Offer Price of the Offer Shares from the Global Offering, including proceeds from the exercise of the Over-allotment Option.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$3.50 (being the mid-point of the stated range of the Offer Price between HK\$3.00 and HK\$4.00), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK\$64.2 million in total and are payable by us.

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 5,000,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offering”; and
- the International Offering of initially 45,000,000 Offer Shares (subject to reallocation and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 50,000,000 Offer Shares in the Global Offering will represent 25.0% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 5,000,000 Offer Shares, representing 10.0% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in “Conditions of the Global Offering.”

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- **Pool A:** The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK\$5.0 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable); and
- **Pool B:** The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5.0 million and up to the value of pool B (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable).

STRUCTURE OF THE GLOBAL OFFERING

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 2,500,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offer, will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the discretion of the Sole Global Coordinator, subject to the following:

- (a) where the International Offer Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate;
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 5,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 10,000,000 Offer Shares, representing 20.0% of the total number of the Offer Shares initially available under the Global Offering;
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (1) 15 times or more but less than 50 times, (2) 50 times or more but less than 100 times, and (3) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering in accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, so that the total number of Hong Kong Offer Shares will be increased to 15,000,000 Offer Shares (in the case of (1)), 20,000,000 Offer Shares (in the case of (2)) and 25,000,000 Offer Shares (in the case of (3)), representing approximately 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering, respectively;

STRUCTURE OF THE GLOBAL OFFERING

- (b) where the International Offer Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 5,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 10,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering.

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances described in paragraph (a)(ii) or (b)(ii) above, the final Offer Price shall be fixed at the bottom end of the Offer Price range (i.e. HK\$3.00 per Offer Share) according to HKEX Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

In all cases of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, maximum price of HK\$4.00 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% on each Offer Share, amounting to a total of HK\$3,232.25 for one board lot of 800 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described below in “– Pricing and Allocation”, is less than the maximum price of HK\$4.00 per Offer Share, appropriate refund

STRUCTURE OF THE GLOBAL OFFERING

payments (including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Please refer to “How to Apply for Hong Kong Offer Shares” for further details.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 45,000,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the International Offering will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offer Shares will conditionally be offered to selected professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement as described above in “– The Hong Kong Public Offering – Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to 7,500,000 Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.6% of our enlarged issued share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Stabilization action permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on Sunday, February 7, 2021, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

STRUCTURE OF THE GLOBAL OFFERING

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to enter into an agreement with Ji Ze Investment, a Controlling Shareholder of our Company, to borrow, whether on its own or through its affiliates, up to 7,500,000 Shares, representing 15% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this Prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Ji Ze Investment by the Stabilizing Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Ji Ze Investment or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to Ji Ze Investment by the Stabilizing Manager (or any person acting for it) in relation to such stock borrowing arrangement.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Friday, January 8, 2021 and in any event, not later than Monday, January 11, 2021.

The Offer Price will not be more than HK\$4.00 per Offer Share and is expected to be not less than HK\$3.00 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum price of HK\$4.00 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% fee, amounting to a total of HK\$3,232.25 for one board lot of 800 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$4.00, we will refund the respective difference, including brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. Please refer to “How to Apply for Hong Kong Offer Shares” for further details.

The International Underwriters will be soliciting from prospective investors’ indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the Offer Price range below that stated in this Prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice on our website www.mediwelcome.com and the website of the Stock Exchange at www.hkexnews.hk (the contents of the website do not form a part of this Prospectus). Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price range.

STRUCTURE OF THE GLOBAL OFFERING

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in “Summary”, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The final Offer Price, the level of indication of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares – 11. Publication of Results.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this Prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been agreed between us and the Sole Global Coordinator (on behalf the Underwriters);
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Saturday, January 30, 2021, being the 30th day after the date of this Prospectus.

If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before Monday, January 11, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on our website at www.mediwelcome.com and the website of the Stock Exchange at www.hkexnews.hk on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares – 13. Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in “Underwriting” for further details.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, January 19, 2021, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, January 19, 2021.

The Shares will be traded in board lots of 800 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Thursday, December 31, 2020 to 12:00 noon on Friday, January 8, 2021 from:

- (i) any of the following offices of the Hong Kong Underwriters:

CEB International Capital Corporation Limited
22/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Aristo Securities Limited

Room 101, 1st Floor
On Hong Commercial Building
145 Hennessy Road
Wanchai
Hong Kong

BOCOM International Securities Limited

15/F Man Yee Building
68 Des Voeux Road Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Ruibang Securities Limited

9/F Sang Woo Building
227-228 Gloucester Road
Wanchai
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Wonderland International Securities Limited

26/F Tung Hip Commercial Building
252 Des Voeux Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	1 Garden Road, Hong Kong
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei, Kowloon
New Territories	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Thursday, December 31, 2020 until 12:00 noon on Friday, January 8, 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED - MEDIWELCOME HEALTHCARE PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, December 31, 2020	– 9:00 a.m. to 4:00 p.m.
Saturday, January 2, 2021	– 9:00 a.m. to 12:00 noon
Monday, January 4, 2021	– 9:00 a.m. to 4:00 p.m.
Tuesday, January 5, 2021	– 9:00 a.m. to 4:00 p.m.
Wednesday, January 6, 2021	– 9:00 a.m. to 4:00 p.m.
Thursday, January 7, 2021	– 9:00 a.m. to 4:00 p.m.
Friday, January 8, 2021	– 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, January 8, 2021, the last application day or such later time as described in “– 10. Effect of Bad Weather on the Opening of the Applications Lists.”

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this Prospectus and have only relied on the information and representations contained in this Prospectus in making your application and will not rely on any other information or representations except those in any supplement to this Prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this Prospectus;
- (vi) agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this Prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this Prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “– Who can apply”, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, December 31, 2020 until 11:30 a.m. on Friday, January 8, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, January 8, 2021 or such later time under “– 10. Effect of Bad Weather on the Opening of the Applications Lists.”

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2.0 for each “Mediwelcome Healthcare Management & Technology Inc.” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a Prospectus from this address.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made, save as set out in any supplement to this Prospectus;
- agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this Prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 800 Hong Kong Offer Shares. Instructions for more than 800 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Thursday, December 31, 2020, 9:00 a.m. to 8:30 p.m.
- Saturday, January 2, 2021, 8:00 a.m. to 1:00 p.m.
- Monday, January 4, 2021, 8:00 a.m. to 8:30 p.m.
- Tuesday, January 5, 2021, 8:00 a.m. to 8:30 p.m.
- Wednesday, January 6, 2021, 8:00 a.m. to 8:30 p.m.
- Thursday, January 7, 2021, 8:00 a.m. to 8:30 p.m.
- Friday, January 8, 2021, 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, December 31, 2020 until 12:00 noon on Friday, January 8, 2021 (24 hours daily, except on Friday, January 8, 2021, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, January 8, 2021, the last application day or such later time as described in “– 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, January 8, 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

HOW TO APPLY FOR HONG KONG OFFER SHARES

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 800 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 800 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Please refer to “Structure of the Global Offering – Pricing and Allocation” for further details on the Offer Price.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; or
- Extreme Conditions.

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, January 8, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, January 8, 2021 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, January 18, 2021 on our website at www.mediwelcome.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our website at www.mediwelcome.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Monday, January 18, 2021;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Monday, January 18, 2021 to 12:00 midnight on Sunday, January 24, 2021;
- by telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Monday, January 18, 2021 to Thursday, January 21, 2021 (excluding Saturday, Sunday and public holidays in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, January 18, 2021 to Wednesday, January 20, 2021 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **White Form eIPO** Service Provider, you agree that your application other application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this Prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If any supplement to this Prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;

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- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$4.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this Prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, January 18, 2021.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Monday, January 18, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, January 19, 2021 provided that the Global Offering has become unconditional and the right of termination described in “Underwriting” has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, January 18, 2021 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, January 18, 2021, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, January 18, 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, January 18, 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, January 18, 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, January 18, 2021, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, January 18, 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, January 18, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Monday, January 18, 2021. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, January 18, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, January 18, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, January 18, 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-81, received from the Company's reporting accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



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大華馬施雲
會計師事務所有限公司

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MEDIWELCOME HEALTHCARE MANAGEMENT & TECHNOLOGY INC.

Introduction

We report on the historical financial information of Mediwelcome Healthcare Management & Technology Inc. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-81, which comprises the consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020, the statements of financial position of the Company as at 31 December 2019 and 30 June 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 (the “Track Record Period”), and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-81 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 31 December 2020 (the “Document”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Notes 1.2 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "*Accountants' Reports on Historical Financial Information in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Notes 1.2 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's consolidated financial position as at 31 December 2017, 2018 and 2019 and 30 June 2020, of the Company's financial position as at 31 December 2019 and 30 June 2020, and of the Group's consolidated financial performance and consolidated cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Notes 1.2 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 30 to the Historical Financial Information which contains information about the dividends paid by the subsidiaries of the Group in respect of the Track Record Period. No dividends have been paid nor proposed by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

Moore Stephens CPA Limited

Certified Public Accountants

Cheung Sai Kit

Practising Certificate Number: P05544

Hong Kong, 31 December 2020

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by Moore Stephens CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") which is also the functional currency of the Company and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated statements of comprehensive income

	Notes	Year ended 31 December			Six months ended 30 June	
		2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
Revenue	5	258,880	298,968	427,159	161,945	138,681
Cost of sales		(187,506)	(214,372)	(332,291)	(126,329)	(110,549)
Gross profit		71,374	84,596	94,868	35,616	28,132
Other income, gains and losses	6	573	2,290	3,339	1,627	1,015
Selling expenses		(4,180)	(4,636)	(6,377)	(2,653)	(5,758)
Administrative expenses		(23,643)	(26,384)	(34,196)	(17,519)	(18,309)
Research and development expenses		(4,037)	(5,110)	(11,589)	(2,665)	(7,208)
Listing expenses		–	–	(13,605)	(8,085)	(3,503)
Finance costs	7	(268)	(301)	(309)	(195)	(352)
(Impairment losses)/reversal of impairment losses on trade receivables		(1,640)	(1,278)	(6,113)	(1,959)	1,415
Other expenses		(61)	(25)	(46)	(9)	–
Profit/(loss) before taxation	8	38,118	49,152	25,972	4,158	(4,568)
Income tax (expense)/credit	10	(7,902)	(9,475)	(3,915)	(2,083)	561
Profit/(loss) for the year/period		30,216	39,677	22,057	2,075	(4,007)
Other comprehensive income/(loss)						
<i>Item that will not be reclassified to profit or loss:</i>						
Fair value changes in equity instruments at fair value through other comprehensive income		–	677	(3,839)	(3,717)	5,021
Total comprehensive income/(loss) for the year/period		30,216	40,354	18,218	(1,642)	1,014
Profit/(loss) for the year/period attributable to:						
– Owners of the Company		29,657	38,041	20,852	2,538	(2,278)
– Non-controlling interests		559	1,636	1,205	(463)	(1,729)
		30,216	39,677	22,057	2,075	(4,007)
Total comprehensive income/(loss) for the year/period attributable to:						
– Owners of the Company		29,657	38,718	17,013	(1,179)	2,743
– Non-controlling interests		559	1,636	1,205	(463)	(1,729)
		30,216	40,354	18,218	(1,642)	1,014

Consolidated statements of financial position

	Notes	As at 31 December			As at
		2017	2018	2019	30 June
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	6,057	6,573	6,048	7,962
Right-of-use assets	13	2,940	8,037	4,023	37,070
Equity instruments at fair value through other comprehensive income	14a	–	17,352	12,614	17,635
Loan receivable	15	–	20,000	–	–
Goodwill	16	591	962	3,115	3,115
Intangible assets	17	454	2,826	21,454	23,131
Deferred tax assets	18	629	956	1,685	1,868
Prepayments, deposits and other receivables	19	237	4,183	646	2,751
		<u>10,908</u>	<u>60,889</u>	<u>49,585</u>	<u>93,532</u>
Current assets					
Trade receivables	20	27,530	30,665	71,719	50,309
Contract costs	21	3,091	9,033	4,421	11,258
Tax recoverable		757	–	–	–
Prepayments, deposits and other receivables	19	2,751	2,092	12,214	12,518
Financial assets at fair value through profit or loss	14b	5,000	1,289	17,900	17,400
Bank balances and cash	22	90,219	99,205	73,642	65,534
		<u>129,348</u>	<u>142,284</u>	<u>179,896</u>	<u>157,019</u>
Total assets		<u>140,256</u>	<u>203,173</u>	<u>229,481</u>	<u>250,551</u>
LIABILITIES					
Current liabilities					
Trade payables	23	11,805	15,763	27,357	20,829
Contract liabilities	24	14,506	36,152	30,346	31,184
Other payables and accruals	25	7,189	7,847	16,523	13,576
Lease liabilities	26	2,394	5,106	3,794	9,908
Tax payable		5,061	8,753	5,471	1,416
		<u>40,955</u>	<u>73,621</u>	<u>83,491</u>	<u>76,913</u>
Net current assets		<u>88,393</u>	<u>68,663</u>	<u>96,405</u>	<u>80,106</u>
Total assets less current liabilities		<u>99,301</u>	<u>129,552</u>	<u>145,990</u>	<u>173,638</u>
Non-current liabilities					
Deferred tax liabilities	18	–	–	815	572
Lease liabilities	26	566	2,966	370	27,247
		<u>566</u>	<u>2,966</u>	<u>1,185</u>	<u>27,819</u>
Net assets		<u>98,735</u>	<u>126,586</u>	<u>144,805</u>	<u>145,819</u>
EQUITY					
Capital and reserves attributable to owners of the Company					
Share capital	27	13,750	54,216	1	1
Reserves	28	80,189	64,691	135,920	138,663
		<u>93,939</u>	<u>118,907</u>	<u>135,921</u>	<u>138,664</u>
Non-controlling interests		<u>4,796</u>	<u>7,679</u>	<u>8,884</u>	<u>7,155</u>
Total equity		<u>98,735</u>	<u>126,586</u>	<u>144,805</u>	<u>145,819</u>

Statements of financial position of the Company

	<i>Notes</i>	As at 31 December 2019 RMB'000	As at 30 June 2020 RMB'000
ASSET			
Current asset			
Amounts due from shareholders		<u>1</u>	<u>1</u>
LIABILITY			
Current liability			
Amount due to a subsidiary	<i>ii</i>	<u>13,605</u>	<u>17,108</u>
Net liability		<u>(13,604)</u>	<u>(17,107)</u>
EQUITY			
Share capital	<i>27</i>	<u>1</u>	<u>1</u>
Reserves		<u>(13,605)</u>	<u>(17,108)</u>
Total equity		<u>(13,604)</u>	<u>(17,107)</u>

Notes:

- i. The Company was incorporated on 21 February 2019, and details are set out in Note 1.1.
- ii. The balance represents the amount due to Mediwelcome Beijing (as defined in note 1.2) and the amount is non-interest bearing and repayable on demand.

Consolidated statements of changes in equity

	Attributable to owners of the Company						Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000 (Note 27)	Capital reserve RMB'000 (Note 28)	Statutory reserve RMB'000 (Note 28)	Fair value reserve RMB'000 (Note 28)	Other reserve RMB'000 (Note 28)	Retained earnings RMB'000 (Note 28)			
As at 1 January 2017	12,500	5,780	1,895	–	–	7,418	27,593	–	27,593
Profit for the year and total comprehensive income for the year	–	–	–	–	–	29,657	29,657	559	30,216
Acquisition of a subsidiary (Note 31(a))	–	–	–	–	–	–	–	4,237	4,237
Placement of new shares (Note 27(a))	1,250	35,439	–	–	–	–	36,689	–	36,689
Appropriation to statutory reserve	–	–	2,216	–	–	(2,216)	–	–	–
As at 31 December 2017	13,750	41,219	4,111	–	–	34,859	93,939	4,796	98,735
As at 1 January 2018	13,750	41,219	4,111	–	–	34,859	93,939	4,796	98,735
Profit for the year	–	–	–	–	–	38,041	38,041	1,636	39,677
Other comprehensive income	–	–	–	–	–	–	–	–	–
Fair value changes in equity instruments at fair value through other comprehensive income ("FVTOCI")	–	–	–	677	–	–	677	–	677
Total comprehensive income for the year	–	–	–	677	–	38,041	38,718	1,636	40,354
Acquisition of a subsidiary (Note 31(b))	–	–	–	–	–	–	–	1,247	1,247
Appropriation to statutory reserve	–	–	3,862	–	–	(3,862)	–	–	–
Dividend declared and paid (Notes 27(b))	40,466	(3,341)	(2,750)	–	–	(48,125)	(13,750)	–	(13,750)
As at 31 December 2018	54,216	37,878	5,223	677	–	20,913	118,907	7,679	126,586

	Attributable to owners of the Company						Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000 (Note 27)	Capital reserve RMB'000 (Note 28)	Statutory reserve RMB'000 (Note 28)	Fair value reserve RMB'000 (Note 28)	Other reserve RMB'000 (Note 28)	Retained earnings RMB'000 (Note 28)			
As at 1 January 2019	54,216	37,878	5,223	677	–	20,913	118,907	7,679	126,586
Profit for the year	–	–	–	–	–	20,852	20,852	1,205	22,057
Other comprehensive loss									
Fair value changes in equity instruments at FVTOCI	–	–	–	(3,839)	–	–	(3,839)	–	(3,839)
Total comprehensive (loss)/income for the year	–	–	–	(3,839)	–	20,852	17,013	1,205	18,218
Derecognition upon deemed disposal of equity instruments at FVTOCI (Note 31(c))	–	–	–	3,601	–	(3,601)	–	–	–
Appropriation to statutory reserve	–	–	6,117	–	–	(6,117)	–	–	–
Issuance of shares of the Company	1	–	–	–	–	–	1	–	1
Effect of Reorganisation*	(54,216)	–	–	–	54,216	–	–	–	–
As at 31 December 2019	1	37,878	11,340	439	54,216	32,047	135,921	8,884	144,805

	Attributable to owners of the Company						Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 27)	Capital reserve RMB'000 (Note 28)	Statutory reserve RMB'000 (Note 28)	Fair value reserve RMB'000 (Note 28)	Other reserve RMB'000 (Note 28)	Retained earnings RMB'000 (Note 28)			
As at 1 January 2020	1	37,878	11,340	439	54,216	32,047	135,921	8,884	144,805
Loss for the period	–	–	–	–	–	(2,278)	(2,278)	(1,729)	(4,007)
Other comprehensive income									
Fair value changes in equity instruments at FVTOCI	–	–	–	5,021	–	–	5,021	–	5,021
Total comprehensive income/(loss) for the period	–	–	–	5,021	–	(2,278)	2,743	(1,729)	1,014

	Attributable to owners of the Company						Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 27)	Capital reserve RMB'000 (Note 28)	Statutory reserve RMB'000 (Note 28)	Fair value Reserve RMB'000 (Note 28)	Other reserve RMB'000 (Note 28)	Retained earnings RMB'000			
As at 30 June 2020	1	37,878	11,340	5,460	54,216	29,769	138,664	7,155	145,819
As at 1 January 2019	54,216	37,878	5,223	677	-	20,913	118,907	7,679	126,586
Profit/(loss) for the period	-	-	-	-	-	2,538	2,538	(463)	2,075
Other comprehensive loss									
Fair value changes in equity instruments at FVTOCI	-	-	-	(3,717)	-	-	(3,717)	-	(3,717)
Total comprehensive (loss)/income for the period	-	-	-	(3,717)	-	2,538	(1,179)	(463)	(1,642)
Derecognition upon deemed disposal of equity instruments at FVTOCI (Note 30(c))	-	-	-	3,601	-	(3,601)	-	-	-
Appropriation to statutory reserve	-	-	2,056	-	-	(2,056)	-	-	-
Issuance of shares of the Company	1	-	-	-	-	-	1	-	1
As at 30 June 2019	54,217	37,878	7,279	561	-	17,794	117,729	7,216	124,945

* As defined in Note 1.2

Consolidated statements of cash flows

	Notes	Six months ended				
		Year ended 31 December			30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating activities						
Profit/(loss) before taxation		38,118	49,152	25,972	4,158	(4,568)
Adjustments for:						
Depreciation of property, plant and equipment	12	2,879	2,652	2,666	1,298	1,406
Depreciation of right-of-use assets	13	5,262	5,434	5,352	2,984	3,000
Loss/(gain) on disposal of property, plant and equipment	6	2	–	(2)	(7)	120
Amortisation of intangible assets	17	81	221	2,711	429	3,336
Gain on fair value changes in financial assets at fair value through profit or loss	6	(356)	(651)	(627)	(299)	(176)
Impairment losses/(reversal of impairment losses) on trade receivables	4.2(b)	1,640	1,278	6,113	1,959	(1,415)
Finance costs	7	268	301	309	195	352
Interest income	6	(219)	(358)	(466)	(269)	(150)
Operating cash flows before movements in working capital		47,675	58,029	42,028	10,448	1,905
(Increase)/decrease in trade receivables		(16,506)	(4,413)	(47,045)	(8,953)	22,825
(Increase)/decrease in contract costs		(916)	(5,942)	4,612	(12,742)	(6,837)
(Increase)/decrease in prepayments, deposits and other receivables		(23)	4,371	(1,157)	(1,165)	(2,409)
(Decrease)/increase in trade payables		(161)	3,958	11,594	690	(6,528)
(Decrease)/increase in contract liabilities		(28,842)	7,597	(5,806)	(20,619)	838
Increase/(decrease) in other payables and accruals		3,256	625	8,580	1,818	(2,946)
Cash from/(used in) operations		4,483	64,225	12,806	(30,523)	6,848
Income tax paid		(6,124)	(5,386)	(8,291)	(7,542)	(3,921)
Net cash (used in)/from operating activities		(1,641)	58,839	4,515	(38,065)	2,927

	Notes	Six months ended				
		Year ended 31 December			30 June	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investing activities						
Purchases of property, plant and equipment	12	(3,138)	(3,131)	(2,138)	(962)	(3,450)
Acquisition of intangible assets	17	(284)	(2,038)	(10,858)	–	(5,013)
Deposit refunded for acquisition of intangible assets	19	–	–	4,000	4,000	–
Purchases of equity instruments at FVTOCI	4.4	–	(16,675)	–	–	–
Purchases of financial assets at fair value through profit or loss	4.4	(38,000)	(1,320)	(70,000)	(9,000)	(5,000)
Proceeds from disposal of financial assets at fair value through profit or loss	4.4	43,356	5,682	54,016	5,968	5,676
Loan advanced to Beijing Weiliandong Internet Technology Co., Ltd.	15	–	(20,000)	(20,000)	(20,000)	–
Loan repayment from Beijing Weiliandong Internet Technology Co., Ltd.	15	–	–	20,000	20,000	–
Proceeds from disposal of property, plant and equipment		17	24	15	13	10
Net cash inflow/(outflow) for acquisition of a subsidiary	31	290	6,717	(24)	(24)	–
Interest received	6	219	358	466	269	150
Net cash from/(used in) investing activities		<u>2,460</u>	<u>(30,383)</u>	<u>(24,523)</u>	<u>264</u>	<u>(7,627)</u>
Financing activities						
Dividends paid	30	–	(13,750)	–	–	–
Payment for principal portion of lease liabilities	26	(5,242)	(5,419)	(5,246)	(2,800)	(3,056)
Payment for interest portion of lease liabilities	26	(268)	(301)	(309)	(195)	(352)
Proceeds received from share placements	27	36,689	–	–	1	–
Net cash from/(used in) financing activities		<u>31,179</u>	<u>(19,470)</u>	<u>(5,555)</u>	<u>(2,994)</u>	<u>(3,408)</u>
Net increase/(decrease) in cash and cash equivalents		<u>31,998</u>	<u>8,986</u>	<u>(25,563)</u>	<u>(40,795)</u>	<u>(8,108)</u>
Cash and cash equivalents at beginning of the year/period		<u>58,221</u>	<u>90,219</u>	<u>99,205</u>	<u>99,205</u>	<u>73,642</u>
Cash and cash equivalents at end of the year/period, representing bank balances and cash	22	<u><u>90,219</u></u>	<u><u>99,205</u></u>	<u><u>73,642</u></u>	<u><u>58,410</u></u>	<u><u>65,534</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, HISTORY OF THE GROUP, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated under the laws of the Cayman Islands with limited liability on 21 February 2019. The registered office and principal place of business of the Company are stated in the section “Corporate Information” of the Document.

The Company is an investment holding company. During the Track Record Period, the Company and its subsidiaries are principally engaged in the provision of marketing strategy and consulting services, medical conference services and patient education and screening services in the People’s Republic of China (the “PRC”).

The Company is ultimately controlled by Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang (collectively referred to as the “Controlling Parties”), who are also parties acting in concert, and as a result of contractual arrangements, collectively have the power to govern financial and operating policies of the Group.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

No statutory financial statements have been prepared for the Company since the date of incorporation as it was incorporated in a jurisdiction where there are no statutory audit requirements.

1.2 History of the Group, reorganisation and acquisitions during the Track Record Period

History of the Group

Prior to the Reorganisation (as defined below), the business of the Group was mainly carried out by Mediwelcome Beijing Healthcare Technology Co. Ltd. (formerly known as Beijing Mediwelcome Communication Group Co. Ltd.) (“Mediwelcome Beijing”) and its subsidiaries (collectively, the “Mediwelcome Beijing Group”) which was a group of companies providing provision of medical conference services, patient education and screening services and marketing strategy and consulting services throughout the Track Record Period. On 22 September 2016, the shares of Mediwelcome Beijing were listed and traded on National Equities Exchange and Quotations (“NEEQ”) (NEEQ: 839176) of the PRC.

Reorganisation

De-listing from the NEEQ

In preparing for the initial public offering and listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, the Group underwent a series of reorganisation (the “Reorganisation”) as set out below.

On 14 January 2019, the shareholders of Mediwelcome Beijing resolved to apply for the de-listing of Mediwelcome Beijing from the NEEQ. The shares of Mediwelcome Beijing were de-listed from the NEEQ on 13 February 2019.

Incorporation of the Company

On 21 February 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability and authorised share capital of US\$50,000 divided into 5,000,000 shares with par value of US\$0.01 each.

On 12 May 2019, the Company resolved that the authorised share capital be redenominated from US\$50,000 to HK\$380,000 by the creation of an additional 38,000,000,000 shares with par value of HK\$0.00001 each.

On 12 May 2019, the Company issued and allotted 40,651,000 shares to Ji Ze Investment (wholly-owned by Mr. Shi Wei), 25,415,000 shares to Shun Jia Investment (wholly-owned by Mr. Yang Weimin), 25,415,000 shares to He Hui Wan Yi Investment (wholly-owned by Ms. Zhang Yitao) and 12,038,000 shares to Tai Zhi Feng Investment (wholly-owned by Mr. Wang Liang), representing 31.27%, 19.55%, 19.55% and 9.26% shareholding of the Company respectively. The remaining 26,481,000 shares were allotted to minority shareholders of Mediwelcome Beijing representing 20.37% of shareholding of the Company. Upon the completion of the allotment and issue of the shares of the Company, the Company is ultimately controlled by the Controlling Parties.

Incorporation of offshore subsidiaries

On 1 March 2019, Mediwelcome Investment Management Company Limited (“Mediwelcome BVI”) was established in the British Virgin Islands (“BVI”) as a wholly-owned subsidiary of the Company.

On 8 March 2019, Mediwelcome (HK) Investment Management Company Limited (“Mediwelcome HK”) was established in Hong Kong as a wholly-owned subsidiary of Mediwelcome BVI. Mediwelcome HK is the holding company of the PRC subsidiary, Beijing Medi Healthcare Management Consulting Co. Ltd. (“WFOE”).

Establishment of WFOE

On 16 May 2019, WFOE was established in the PRC as a wholly owned subsidiary of Mediwelcome HK.

Contractual Arrangements

On 5 July 2019, WFOE entered into a series of agreements with Mediwelcome Beijing and the Registered Shareholders (as defined in the section “Definitions” of the Document) of Mediwelcome Beijing in order for WFOE to exercise and maintain control over the operation of Mediwelcome Beijing and its subsidiaries and to obtain economic benefits from Mediwelcome Beijing and its subsidiaries, preventing any leakage of assets and values to the Registered Shareholders. The details of the agreements are stated in the section “Contractual Arrangements” of the Document.

The Reorganisation completed on 5 July 2019. The Group comprising the Company, Mediwelcome BVI, Mediwelcome HK, WFOE and Mediwelcome Beijing Group has always been under the common control of the Controlling Parties during the Track Record Period and before and after the Reorganisation. Therefore, it is regarded as a continuing entity and the Historical Financial Information has been prepared as if the Company has always been the holding company of the Group.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 which include the financial performance, changes in equity and cash flows of the Group and have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation/establishment/acquisition, where is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 and 30 June 2020 have been prepared to present the assets and liabilities of the Group at the carrying amounts shown in the financial statements of the group entities which had been in existence at those dates, taking into account their respective dates of incorporation/establishment/acquisition, where applicable.

*Acquisitions during the Track Record Period**Acquisition of Beijing Haice Culture Co., Ltd.*

On 24 April 2017, Mediwelcome Beijing entered into an agreement with Sun Jian (孫健), Duan Lili (段麗麗) and Cai Jianwei (蔡建偉), independent third parties to the Group, for the injection of new capital into Beijing Haice Culture Co., Ltd. (北京海策文化傳播有限公司) (“Beijing Haice”) by Mediwelcome Beijing of RMB5,000,000. At the completion of the capital contribution, Mediwelcome Beijing held 51% equity interests in Beijing Haice. The acquisition of Beijing Haice was completed on 31 May 2017. Beijing Haice became a subsidiary controlled by Mediwelcome Beijing.

Acquisition of Beijing Baichuan Binhai Medical Information Technology Co., Ltd.

On 29 September 2018, Mediwelcome Beijing entered into an agreement with Gao Bin (高彬), Xu Yu (許郁) and Li Hui (李輝), independent third parties to the Group, for the injection of new capital into Beijing Baichuan Binhai Medical Information Technology Co., Ltd. (北京百川彬海醫療信息技術有限公司) (“Beijing Baichuan”) by Mediwelcome Beijing of RMB1,900,000. At the completion of the capital contribution, Mediwelcome Beijing held 55.07% equity interests in Beijing Baichuan. The acquisition of Beijing Baichuan was completed on 30 September 2018. Beijing Baichuan became a subsidiary controlled by Mediwelcome Beijing.

Acquisition of Beijing Weiliandong Internet Technology Co., Ltd.

As at 31 December 2018, the Group held 18.37% equity interests in Beijing Weiliandong Internet Technology Co., Ltd. (北京微聯動網絡科技有限公司) (“Weiliandong”), which is classified as equity instrument at FVTOCI as disclosed in Note 14(a).

On 20 March 2019, Mediwelcome Beijing entered into sale and purchase agreements with Yang Liu (楊柳) and Li Na (李娜), independent third parties to the Group, to acquire 57.14% and 24.49% equity interests of Weiliandong at aggregate consideration of RMB2,667,001.

The acquisition of Weiliandong was completed on 25 March 2019. At the completion of the acquisition, Weiliandong became a wholly-owned subsidiary of Mediwelcome Beijing.

Establishment of Yinchuan Mediwelcome Internet Hospital Co., Ltd.

On 21 May 2019, Yinchuan Mediwelcome Internet Hospital Co., Ltd. (銀川麥迪衛康互聯網醫院有限公司) (“Ningxia Subsidiary”) was established in the PRC as a partially owned subsidiary of Mediwelcome Beijing. As at 31 December 2019, Mediwelcome Beijing held 80% of equity interests in Ningxia Subsidiary.

Particulars of the subsidiaries of the Group during the Track Record Period

Company name	Country/ place of operation	Date of incorporation/ establishment	Nominal value of issued ordinary/ registered share capital ('000)	Nominal value of issued ordinary/ share capital paid up ('000)	Equity/beneficial interest held by the Group as at	30 June 2017	31 December 2018	30 June 2019	30 June 2020	Date of this report	Principal activities	Type of legal entity	Notes
Directly held by the Company: Mediwelcome BVI (麥迪衛康投資管理 有限公司)	BVI	1 March 2019	United States Dollars ("USD") 50	Nil	100%	100%	100%	100%	100%	100%	Investment holding	Limited liability entity	(b)(i)
Indirectly held by the Company: Mediwelcome (HK) (麥迪衛康(香港)投資 管理有限公司)	Hong Kong	8 March 2019	Hong Kong Dollars HKD0.1	Nil	100%	100%	100%	100%	100%	100%	Investment holding	Limited liability entity	(b)(ii)
WFOE (北京麥迪康健管理諮 詢有限公司)	PRC	16 May 2019	USD20,000	Nil	100%	100%	100%	100%	100%	100%	Investment holding	Limited liability entity	(b)(iv)
Mediwelcome Beijing (北京麥迪衛康醫藥科 技有限公司)	PRC	11 September 2000	RMB54,216	RMB54,216	100%	100%	100%	100%	100%	100%	Medical conference services, patient education services, marketing and strategic consulting services	Limited liability entity	(b)(iii), (d), (j)
Beijing Chuangyan Medical Research Center Co., Ltd (北京創研醫學研究 中心有限公司) ("Beijing Chuangyan")	PRC	4 August 2011	RMB10,000	RMB10,000	100%	100%	100%	100%	100%	100%	Medical conference services, patient education services, marketing and strategic consulting services	Limited liability entity	(b)(iv), (e), (h)
Beijing Haice (北京海策文化傳播有 限公司)	PRC	13 July 2011	RMB6,123	RMB6,123	51%	51%	51%	51%	51%	51%	Medical conference and marketing and strategic consulting	Limited liability entity	(b)(iv), (h)

Company name	Country/ place of operation	Date of incorporation/ establishment	Nominal value of issued ordinary/ registered share capital ('000)	Nominal value of issued ordinary/ share capital paid up ('000)	Equity/beneficial interest held by the Group as at				Date of this report	Principal activities	Type of legal entity	Notes
					31 December 2017	31 December 2018	31 December 2019	30 June 2020				
Shanghai Xuanmai Public Relationship Consulting Co., Ltd. (上海燿麥公關策劃有 限公司) ("Shanghai Xuanmai")	PRC	19 June 2017	RMB5,000	RMB5,000	100%	100%	100%	100%	100%	Medical conference services	Limited liability entity	(b)(iv), (f), (h)
Beijing Baichuan (北京百川彬海醫療信 息技術有限公司)	PRC	15 August 2016	RMB2,544	RMB2,544	–	55%	55%	55%	55%	Medical conference services	Limited liability entity	(b)(iv), (h)
Horgos Yizong Information Technology Co., Ltd (霍爾果斯醫縱資訊科 技有限公司) ("Horgos Yizong")	PRC	11 June 2017	RMB5,000	RMB5,000	100%	100%	100%	100%	100%	Marketing and strategic consulting services	Limited liability entity	(b)(iv), (g), (h), (i)
Weiliandong Internet (北京微聯動網絡科技 有限公司)	PRC	21 March 2017	RMB3,675	RMB1,075	–	–	100%	100%	100%	Medical conference services, patient education services, marketing and services	Limited liability entity	(b)(iv), (h), (i), (j)
Capital Health Industry Investment Private Placement Fund (國都衛康健康產業投 資私募基金) ("The Fund")	PRC	24 April 2018	N/A	N/A	–	100%	–	–	–	Investment holding	Contractual type fund	(b)(iv), (h), (k)
Ningxia Subsidiary (銀川麥迪衛康互聯網 醫院有限公司)	PRC	21 May 2019	RMB10,000	RMB2,000	–	–	80%	80%	80%	Internet hospital service	Limited liability entity	(b)(iv), (f), (h), (i)

- (a) All the subsidiaries have adopted 31 December as their financial year end date.
- (b) The statutory auditors of the subsidiaries which have issued audited financial statements for the Track Record Period were as follows:
- (i) No audited financial statements of Mediwelcome BVI have been prepared since its date of incorporation as it was incorporated in the jurisdiction where there are no statutory requirements.
 - (ii) No statutory financial statements of Mediwelcome (HK) for the years ended 31 December 2017 and 2018 as Mediwelcome (HK) was incorporated during the period ended 30 June 2019.
 - (iii) The statutory audited financial statements for the year ended 31 December 2017 was audited by Da Hua Certified Public Accountants (Special General Partnership) (大華會計師事務所(特殊普通合夥)), a firm of certified public accountants registered in the PRC. No statutory financial statements for the year ended 31 December 2018 and 2019 were available as there was no requirements to issue audited accounts by the local authorities.
 - (iv) No statutory financial statements were available as there was no requirements to issue audited accounts by the local authorities.
- (c) The English names of certain subsidiaries referred herein represent the directors' best effort at translating the Chinese names of these companies as no English names have been registered.
- (d) The company has been controlled by the Controlling Parties since the date of establishment.
- (e) The company is established by the Controlling Parties.
- (f) The company is established by Mediwelcome Beijing.
- (g) The company is established by Beijing Chuangyan.
- (h) This company is a subsidiary of Mediwelcome Beijing immediately prior to Reorganisation.
- (i) This company is a subsidiary of Mediwelcome Beijing immediately after Reorganisation.
- (j) The company is treated as structured entity controlled by the Group.
- (k) The Fund has been dissolved on 25 December 2019. No gain or loss was arisen from the dissolution.

The prevailing PRC rules and regulations restrict foreign ownership of companies that provide audio-visual program services business, video program producing business, value-added telecommunication business and internet hospital operation, which represent the core activities of and services provided by the Group. As a result of such restrictions, the Company and its subsidiaries cannot have equity interests in entities that are engaged in business as described above. On 5 July 2019, WFOE, Mediwelcome Beijing and the Registered Shareholders entered into a series of contractual arrangements, which include “Exclusive Business Cooperation Agreement”, “Exclusive Option Agreement”, “Equity Pledge Agreement” and “Shareholders’ Rights Proxy Agreement” and (collectively, the “Contractual Arrangements”), under which, in the opinion of directors of the Company, WFOE is entitled to all economic benefits arising from the business and operations of Mediwelcome Beijing and its subsidiaries and has power to direct the relevant activities of Mediwelcome Beijing and its subsidiaries. In addition, the spouse of each of the Registered Shareholders, if applicable, has provided irrevocable undertakings (“Spousal Undertakings”) which stipulate certain matters to succession of the rights and obligations under the Contractual Arrangements.

Key provisions of the Contractual Arrangements and the Spousal Undertakings are as follows:

Exclusive Business Cooperation Agreement

- (i) WFOE provides technical support, consultation and other services to Mediwelcome Beijing, including but not limited to (i) technical services and network support; (ii) information management system support; (iii) business consulting; (iv) intellectual property licensing; (v) equipment and assets leasing; (vi) marketing consultation and marketing development plan support; (vii) system integration; (viii) product development and system maintenance; and (ix) other relevant services requested by WFOE from time to time to the extent permitted under PRC laws and regulations, and WFOE is entitled to the service fee equivalent to the total consolidated profit of Mediwelcome Beijing, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions.
- (ii) Without the prior written approval from WFOE, Mediwelcome Beijing shall not, and shall procure its subsidiaries not to, enter into any transactions that may compete with the WFOE’s business, including investing in any entity that has competing business with WFOE, or conduct any businesses without WFOE’s prior written approval.
- (iii) The agreements are effective for a term of 10 years, and shall be unconditionally and automatically extended at the sole discretion of WFOE. The WFOE can terminate the agreement by giving Mediwelcome Beijing a 30 days’ prior written notice of termination or upon the legally transfer of the entire equity interests in and/or the legally transfer of all assets of Mediwelcome Beijing to WFOE or its designated person pursuant to the Exclusive Option Agreement. Mediwelcome Beijing is not contractually entitled to terminate the Exclusive Business Cooperation Agreement with WFOE.

Exclusive Option Agreement

The Registered Shareholders severally and irrevocably granted to WFOE the exclusive rights to require the Registered Shareholders to transfer any or all their equity interests at a consideration, lower of RMB1 or amount permitted under the PRC laws and regulations, and/or assets in Mediwelcome Beijing to WFOE and/or a third party designated by WFOE, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will return to WFOE any consideration they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing.

Equity Pledge Agreement

Each of the Registered Shareholder agreed to pledge all of their respective equity interests in Mediwelcome Beijing to WFOE as a security interest to guarantee the payment of any outstanding debts due to WFOE under the Exclusive Business Cooperation Agreement.

Shareholders’ Rights Proxy Agreement

Mediwelcome Beijing, Registered Shareholders and WFOE irrevocably appoint WFOE or the directors of WFOE, their successors and liquidators but excluding those non-independent or who may give rise to conflict of interests to exercise shareholder’s rights in Mediwelcome Beijing, including appointment and removal of directors of Mediwelcome Beijing.

Spousal Undertakings

The spouse of each of the Registered Shareholders, where appropriate, has signed an undertaking on 5 July 2019, to the effect that, among others, (i) the shares of Mediwelcome Beijing held and to be held by each of the Registered Shareholders (together with any other interests therein) do not fall within the scope of communal properties, and (ii) he/she has no right to or control over such interests of the respective Registered Shareholder and will not have any claim on such interests.

The directors of the Company considered that the WFOE has the practical ability to direct the relevant activities of Mediwelcome Beijing and its subsidiaries and is the ultimate beneficial owner. Accordingly in the opinion of the directors of the Company, the Company is able to control Mediwelcome Beijing and its subsidiaries.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA and the principles of merger accounting. In preparing the Historical Financial Information, the Group has adopted HKFRS 9 “Financial Instruments” (“HKFRS 9”), HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”), HKFRS 16 “Leases” (“HKFRS 16”) and HK(IFRIC) – Int 23 “Uncertainty over Income Tax Treatments” consistently throughout the Track Record Period.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets which are carried at fair value at subsequent reporting dates.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3 below.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on 1 January 2020 are consistently applied to the Group for the Track Record Period. The Group also early adopted Amendment to HKFRS 16 “COVID-19 – Related Rent Concessions” on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 outbreak during the six months ended 30 June 2020.

New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards, which are relevant to the Group have been issued and are effective for future reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023
HKAS 16 (Amendments)	Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous contracts – costs of fulfilling a contract	1 January 2022
HKFRS 3 (Amendments)	Update reference to the conceptual framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Annual improvements to HKFRS 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKAS 41 and Illustrative Examples accompanying HKFRS 16	1 January 2022

Note: The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group’s operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

2.2 Subsidiaries

Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Merger accounting for business combination involving entities or business under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses that are under common control as if they had been consolidated from the date when the combining entities or business first came under the control of the controlling shareholder.

The net assets of the combining business are consolidated using existing carrying values. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Business combination

The Group applies the acquisition method to account for business combinations except for business combination under common control as described in Note 1.2. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

When a business combination is achieved in stages, the Group's previously held equity interests in the acquiree is remeasured to fair value at the acquisition date (i. e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interests.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is a financial asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interests in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference (after reassessment) is recognised directly profit or loss.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and directors of the Company that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Renminbi ("RMB"). The primary entities comprising the Group disclosed in Note 1.2 were incorporated in the PRC and these entities considered RMB as their functional currency. As the major operations of the Group during the Track Record Period are within the PRC, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities such as instruments held at fair value through profit or loss ("FVTPL") are recognised in profit or loss as part of the fair value changes.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the end of the reporting period;
- income and expenses items are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.5 Property, plant and equipment

All property, plant and equipment is stated at historical costs less accumulated depreciation and accumulated impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Electronic equipment	3 to 5 years
Leasehold improvements	Estimated useful lives (2 to 3 years) or remaining lease terms, whichever is shorter
Furniture and fixtures	3 to 5 years
Motor vehicle	3 to 5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in "Other income, gains and losses" in the consolidated statement of comprehensive income.

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interests in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Research and development expenditures

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled. These criteria include: (1) it is technically feasible to complete the software product so that it will be available for use; (2) management intends to complete the software product and use or sell it; (3) there is an ability to use or sell the software product; (4) it can be demonstrated how the software product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and (6) the expenditure attributable to the software product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognised as expenses as incurred.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives. Customer contracts obtained and acquired from Weiliandong are amortised on straight-line basis over the contract term.

2.7 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For short-term leases and leases of low value assets, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, and payments for these leases are presented as cash flows from operating activities in the consolidated statements of cash flows.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Lease payments include fixed payments, less any lease incentives receivables, variable lease payments that depend on an index or a rate known at the commencement date, and purchase options or extension option payments if the Group is reasonably certain to exercise these options. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are recognised as an expense in profit or loss in the year/period in which the event or condition that triggers those payments occurs.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated starting at the commencement date of the lease over the shorter period of useful life of the underlying asset and lease term unless the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that lessee will exercise a purchase option, the right-of-use assets are depreciated starting at the commencement date of the lease to the end of the useful life of the underlying assets.

Termination options are included in certain leases across the Group and all the termination options are exercisable only by the respective lessor and not by the Group. The Group has an unconditional obligation to pay for the right to use the asset for the period of the lease ranging from 12 to 52 months.

Early Adoption of Amendment to HKFRS 16 COVID-19 Rent Related Concessions Issued in June 2020

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 outbreak. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 outbreak and only if: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six months ended 30 June 2020, certain monthly lease payments for the leases of the Group's offices and warehouses have been reduced or waived by the lessors as a result of the COVID-19 outbreak and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 outbreak during the six months ended 30 June 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB113,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the six months ended 30 June 2020.

2.8 Impairment of non-financial assets

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Investments and other financial assets

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit and loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(a) Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or fair value through other comprehensive income as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at fair value through other comprehensive income. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income or designated as fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes dividend or interest earned on the financial asset and is included in the “other income, gains and losses” line item.

(iii) Equity instruments at FVTOCI

Investments in equity instruments at FVTOCI on initial recognition are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve (non-recycling); and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings/will continue to be held in the fair value reserve (non-recycling).

(b) *Impairment of financial assets*

The Group recognises a loss allowance for expected credit loss (“ECL”) on financial assets which are subject to impairment under HKFRS 9 (including loan receivable, trade and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on whether there has been significant increase in credit risk since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e. g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers the bank balances to have a low credit risk because the majority of the counterparties are banks with external credit rating of "investment grade" as per globally understood definitions.

(ii) Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower; or
- (b) a breach of contract, such as a default or past due event; or

- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
 - (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
 - (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

- (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i. e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade, bills and receivables where the corresponding adjustment is recognised through a loss allowance account.

2.10 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

2.11 Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Mediwelcome Beijing and the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade payables and other payables) are subsequently measured at amortised cost, using the effective interest method.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or share options are shown in equity as a deduction from the proceeds.

2.13 Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.14 Employee benefits

(a) Pension obligation

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group's contributions to the aforesaid defined contribution retirement schemes are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2.15 Revenue recognition

The Group offers a variety of medical related services, including medical conference services, patient education and screening services and marketing strategy and consulting services.

Revenues are recognised when or as the control of the goods or services is transferred to the customer. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

If contracts involve the promise of more than one performance obligations, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

(a) *Performance obligation*

(i) *Medical conference services*

The Group is engaged by medical associations and pharmaceutical companies to provide medical conference services to physicians through onsite conferences and online seminars to enhance their training and ability to treat more patients.

Onsite conferences involve (a) preparation of teaching materials, (b) arranging of professors to deliver conferences, (c) rental of sites and (d) managing services during the conferences. The sales of teaching materials and the delivery of conferences including (b), (c) and (d) are considered as two separate performance obligations.

Online seminars involve (a) preparation of teaching materials, (b) arranging of professors to deliver seminars, (c) development and (d) maintenance of platforms. The sales of teaching materials and the delivery of seminars including (b), (c) and (d) through the platforms are considered as two separate performance obligations.

(ii) *Patient education and screening services*

The Group is engaged by medical associations to provide patient education and screening services through onsite patient education and online patient education services.

Onsite seminars involve (a) preparation of teaching materials, (b) arranging of professors to deliver seminars, (c) rental of sites and (d) managing services during the seminars. The sales of teaching materials and the delivery of seminars including (b), (c) and (d) are considered as two separate performance obligations.

Online patient education services involve (a) preparation of teaching materials, (b) arranging of professors to deliver seminars, (c) development and (d) maintenance of platforms. The sales of teaching materials and the delivery of seminars including (b), (c) and (d) through the platforms are considered as two separate performance obligations.

(iii) *Marketing and strategic consulting services*

The Group generates revenue by providing marketing and strategic consulting services to pharmaceutical companies such as promotion, design of logo and posters, market research report and sourcing of promotion related products, etc. The sales of promotion materials and related products only involve a single performance obligation.

(iv) *Contract research organisation services*

The Group is appointed by pharmaceutical companies, medical non-governmental organisations (“medical NGOs”) and drug developers as project manager to provide services for their medical research projects under fee-for-service (“FFS”) contracts which included (i) delivery of deliverable units and (ii) management services of research projects, which are separate performance obligations.

Deliverable units are generally in the form of technical laboratory reports and/or samples. The FFS contracts usually contain multiple deliverable units, and each of the deliverable units is with individual selling price specified within the contracts. The Group identifies each deliverable unit as a separate performance obligation for delivery of deliverable units.

Management services of research projects involve monitoring the overall progress of medical research projects as project manager, which are separate performance obligations.

(v) *Internet hospital services*

The Group provides mobile application platform for physicians to provide internet hospital services to patients. Patients purchase medicine through the mobile application after attending the online consultation with physicians (who are registered in the mobile application free of charge and are not employee of the Group) and obtaining e-prescription. Pharmacies will deliver the medicine to patients after the Group, as the practice license holder of internet hospital, approves the e-prescription issued by physicians. In respect of the services provided, the Group earns commissions for sales of medicine from pharmacies and the commission rate is determined based on the transaction amount of medicine being sold in each transaction. The provision of mobile application platform to facilitate the internet hospital services (including sales of medicine) is considered as a single performance obligation.

(b) *Timing of revenue recognition*

(i) *Sales of promotion or teaching materials*

Preparation of promotion or teaching materials involve series of preparation works, which the customers are not able to simultaneously receive and consume the benefits until the Group delivers the promotion or teaching materials to the customers. Nor are the promotion or teaching materials controlled by the customer during the development of the materials. The sales of promotion or teaching materials are customised for each customer, therefore the Group’s performance does not create an alternative use to the Group. Also, in the opinion of the directors of the Company, the Group has no enforceable right to payment for performance completed to date according to the contracts. As a result, the consideration for the sales of promotion or teaching material are recognised as revenue at a point in time.

Sales of promotion or teaching materials income are recognised at a point in time when the materials are delivered and accepted by the customers.

(ii) *Delivery of seminars/conferences*

Delivery of seminars/conferences involve series of preparation works, which the customers are not able to simultaneously receive and consume the benefits until the Group deliver the seminars to the customers. Nor the preparation work for the delivery of seminars is controlled by the customer. The delivery of seminars are customised for each customer, therefore the Group’s performance does not create an alternative use to the Group. Also, in the opinion of the directors of the Company, the Group has no enforceable right to payment for performance completed to date according to the contracts. As a result, the consideration for the delivery of seminars/conferences are recognised as revenue at a point in time when the seminars/conferences are completed.

(iii) *Delivery of deliverable units*

The Group recognises revenue arising from FFS contracts of contractual elements at a point in time upon finalisation, delivery and acceptance of the deliverable units by the customers.

(iv) *Management services of research projects*

The Group recognises revenue for the provision of management services of research projects over time when the customers simultaneously receive and consume the benefit from the Group's performance.

Input method is used to measure the progress towards complete satisfaction of a performance obligation which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

(v) *Commission income for sales of medicine for internet hospital services*

The Group recognises the commission income on sales of medicine for internet hospital services at a point in time when the medicine is delivered and accepted by the patients.

(c) *Principal versus agent*

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i. e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i. e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party.

The Group acts as principal for the provision of medical conference services, patient education services and marketing and strategic consulting services. Also, the Group acts as principal for the provision of management services of research projects for contract research organisation services.

The Group acts as an agent for provision of delivery of deliverable units and for internet hospital services.

(d) *Contract asset and contract liability*

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to its customer that is not yet unconditional. A contract liability is the Group's obligation to transfer services to its customer for which the Group has received consideration from the customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently expensed when the related revenue is recognised.

2.16 Recognition of contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment (Note 2.5) or intangible assets (Note 2.6).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labor, direct materials, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs to fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of the consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

2.17 Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is included in "Other income, gains and losses."

2.18 Dividends distribution

Dividends distribution to the shareholders of the Company is recognised as a liability in the Group's financial information in the period in which the dividends are approved by the shareholders or directors of the Company, where appropriate.

2.19 Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group; or
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Group's parent; or
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent. Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.20 Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.21 Government subsidy

Government subsidy are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management of the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

(a) Significant judgement in applying accounting policies

The following are significant judgements that the directors of the Company have made in the process of applying the Group's accounting policies:

Principal versus agent consideration

In applying HKFRS 15, as explained in section 2.15, the management of the Group assessed whether the Group acts as a principal and hence recognises revenue on gross basis, or acts as an agent and recognises revenue on net basis based on the requirements in HKFRS 15.

(i) Sales of promotion or teaching materials and delivery of seminars/conferences

The provision of medical conference services, patient education services and marketing and strategic consulting services (i. e. promotion services), involve engagement of professors by the Group to deliver the services. When the Group obtains a contract from a customer for promotion services, conference services or education services, the Group enters into contracts with the professors and directs the professors to prepare teaching materials and deliver the relevant seminars/conferences according to the Group's instruction for the customer.

The management of the Group assesses and concludes that the Group acts as a principal for provision of medical conference services, patient education services and marketing and strategic consulting services, as the Group has the right to direct how the professors should prepare the materials and deliver the seminars/conferences to the customers and customer does not have such right. In addition, the Group is obliged to pay the professors even if the customer fails to pay the Group.

(ii) Delivery of deliverable units

The provision of delivery of deliverable units involves physicians who are employed by pharmaceutical companies, medical NGOs and drug developers or relevant government authorities to prepare technical laboratory reports and/or samples.

The Group acts as an agent of pharmaceutical companies, medical NGOs and drug developers for provision of delivery of deliverable units as the Group does not have latitude in determining the remuneration for physicians.

(iii) Management services of research projects

The Group acts as a principal for provision of management services of research projects to monitor the overall progress of medical research projects as project manager.

(iv) Commission income for sales of medicine for internet hospital services

The Group acts as an agent for internet hospital services as it does not have latitude in establishing prices of medicine and does not have inventory risk.

Lease term determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

(b) Key sources of estimation uncertainty

The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Judgment is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

Useful lives and amortisation charges of intangible assets

The Group's management determines the estimated useful lives and related amortisation charges for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortisation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortisation expense in future periods.

Current and deferred income taxes

The Group is subject to income taxes in the PRC. Judgment is required in determining the provision for income taxes. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

Fair value of financial assets

Fair value of financial assets, in the absence of an active market, is estimated by using valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are included in Note 4.4.

Provision of ECL for trade receivables, contract assets and loan receivable

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and contract assets with significant balances and credit impaired are assessed for ECL individually.

The Group determines the provision of impairment of loan receivables based on ECL. The Group assesses the ECL for the loan receivable individually based on the financial position and the economic environment in which the borrower operates.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 4.2(b) and 20.

Discount rate for lease liability

In determining the discount rate for lease liabilities, the Group is required to estimate and determine the discount rate (being the lessee's incremental borrowing rates) taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial instruments by category

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Assets as per consolidated statements of financial position				
Equity instruments at FVTOCI (Note 14a)	–	17,352	12,614	17,635
Financial assets at FVTPL (Note 14b)	5,000	1,289	17,900	17,400
Financial assets at amortised cost:				
– Trade receivables (Note 20)	27,530	30,665	71,719	50,309
– Other receivables (Note 19)	1,396	1,266	5,909	8,050
– Loan receivable (Note 15)	–	20,000	–	–
– Bank balances and cash (Note 22)	90,219	99,205	73,642	65,534
	<u>124,145</u>	<u>169,777</u>	<u>181,784</u>	<u>158,928</u>
Liabilities as per consolidated statements of financial position				
Financial liabilities at amortised cost:				
– Trade payables (Note 23)	11,805	15,763	27,357	20,829
– Lease liabilities (Note 26)	2,960	8,072	4,164	37,155
	<u>14,765</u>	<u>23,835</u>	<u>31,521</u>	<u>57,984</u>

4.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the group entities' functional currency. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures. The Group does not hedge against any fluctuation in foreign currency during the Track Record Period.

The Group operates mainly in the PRC with most of the transactions settled in RMB, management considers that the business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of the Group are denominated in the currencies other than the respective functional currencies of the Group's entities.

(b) Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its loan receivable, trade and other receivables, and bank balances.

The Group has concentration of credit risk as 53%, 72%, 54% and 48% of the total trade receivables representing amounts due from the Group's largest five trade debtors which are pharmaceutical companies and medical associations as at 31 December 2017, 2018 and 2019 and 30 June 2020 respectively. The Group measures loss allowances for trade receivables at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments and the type and size of the debtors are similar, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables as at 31 December 2017, 2018 and 2019 and 2019 and 30 June 2020:

	31.12.2017			31.12.2018			31.12.2019			30.06.2020						
	Expected loss rate	Gross carrying amount	Net Loss allowance	Expected loss rate	Gross carrying amount	Net Loss allowance	Expected loss rate	Gross carrying amount	Net Loss allowance	Expected loss rate	Gross carrying amount	Net Loss allowance				
		RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000				
Current (not past due)	6.20%	28,278	1,753	26,525	5.99%	31,429	1,882	29,547	6.02%	73,908	4,451	69,457	7.09%	50,828	3,605	47,223
0-90 days past due	6.86%	1,079	74	1,005	8.06%	1,216	98	1,118	8.31%	2,467	205	2,262	9.85%	3,423	337	3,086
Over 91 days past due	100%	708	708	-	100%	1,833	1,833	-	100%	5,270	5,270	-	100%	4,569	4,569	-
		<u>30,065</u>	<u>2,535</u>	<u>27,530</u>		<u>34,478</u>	<u>3,813</u>	<u>30,665</u>		<u>81,645</u>	<u>9,926</u>	<u>71,719</u>		<u>58,820</u>	<u>8,511</u>	<u>50,309</u>

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach:

	Lifetime ECL (Not credit impaired) RMB'000	Lifetime ECL (Credit impaired) RMB'000	Total RMB'000
At 1 January 2017	572	323	895
Impairment losses recognised	<u>1,255</u>	<u>385</u>	<u>1,640</u>
At 31 December 2017 and 1 January 2018	1,827	708	2,535
Impairment losses recognised	<u>153</u>	<u>1,125</u>	<u>1,278</u>
At 31 December 2018 and 1 January 2019	1,980	1,833	3,813
Impairment losses recognised	<u>2,676</u>	<u>3,437</u>	<u>6,113</u>
At 31 December 2019 and 1 January 2020	4,656	5,270	9,926
Reversal of impairment losses recognised	<u>(714)</u>	<u>(701)</u>	<u>(1,415)</u>
At 30 June 2020	<u><u>3,942</u></u>	<u><u>4,569</u></u>	<u><u>8,511</u></u>

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's other receivables included in current assets mainly represented rental deposits of RMB1,045,000, RMB1,007,000, RMB1,467,000 and RMB1,641,000 respectively which are refundable upon expiration of respective lease terms within 12 months from the end of the reporting period.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Group's other receivables included in non-current assets mainly represented rental deposits of RMB44,000, RMB183,000, RMB74,000 and RMB2,671,000 respectively which are refundable when the tenancy agreements expires.

The directors of the Company consider the probability of default is minimal after assessing the counter-parties' financial background and creditability.

As at 31 December 2018, the Group has concentration of credit risk on loan receivable from Weiliandong, in which the Group held 18.37% of the equity interests and classified as equity instruments at FVTOCI. As part of the Group's credit risk management, the Group assessed the ECL for the loan receivable individually.

As at 31 December 2018, no allowance for impairment was made for loan receivable since the directors of the Company consider the probability of default is minimal after assessing the counterparty's financial position, the economic environment the borrower operates and the fair value of the pledged assets as set out in Note 15.

The credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation.

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Total carrying amount RMB'000
At 31 December 2017						
Trade payables	11,805	–	–	–	11,805	11,805
Lease liabilities	2,479	499	83	–	3,061	2,960
	<u>14,284</u>	<u>499</u>	<u>83</u>	<u>–</u>	<u>14,866</u>	<u>14,765</u>
At 31 December 2018						
Trade payables	15,763	–	–	–	15,763	15,763
Lease liabilities	5,379	2,815	229	–	8,423	8,072
	<u>21,142</u>	<u>2,815</u>	<u>229</u>	<u>–</u>	<u>24,186</u>	<u>23,835</u>
At 31 December 2019						
Trade payables	27,357	–	–	–	27,357	27,357
Lease liabilities	3,904	375	–	–	4,279	4,164
	<u>31,261</u>	<u>375</u>	<u>–</u>	<u>–</u>	<u>31,636</u>	<u>31,521</u>
At 30 June 2020						
Trade payables	20,829	–	–	–	20,829	20,829
Lease liabilities	11,434	9,064	20,394	–	40,892	37,155
	<u>32,263</u>	<u>9,064</u>	<u>20,394</u>	<u>–</u>	<u>61,721</u>	<u>57,984</u>

4.3 Capital risk management

The Group's objectives when managing capital (including funding from the Group and related parties) are to safeguard the Group's ability to continue as a going concern in order to provide returns for the Group and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity value in the long-term.

4.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2017, 2018 and 2019 and 30 June 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value.

	Level 3 <i>RMB'000</i>
At 31 December 2017	
– Short-term financial assets at FVTPL (<i>Note 14b</i>)	5,000
At 31 December 2018	
Assets	
– Long-term equity instruments at FVTOCI (<i>Note 14a</i>)	17,352
– Short-term financial assets at FVTPL (<i>Note 14b</i>)	1,289
	<u>18,641</u>
At 31 December 2019	
Assets	
– Long-term equity instruments at FVTOCI (<i>Note 14a</i>)	12,614
– Short-term financial assets at FVTPL (<i>Note 14b</i>)	17,900
	<u>30,514</u>
As at 30 June 2020	
Assets	
– Long-term equity instruments at FVTOCI (<i>Note 14(a)</i>)	17,635
– Short-term financial assets at FVTPL (<i>Note 14(b)</i>)	17,400
	<u>35,035</u>

The following table presents the changes in level 3 instruments of financial assets at FVTPL and equity instruments at FVTOCI as at 31 December 2017, 2018 and 2019 and 30 June 2020.

	As at 31 December			As at 30 June
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Equity instruments at FVTOCI				
<i>(Note (i))</i>				
At the beginning of the year/period	–	–	17,352	12,614
Additions	–	16,675	–	–
Deemed disposals (<i>Note 31(c)</i>)	–	–	(899)	–
Changes in fair value	–	677	(3,839)	5,021
	<u>–</u>	<u>17,352</u>	<u>12,614</u>	<u>17,635</u>
At the end of the year/period	–	17,352	12,614	17,635
Financial assets at FVTPL (<i>Notes (ii) and (iii)</i>)				
At the beginning of the year/period	10,000	5,000	1,289	17,900
Additions	38,000	1,320	70,000	5,000
Disposals	(43,356)	(5,682)	(54,016)	(5,676)
Changes in fair value	356	651	627	176
	<u>5,000</u>	<u>1,289</u>	<u>17,900</u>	<u>17,400</u>
At the end of the year/period	5,000	1,289	17,900	17,400
Total	<u>5,000</u>	<u>18,641</u>	<u>30,514</u>	<u>35,035</u>

Notes:

- (i) The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements of the financial assets at FVTOCI as at 31 December 2017, 2018 and 2019 and 30 June 2020.

Description	Fair value				Valuation techniques	Price to sales ratio			Relationship of unobservable inputs to fair value	
	As at 31 December		As at 30 June			As at 31 December				As at 30 June
	2017	2018	2019	2020		2017	2018	2019		2020
	RMB'000	RMB'000	RMB'000	RMB'000						
Unlisted equity securities										
Beijing Cezhiyi Consulting Co., Ltd. (北京策知易諮詢有限公司) (“Beijing Cezhiyi”)	-	1,672	1,800	2,384	Market comparison	NA	2.62	2.31	2.92	An increase in the price to sales ratio used would result in an increase in the fair value measurement of the unlisted equity security, and vice versa.
Shanghai Bohuikang Biological Technology Co., Ltd. (上海栢慧康生物科技有限公司) (“Shanghai Bohuikang”)	-	5,351	5,205	7,715	Market comparison	NA	7.69	2.30	3.41	
Beijing Lingchuang Yigu Technology Development Co., Ltd. (北京領創醫谷科技發展有限責任公司) (“Lingchuang Yigu”)	-	5,829	5,609	7,536	Market comparison	NA	14.74	20.67	27.77	
Weiliandong	-	4,500	-	-	Recent transaction price	NA	NA	NA	NA NA	
	-	17,352	12,614	17,635						

The fair values of the above equity instruments at FVTOCI have been arrived with reference to a valuation carried out on 31 December 2018 by Beijing Zhongqin Yongli Asset Evaluation Co., Ltd. (北京中勤永勵資產評估有限責任公司), an independent professional valuer not connected with the Group, using market comparison method with adjustments.

The fair values of the above equity instruments at FVTOCI have been arrived with reference to a valuation carried out on 31 December 2019 and 30 June 2020 by Beijing Zhongping Zhengxin Asset Evaluation Co., Ltd. (北京中評正信資產評估有限公司), an independent professional valuer not connected with the Group, using market comparison method with adjustments.

- (ii) As at 31 December 2017, 2018 and 2019 and 30 June 2020, the fair value of financial assets at FVTPL amounting to RMB5,000,000, RMB1,000,000, RMB17,900,000 and RMB17,400,000 respectively, is determined by the spot rate quoted by the issuer of the financial products. These financial products are structured fixed deposits with financial institutions with three-month maturities. Details are disclosed in Note 14b.
- (iii) As at 31 December 2018, the fair value of financial assets at FVTPL amounting to RMB289,000 is determined by the spot rate quoted by the issuer of the unlisted fund investments. Details of the unlisted fund investments are disclosed in Note 14b. The financial assets have been fully disposed in 2019.

If the fair values of the financial assets at FVTPL held by the Group had been 10% higher/lower, the profit before taxation for the years ended 31 December 2017, 2018 and 2019 would have been approximately RMB500,000, RMB129,000, RMB1,790,000 higher/lower respectively and the loss before tax for the six months ended 30 June 2020 would be RMB1,740,000 lower/higher.

If the fair values of the equity instruments at FVTOCI held by the Group had been 10% higher/lower, the other comprehensive income for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 would have been approximately RMB1,735,000, RMB1,261,000 and RMB1,764,000 higher/lower respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020.

5. REVENUE AND SEGMENT INFORMATION

The CODM assesses the performance of the operating segment mainly based on the measure of operating profit, excluding items which are not directly related to the segment performance. These include non-operating income/(expenses) such as government subsidies and other non-operating items. The CODM reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at 31 December 2017, 2018 and 2019 and 30 June 2020 substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

	Year ended 31 December			Six months ended 30 June	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
The Group's profit/(loss)					
before taxation	38,118	49,152	25,972	4,158	(4,568)
Add: Listing expenses	–	–	13,605	8,085	3,503
Less: Other income	(573)	(2,290)	(3,339)	(1,627)	(1,015)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit/(loss)					
presented to the CODM	<u>37,545</u>	<u>46,862</u>	<u>36,238</u>	<u>10,616</u>	<u>(2,080)</u>

Revenue by service type for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
Medical conference services	137,148	173,294	282,262	115,810	75,087
Patient education and screening services	78,652	77,834	72,782	18,649	27,453
Marketing strategy and consulting services	43,080	47,840	67,622	27,486	33,151
Contract research organisation services	–	–	4,482	–	2,920
Internet hospital services	–	–	11	–	70
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue	<u>258,880</u>	<u>298,968</u>	<u>427,159</u>	<u>161,945</u>	<u>138,681</u>

The timing of revenue recognition for the services for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Timing of revenue recognition					
At a point in time	258,880	298,968	426,873	161,945	138,593
Over time	–	–	286	–	88
Total revenue	<u>258,880</u>	<u>298,968</u>	<u>427,159</u>	<u>161,945</u>	<u>138,681</u>

Revenue for the services recognised on gross basis and net basis for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross basis	258,880	298,968	426,862	161,945	138,523
Net basis	–	–	297	–	158
Total revenue	<u>258,880</u>	<u>298,968</u>	<u>427,159</u>	<u>161,945</u>	<u>138,681</u>

The major customers which contributed more than 10% of the total revenue for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020 are listed as below:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
Customer A	33%	36%	31%	34%	16%
Customer B	19%	N/A	N/A	N/A	N/A
Customer C	N/A	N/A	N/A	N/A	10%
Customer D	N/A	N/A	N/A	N/A	10%

Note: The percentage of contribution is not applicable for Customer B in 2018, 2019 and 2020 as it contributed less than 10% in the periods.

The percentage of contribution is not applicable for Customer C and Customer D in 2017, 2018 and 2019 as it contributed less than 10% in the periods.

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	As at 31 December			As at 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	<u>39,083</u>	<u>141,262</u>	<u>179,818</u>	<u>150,018</u>	<u>192,496</u>

6. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Foreign exchange (loss)/gain	(4)	4	3	–	(1)
(Loss)/gain on disposal of property, plant and equipment	(2)	–	2	7	(120)
Bank interest income	219	358	466	269	150
Gain on change in fair value of financial assets at FVTPL (Note (a))	356	651	627	299	176
Government subsidy (Note (b))	–	1,150	1,193	815	133
Value added tax refund	–	–	1,041	–	431
Others	4	127	7	237	246
	<u>573</u>	<u>2,290</u>	<u>3,339</u>	<u>1,627</u>	<u>1,015</u>

Notes:

- (a) During the year ended 31 December 2017, dividend income of RMB4,214,000 was received from financial assets at FVTPL, and it was included in the net gain of RMB356,000 on change in fair value of financial assets at FVTPL. Save as aforesaid, there were no other dividend income earned on the financial assets at FVTPL during the Track Record Period.
- (b) Amount represented subsidy received from government authority for listing on NEEQ and financial subsidy on the Group's business development without any specific conditions attached to the subsidy.

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense on lease liabilities	<u>268</u>	<u>301</u>	<u>309</u>	<u>195</u>	<u>352</u>

8. PROFIT/(LOSS) BEFORE TAXATION

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) before taxation has been carried at after charging:					
Auditor's remuneration	241	342	335	4	782
Depreciation of property, plant and equipment (Note 12)	2,879	2,652	2,666	1,298	1,406
Depreciation of right-of-use assets (Note 13)	5,262	5,434	5,352	2,984	3,000
Amortisation of intangible assets (included in cost of sales) (Note 17)	81	221	2,711	429	3,336
Short-term lease payments	<u>809</u>	<u>679</u>	<u>683</u>	<u>628</u>	<u>1,006</u>

9. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Included in cost of sales					
Wages salaries and bonuses	20,610	22,253	21,748	13,819	10,671
Retirement benefit expense	1,575	1,849	2,038	1,105	175
Social security costs, housing benefits and other employee benefits	1,800	2,154	3,186	1,551	1,607
	<u>23,985</u>	<u>26,256</u>	<u>26,972</u>	<u>16,475</u>	<u>12,453</u>
Included in selling expenses					
Wages salaries and bonuses	2,606	2,682	3,388	1,632	3,355
Retirement benefit expense	202	214	321	102	36
Social security costs, housing benefits and other employee benefits	201	215	391	112	407
	<u>3,009</u>	<u>3,111</u>	<u>4,100</u>	<u>1,846</u>	<u>3,798</u>
Included in administrative expenses					
Wages salaries and bonuses	5,699	7,767	9,671	6,723	5,349
Retirement benefit expense	467	549	891	352	112
Social security costs, housing benefits and other employee benefits	651	620	3,673	441	2,337
	<u>6,817</u>	<u>8,936</u>	<u>14,235</u>	<u>7,516</u>	<u>7,798</u>
Included in research and development expenses					
Wages salaries and bonuses	2,343	1,963	7,731	1,453	5,405
Retirement benefit expense	141	142	589	75	75
Social security costs, housing benefits and other employee benefits	174	135	666	97	503
	<u>2,658</u>	<u>2,240</u>	<u>8,986</u>	<u>1,625</u>	<u>5,983</u>
	<u><u>36,469</u></u>	<u><u>40,543</u></u>	<u><u>54,293</u></u>	<u><u>27,462</u></u>	<u><u>30,032</u></u>

(a) Pension costs – defined contribution plans

Employees of the Group in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments. The Group contributes funds which are calculated on a fixed percentage of 20% of the employees' salary (subject to a floor and cap) as set by local municipal governments to each scheme locally to fund the retirement benefits of the employees.

(b) Directors' emoluments

Details of the emoluments paid or payable to the directors of the Company, including emoluments paid to them by the Group prior to becoming directors of the Company, during the Track Record Period are set out below:

	Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking			
	Employer's contribution of a retirement benefit scheme			
	Salary		Other	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2017				
Executive directors –				
Shi Wei (施煒)	330	27	21	378
Yang Weimin (楊為民)	330	27	21	378
Wang Liang (王亮)	330	27	21	378
He Jiyong (賀繼永)	–	–	–	–
Wang Wei (王偉)	201	16	13	230
Sui Huijun (眭輝俊)	203	19	13	235
	<u>1,394</u>	<u>116</u>	<u>89</u>	<u>1,599</u>
Non-executive directors –				
Zhang Yitao (張藝濤)	–	–	–	–
Liu Xia (劉夏)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Independent non-executive directors –				
Song Ruilin (宋瑞霖)	–	–	–	–
Fei Xiang (費翔)	–	–	–	–
David Z. Wang (王正)	–	–	–	–
Yang Xiaoxi (楊曉曦)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>1,394</u>	<u>116</u>	<u>89</u>	<u>1,599</u>

	Emoluments paid or payable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking			
	Salary <i>RMB'000</i>	Employer's contribution of a retirement benefit scheme <i>RMB'000</i>	Other <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2018				
Executive directors –				
Shi Wei (施焯)	318	27	21	366
Yang Weimin (楊為民)	318	27	21	366
Wang Liang (王亮)	318	27	21	366
He Jiyong (賀繼永)	–	–	–	–
Wang Wei (王偉)	198	16	14	228
Sui Huijun (眭輝俊)	205	20	14	239
	<u>1,357</u>	<u>117</u>	<u>91</u>	<u>1,565</u>
Non-executive directors –				
Zhang Yitao (張藝濤)	–	–	–	–
Liu Xia (劉夏)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Independent non-executive directors –				
Song Ruilin (宋瑞霖)	–	–	–	–
Fei Xiang (費翔)	–	–	–	–
David Z. Wang (王正)	–	–	–	–
Yang Xiaoxi (楊曉曦)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>1,357</u>	<u>117</u>	<u>91</u>	<u>1,565</u>

**Emoluments paid or payable in respect of a person's services
as a director, whether of the Company or
its subsidiaries undertaking**

	Salary <i>RMB'000</i>	Employer's contribution of a retirement benefit scheme <i>RMB'000</i>	Other <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2019				
Executive directors –				
Shi Wei (施焯)	573	37	55	665
Yang Weimin (楊為民)	573	37	55	665
Wang Liang (王亮)	573	37	55	665
He Jiyong (賀繼永)	518	40	64	622
Wang Wei (王偉)	278	33	44	355
Sui Huijun (眭輝俊)	279	18	16	313
	<u>2,794</u>	<u>202</u>	<u>289</u>	<u>3,285</u>
Non-executive directors –				
Zhang Yitao (張藝濤)	–	–	–	–
Liu Xia (劉夏)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Independent non-executive directors –				
Song Ruilin (宋瑞霖)	–	–	–	–
Fei Xiang (費翔)	–	–	–	–
David Z. Wang (王正)	–	–	–	–
Yang Xiaoxi (楊曉曦)	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>2,794</u>	<u>202</u>	<u>289</u>	<u>3,285</u>

**Emoluments paid or payable in respect of a person's services
as a director, whether of the Company or
its subsidiaries undertaking**

	Salary	Employer's contribution of a retirement benefit scheme	Other	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the six months ended				
30 June 2019				
Executive directors –				
Shi Wei (施焯)	274	15	14	303
Yang Weimin (楊為民)	274	15	14	303
Wang Liang (王亮)	274	15	14	303
He Jiyong (賀繼永)	218	18	24	260
Wang Wei (王偉)	140	11	11	162
Sui Huijun (睦輝俊)	141	10	8	159
	1,321	84	85	1,490
	1,321	84	85	1,490
Non-executive directors –				
Zhang Yitao (張藝濤)	–	–	–	–
Liu Xia (劉夏)	–	–	–	–
	–	–	–	–
	–	–	–	–
Independent non-executive directors –				
Song Ruilin (宋瑞霖)	–	–	–	–
Fei Xiang (費翔)	–	–	–	–
David Z. Wang (王正)	–	–	–	–
Yang Xiaoxi (楊曉曦)	–	–	–	–
	–	–	–	–
	–	–	–	–
	1,321	84	85	1,490

**Emoluments paid or payable in respect of a person's services
as a director, whether of the Company or
its subsidiaries undertaking**

	Salary	Employer's contribution of a retirement benefit scheme	Other	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the six months ended				
30 June 2020				
Executive directors –				
Shi Wei (施焯)	300	4	31	335
Yang Weimin (楊為民)	300	4	31	335
Wang Liang (王亮)	300	4	31	335
He Jiyong (賀繼永)	300	4	29	333
Wang Wei (王偉)	138	4	26	168
Sui Huijun (眭輝俊)	138	4	17	159
	1,476	24	165	1,665
	–	–	–	–
Non-executive directors –				
Zhang Yitao (張藝濤)	–	–	–	–
Liu Xia (劉夏)	–	–	–	–
	–	–	–	–
	–	–	–	–
Independent non-executive directors –				
Song Ruilin (宋瑞霖)	–	–	–	–
Fei Xiang (費翔)	–	–	–	–
David Z. Wang (王正)	–	–	–	–
Yang Xiaoxi (楊曉曦)	–	–	–	–
	–	–	–	–
	–	–	–	–
	1,476	24	165	1,665

The remuneration shown above represents remuneration received from the Group by the director in his capacity as employee to the companies comprising the Group. No directors waived any emolument during the Track Record Period.

No director fee was paid to the director in his capacity as director of the Company. No emolument was paid by the Company or the companies comprising the Group as an inducement to join the Company or the companies comprising the Group, or as compensation for loss of office during the Track Record Period.

Mr. Shi Wei (施煒) was appointed as the Company's Co-chairman and executive director on 21 February 2019.

Mr. Yang Weimin (楊為民), Mr. Wang Wei (王偉), Mr. Wang Liang (王亮) and Mr. Sui Huijun (聿輝俊) were appointed as the Company's executive director on 18 September 2019 respectively.

Ms. Zhang Yitao (張藝濤) and Liu Xia (劉夏) were appointed as the Company's non-executive director on 18 September 2019 respectively.

Mr. Song Ruilin (宋瑞霖), Mr. Fei Xiang (費翔), Mr. David Zheng Wang (王正) and Mr. Yang Xiaoxi (楊曉曦) were appointed as the Company's independent non-executive director on 21 December 2020.

During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any remuneration from the Group.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020 include 4, 4, 4, 4 and 4 directors of the Company whose emoluments are reflected in the analysis shown in "Directors' emoluments" above. The emoluments payable to the remaining 1, 1, 1, 1 and 1 individual for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages salaries and bonuses	206	204	276	138	300
Pension costs – defined contribution plans	15	16	32	10	8
Other social security costs housing benefits and other employee benefits	13	14	50	17	31
	<u>234</u>	<u>234</u>	<u>358</u>	<u>165</u>	<u>339</u>

The emoluments fell within the following band:

	Number of individuals Year ended 31 December			Number of individuals Six months ended 30 June	
	2017	2018	2019	2019	2020
Nil up to HK\$1 million	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

10. INCOME TAX EXPENSE/(CREDIT)

The income tax expenses/(credit) of the Group for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020 is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current tax	8,485	9,671	4,966	2,405	181
(Over)/under provision of taxation for previous years	(186)	131	43	43	(316)
Deferred tax (<i>Note 18</i>)	8,299	9,802	5,009	2,448	(135)
	(397)	(327)	(1,094)	(365)	(426)
	<u>7,902</u>	<u>9,475</u>	<u>3,915</u>	<u>2,083</u>	<u>(561)</u>

(a) PRC enterprise income tax ("EIT")

EIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020 calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The EIT rate is 25% during the Track Record Period.

Two of the entities comprising the Group was approved to be the High and New Technology Enterprise ("HNTE") on 10 September 2018 and 31 October 2018 respectively, and they enjoyed the preferential tax rate of 15% for HNTE. Mediwelcome Beijing has been qualified to be HNTE on 2 December 2019 and enjoyed the preferential tax rate in 2019. The HNTE certificate needs to be renewed every three years so as to enable to enjoy the reduced tax rate of 15%.

The Group enjoyed additional 50%, 75%, 75% and 75% tax reduction based on the eligible research and development expenses for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020 respectively.

One of the entities comprising the Group is qualified for the tax exemption from 2017 to 2020 for its operation in the Horgos Economic Development Zone (the "HEDZ"). For the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, the income generated from this subsidiary is fully exempted from EIT.

For the year ended 31 December 2019 and six months ended 30 June 2020, one and two of the entities comprising the Group is qualified as small and micro-sized enterprises (SMEs) for tax reduction. For the first RMB1 million of annual taxable income is eligible for 75% reduction and the income between RMB1 million and RMB3 million is eligible for 50% reduction at the applicable EIT tax rate of 20%.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong for the Track Record Period.

(b) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the Track Record Period, the Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as of 31 December 2017, 2018 and 2019 and 30 June 2020.

The income tax expenses/(credit) for the Track Record Period can be reconciled to the profit/(loss) before taxation per the consolidated statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2019 RMB'000	2020 RMB'000
Profit/(loss) before taxation	38,118	49,152	25,972	4,158	(4,567)
Tax calculated at PRC statutory tax rate of 25%	9,530	12,289	6,493	1,039	(1,142)
Tax effect of income that is not taxable for tax purposes	(1,122)	(1,023)	(67)	(1)	–
Tax effect of expenses that are not deductible for tax purposes (<i>Note</i>)	407	180	313	214	842
Tax effect of income exempted in the HEDZ	(573)	(857)	(111)	(8)	(37)
Tax effect of tax losses not recognised	4	170	584	552	2,012
Tax effect of utilisation of tax loss previously not recognised	–	(313)	(602)	(49)	(385)
Tax effect of additional tax reduction for eligible research and development expenses	(158)	(636)	(1,657)	(398)	(963)
Tax effect of different tax rate of a subsidiary qualified as HNTE	–	(466)	(1,717)	(46)	(572)
(Over)/under provision of taxation for previous year	(186)	131	43	43	(316)
Tax effect of additional tax reduction for SMEs	–	–	(101)	–	–
Other	–	–	737	737	–
Income tax expense/(credit)	7,902	9,475	3,915	2,083	(561)

Note: The expenses that are not deductible for tax purposes mainly represent business entertainment expenses which exceeded the amounts allowed by the State Taxation Administration during the Track Record Period.

11. EARNINGS PER SHARE

No earning per share information is presented as its inclusion, for the purpose of this Historical Financial Information, is not considered meaningful due to the Reorganisation and the presentation of the results for Track Record Period on the basis as disclosed in Note 2.1.

12. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Motor vehicle <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
Cost					
At 1 January 2017	3,268	410	7,702	2,021	13,401
Additions	580	3	1,819	736	3,138
Addition through acquisition of a subsidiary	67	–	–	–	67
Disposals	(67)	–	(266)	–	(333)
At 31 December 2017 and 1 January 2018	3,848	413	9,255	2,757	16,273
Additions	2,827	–	206	98	3,131
Addition through acquisition of a subsidiary	61	–	–	–	61
Disposals	(186)	–	(307)	–	(493)
At 31 December 2018 and 1 January 2019	6,550	413	9,154	2,855	18,972
Additions	1,370	–	321	447	2,138
Addition through acquisition of a subsidiary	16	–	–	–	16
Disposals	(46)	–	–	–	(46)
At 31 December 2019 and 1 January 2020	7,890	413	9,475	3,302	21,080
Additions	255	–	–	3,195	3,450
Disposal	(220)	–	–	(195)	(415)
Written off	–	–	–	(2,021)	(2,021)
At 30 June 2020	<u>7,925</u>	<u>413</u>	<u>9,475</u>	<u>4,281</u>	<u>22,094</u>
Accumulated depreciation					
At 1 January 2017	2,286	37	4,342	986	7,651
Depreciation provided for the year	581	119	1,529	650	2,879
Eliminated on disposals	(62)	–	(252)	–	(314)
At 31 December 2017 and 1 January 2018	2,805	156	5,619	1,636	10,216
Depreciation provided for the year	646	113	1,231	662	2,652
Eliminated on disposals	(177)	–	(292)	–	(469)
At 31 December 2018 and 1 January 2019	3,274	269	6,558	2,298	12,399
Depreciation provided for the year	1,087	100	1,096	383	2,666
Eliminated on disposals	(33)	–	–	–	(33)

	Electronic equipment <i>RMB'000</i>	Furniture and fixtures <i>RMB'000</i>	Motor vehicle <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2019 and 1 January 2020	4,328	369	7,654	2,681	15,032
Depreciation provided for the period	633	9	502	262	1,406
Eliminated on disposal	(209)	–	–	(76)	(285)
Written off	–	–	–	(2,021)	(2,021)
At 30 June 2020	<u>4,752</u>	<u>378</u>	<u>8,156</u>	<u>846</u>	<u>14,132</u>
Carrying amount					
At 31 December 2017	<u>1,043</u>	<u>257</u>	<u>3,636</u>	<u>1,121</u>	<u>6,057</u>
At 31 December 2018	<u>3,276</u>	<u>144</u>	<u>2,596</u>	<u>557</u>	<u>6,573</u>
At 31 December 2019	<u>3,562</u>	<u>44</u>	<u>1,821</u>	<u>621</u>	<u>6,048</u>
At 30 June 2020	<u>3,173</u>	<u>35</u>	<u>1,319</u>	<u>3,435</u>	<u>7,962</u>

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>
Administrative expenses	2,879	2,584	2,253	1,091	1,151
Cost of sales	–	68	407	205	205
Research and development expenses	–	–	6	2	50
	<u>2,879</u>	<u>2,652</u>	<u>2,666</u>	<u>1,298</u>	<u>1,406</u>

13. RIGHT-OF-USE ASSETS

	As at 31 December			As at
	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	30 June 2020 <i>RMB'000</i>
Leased premises for the Group to use as offices and warehouses	<u>2,940</u>	<u>8,037</u>	<u>4,023</u>	<u>37,070</u>

The Group obtains right to use offices and warehouses located in the PRC for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 12 to 52 months.

Termination options are included in certain leases across the Group and all the termination options are exercisable only by the respective lessor and not by the Group. The Group has an unconditional obligation to pay for the right to use the asset for the period of the lease.

Additions to the right-of-use assets during the years ended 31 December 2017, 2018 and 2019 and 30 June 2020 were RMB2,007,000, RMB10,531,000, RMB1,343,000 and RMB36,047,000 respectively.

Depreciation expenses have been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Administrative expenses	5,262	5,434	5,352	2,984	3,000

14a. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Unlisted equity securities				
– Beijing Cezhiyi (Note (a))	–	1,672	1,800	2,384
– Weiliandong (Note (b))	–	4,500	–	–
– Shanghai Bohuikang (Note (c))	–	5,351	5,205	7,715
– Lingchuang Yigu (Note (d))	–	5,829	5,609	7,536
	–	17,352	12,614	17,635

Notes:

- (a) On 16 March 2018, the Group entered into an agreement with two independent third parties to the Group to acquire 5% equity interests of Beijing Cezhiyi for a cash consideration of RMB1,725,000. The completion date of acquisition was on 18 May 2018.
- (b) On 2 May 2018, Mediwelcome Beijing entered into an agreement with the founding shareholders parties to the Group, for the injection of new capital to Weiliandong by Mediwelcome Beijing. Upon the completion of the capital contribution of RMB4,500,000 on 4 May 2018, the Mediwelcome Beijing held 18.37% of equity interests of Weiliandong.
- On 31 March 2019, Mediwelcome Beijing acquired the remaining 81.63% equity interests in Weiliandong from independent third parties. At the date of acquisition, the fair value of Weiliandong is RMB899,000 and fair value loss amounting to RMB3,601,000 was recognised in other comprehensive income. Details are disclosed in Note 31(c).
- (c) On the 17 May 2018, the Group entered into an agreement with the founding shareholders of Shanghai Bohuikang, independent third parties to the Group, for the injection of new capital to Shanghai Bohuikang by the Group. Upon the completion of the capital contribution of RMB5,150,000 on 17 May 2018, the Group held 9% equity interests of Shanghai Bohuikang.
- (d) On 16 November 2018, the Group entered into an agreement with the founding shareholders of Lingchuang Yigu, independent third parties to the Group, for the injection of new capital to Lingchuang Yigu by the Group. Upon the completion of the capital contribution of RMB5,300,000 on 23 November 2018, the Group held 15% of equity interests of Lingchuang Yigu.

- (e) The above mentioned investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

14b. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Short term financial assets				
mandatorily measured at FVTPL				
Unlisted fund investment (<i>Note (a)</i>)	–	289	–	–
Financial products (<i>Note (b)</i>)	5,000	1,000	17,900	17,400
	<u>5,000</u>	<u>1,289</u>	<u>17,900</u>	<u>17,400</u>

Notes:

- (a) On 9 August 2018, the Group paid cash of RMB320,000 to acquire 320,000 units of an investment fund issued by China Guangfa Bank with no fixed commitment period. The fund invested in both money market and derivative market. The fund offers investors to reap the benefits of compound interest depending on the return of the fund.

On 11 October 2018, the Group disposed of 35,000 units of the investment fund at net proceeds of RMB35,000 and no gain or loss arising from the disposal.

On 11 January 2019 and 9 April 2019, the Group disposed of 37,000 and 35,000 units of the investment fund at total net proceeds of RMB72,000 and no gain or loss arising from the disposals.

Remaining units have been fully disposed of as at 31 December 2019 at the consideration of RMB289,000 and no gain or loss arising from the disposals.

- (b) The Group acquired some financial products at the aggregate consideration of RMB38,000,000, RMB1,000,000 and RMB70,000,000 and RMB5,000,000 as at 31 December 2017, 2018 and 2019 and 30 June 2020. The financial products have been partially disposed of at total net proceeds of RMB43,356,000, RMB5,647,000, RMB53,655,000 and RMB5,676,000 for the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020 and no gain or loss arising from the disposals. The financial products are structured fixed deposits with financial institutions with three-month maturities. The principal of the structured fixed deposits will be invested in debt instruments while the interest will be invested in derivative markets. The Group received variable return depending on the return of the derivative.

15. LOAN RECEIVABLE

Pursuant to a trust agreement dated 25 December 2018 entered into by Beijing Chuangyan and Shandong Province International Trust Co., Limited (山東省國際信託股份有限公司), an independent third party to the Group, the Group provided to Weiliandong a secured term loan of RMB20,000,000 through the trustee. The loan receivable carried interest at 4.35% per annum, with maturity of five years and secured by 40% shares of Weiliandong held by Yang Liu (楊柳), an independent third party to the Group and the major shareholder of Weiliandong as at 31 December 2018.

On 20 March 2019, Mediwelcome Beijing entered into sale and purchase agreements with Yang Liu (楊柳) and Li Na (李娜), independent third parties to the Group, to acquire 57.14% and 24.49% equity interests of Weiliandong at aggregate consideration of RMB1 and RMB2,667,000. Subsequently, on 25 March 2019, Weiliandong and Beijing Chuangyan entered into a loan agreement, a new loan amounting to RMB20,000,000 was borrowed by Weiliandong from Beijing Chuangyan, and Weiliandong repaid the aforesaid secured term loan of RMB20,000,000 through the trustee. The trust arrangement was also terminated on the same day.

The new loan was unsecured non-interest bearing and repayable on 24 March 2022. As at 25 March 2019, Weiliandong become a wholly-owned subsidiary of the Group as set out in Note 31 and hence the intragroup balances are eliminated.

16. GOODWILL

	<i>RMB'000</i>
At 1 January 2017	–
Arising on acquisition of a subsidiary (<i>Note 31(a)</i>)	591
At 31 December 2017 and 1 January 2018	591
Arising on acquisition of a subsidiary (<i>Note 31(b)</i>)	371
At 31 December 2018 and 1 January 2019	962
Arising on acquisition of a subsidiary (<i>Note 31(c)</i>)	2,153
At 31 December 2019 and 30 June 2020	3,115

Impairment tests for goodwill

As at 30 December 2018, the goodwill includes (1) goodwill of RMB591,000 recognised from the acquisition of Beijing Haice on 31 May 2017; (2) goodwill of RMB371,000 recognised from the acquisition of Beijing Baichuan on 30 September 2018; and (3) goodwill of RMB2,153,000 recognised from the acquisition of Weiliandong on 25 March 2019.

Beijing Haice

During the Track Record Period, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 19%. The revenue growth rate applied for the year ended 31 December 2017 are 10%, 8%, 6%, 4% and 3% for each of the 5 years from 2018 to 2022, respectively. The revenue growth rate applied for the year ended 31 December 2018 are 10%, 8%, 6%, 4% and 3% for each of the 5 years from 2019 to 2023, respectively. The revenue growth rate applied for the year ended 31 December 2019 are 10%, 8%, 6%, 4% and 3% for each of the 5 years from 2020 to 2024, respectively. The revenue growth rate applied for the six months ended 30 June 2020 are 8%, 6%, 4%, 2% and 2% for each of the 5 years from 2021 to 2025, respectively. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

The headroom for goodwill impairment testing as at 31 December 2017, 2018 and 2019 and as at 30 June 2020 are RMB11,518,000, RMB11,170,000, RMB14,679,000 and RMB20,624,000, respectively. The sensitivity analysis and headroom for goodwill impairment testing for the Track Record Period as below:

	<i>RMB'000, except percentages</i>		
	<i>-3%</i>	<i>0%</i>	<i>+3%</i>
At 31 December 2017			
Change in discount rate	17,269	11,518	7,827
Change in terminal growth rate	9,555	11,518	14,590
At 31 December 2018			
Change in discount rate	19,699	11,170	5,830
Change in terminal growth rate	8,168	11,170	15,919
At 31 December 2019			
Change in discount rate	23,895	14,679	8,463
Change in terminal growth rate	11,513	14,679	19,318
At 30 June 2020			
Change in discount rate	30,883	20,624	13,812
Change in terminal growth rate	17,356	20,624	25,526
	<i>RMB'000, except percentages</i>		
	<i>-5%</i>	<i>0%</i>	<i>+5%</i>
At 31 December 2017			
Change in gross profit	10,637	11,518	12,399
At 31 December 2018			
Change in gross profit	7,692	11,170	14,648
At 31 December 2019			
Change in gross profit	10,719	14,679	18,639
At 30 June 2020			
Change in gross profit	16,216	20,624	25,032

Beijing Baichuan

During the Track Record Period, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 19%. The revenue growth rate applied for the year ended 31 December 2018 are 50%, 40%, 30%, 10% and 5% for each of the 5 years from 2019 to 2023, respectively. The revenue growth rate applied for the year ended 31 December 2019 are 30%, 20%, 15%, 10% and 5% for each of the 5 years from 2020 to 2024, respectively. The revenue growth rate applied for the six months ended 30 June 2020 are 19%, 15%, 10%, 5% and 2% for each of the 5 years from 2021 to 2025, respectively. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

The headroom for goodwill impairment testing as at 31 December 2018 and 2019 and as at 30 June 2020 are RMB7,013,000, RMB1,659,000 and RMB2,399,000, respectively. The sensitivity analysis and headroom for goodwill impairment testing for the Track Record Period as below:

	<i>RMB'000, except percentages</i>		
	-3%	0%	+3%
At 31 December 2018			
Change in discount rate	9,334	7,013	5,479
Change in terminal growth rate	6,288	7,013	8,161
At 31 December 2019			
Change in discount rate	2,511	1,659	1,050
Change in terminal growth rate	1,413	1,659	2,019
At 30 June 2020			
Change in discount rate	3,084	2,399	1,914
Change in terminal growth rate	2,214	2,399	2,677
	<i>RMB'000, except percentages</i>		
	-5%	0%	+5%
At 31 December 2018			
Change in gross profit	5,214	7,013	8,814
At 31 December 2019			
Change in gross profit	441	1,659	2,027
At 30 June 2020			
Change in gross profit	1,415	2,399	3,383

Weiliandong

During the Track Record Period, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 17%. The revenue growth rate applied for the year ended 31 December 2019 are 15%, 10%, 8%, 5% and 3% for each of the 5 years from 2020 to 2024, respectively. The revenue growth rate applied for the six months ended 30 June 2020 are 13%, 8%, 5%, 2% and 2% for each of the 5 years from 2021 to 2025, respectively. The cash flows beyond the five-year period are extrapolated using a 3% growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

The headroom for goodwill impairment testing as at 31 December 2019 and 30 June 2020 are RMB13,560,000 and RMB15,162,000, respectively. The sensitivity analysis and headroom for goodwill impairment testing for the Track Record Period as below:

	<i>RMB'000, except percentages</i>		
	-3%	0%	+3%
At 31 December 2019			
Change in discount rate	17,537	13,560	10,959
Change in terminal growth rate	12,256	13,560	15,591
At 30 June 2020			
Change in discount rate	20,703	15,162	15,121
Change in terminal growth rate	14,142	15,162	17,924
	<i>RMB'000, except percentages</i>		
	-5%	0%	+5%
At 31 December 2019			
Change in gross profit	11,035	13,560	16,086
At 30 June 2020			
Change in gross profit	12,121	15,162	18,202

In the opinion of the directors of the Company, any reasonably possible change in any of these assumptions would not cause its carrying amount to exceed its recoverable amount. The management determines that the cash-generating unit containing the goodwill has not suffered an impairment loss.

The directors of the Company use the discount rate of similar comparable listed companies for Beijing Haice, Beijing Baichuan and Weiliandong during the Track Record Period, as there is no significant change in the industries of the three companies operated, therefore the respective discount rates for each of the three companies have minimal changes during the Track Record Period.

17. INTANGIBLE ASSETS

	Softwares <i>RMB'000</i> <i>(Note (a))</i>	Contracts <i>RMB'000</i> <i>(Note (b))</i>	Total <i>RMB'000</i>
Cost			
At 1 January 2017	295	–	295
Additions	284	–	284
At 31 December 2017 and 1 January 2018	579	–	579
Additions	2,038		2,038
Additions through acquisition of a subsidiary <i>(Note 31(b))</i>	555	–	555
At 31 December 2018 and 1 January 2019	3,172	–	3,172
Additions	10,858	–	10,858
Additions through acquisition of a subsidiary <i>(Note 31(c))</i>	4,916	5,565	10,481
At 31 December 2019 and 1 January 2020	18,946	5,565	24,511
Additions	5,013	–	5,013
At 30 June 2020	<u>23,959</u>	<u>5,565</u>	<u>29,524</u>
Accumulated amortisation			
At 1 January 2017	44	–	44
Charged for the year	81	–	81
At 31 December 2017 and 1 January 2018	125	–	125
Charged for the year	221	–	221
At 31 December 2018 and 1 January 2019	346	–	346
Charged for the year	1,320	1,391	2,711
At 31 December 2019 and 1 January 2020	1,666	1,391	3,057
Charged for the period	1,945	1,391	3,336
At 30 June 2020	<u>3,611</u>	<u>2,782</u>	<u>6,393</u>
Net carrying amount			
At 31 December 2017	<u>454</u>	<u>–</u>	<u>454</u>
At 31 December 2018	<u>2,826</u>	<u>–</u>	<u>2,826</u>
At 31 December 2019	<u>17,280</u>	<u>4,174</u>	<u>21,454</u>
At 30 June 2020	<u>20,348</u>	<u>2,783</u>	<u>23,131</u>

Notes:

- (a) Softwares represent softwares and systems and are amortised on straight-line basis over useful life of 5 years.
- (b) Contracts represent sales contracts obtained through acquisition of Weiliandong and are amortised on straight-line basis over the contract term of 2 years.

18. DEFERRED TAX

The analysis of deferred tax is as follows:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Deferred tax assets	629	956	1,685	1,868
Deferred tax liabilities	–	–	(815)	(572)
	<u>629</u>	<u>956</u>	<u>870</u>	<u>1,296</u>

The gross movements in the deferred income tax assets/(liabilities) are as follows:

	Tax losses	Impairment	Fair value	Total
	RMB'000	on trade	change in	RMB'000
		receivables	intangible	
		and other	assets	
		receivables		
		(Note a)		
At 1 January 2017	–	219	–	219
Additions through acquisition of a subsidiary (Note 31(a))	–	13	–	13
Credit to profit or loss for the year	–	397	–	397
	<u>–</u>	<u>629</u>	<u>–</u>	<u>629</u>
At 31 December 2017 and 1 January 2018	–	629	–	629
Credit to profit or loss for the year	–	327	–	327
	<u>–</u>	<u>956</u>	<u>–</u>	<u>956</u>
At 31 December 2018 and 1 January 2019	–	956	–	956
Additions through acquisition of a subsidiary (Note 31(c))	–	–	(1,180)	(1,180)
Credit to profit or loss for the year	–	729	365	1,094
	<u>–</u>	<u>1,685</u>	<u>(815)</u>	<u>870</u>
At 31 December 2019 and 1 January 2020	–	1,685	(815)	870
Credit/(charge) to profit or loss for the period	301	(118)	243	426
	<u>301</u>	<u>1,567</u>	<u>(572)</u>	<u>1,296</u>
At 30 June 2020	<u>301</u>	<u>1,567</u>	<u>(572)</u>	<u>1,296</u>

Notes:

- (a) Being fair value adjustments on intangible assets acquired in business combination.
- (b) Deferred income tax assets are recognised for deductible temporary differences. The Group did not recognise deferred income tax assets as at 31 December 2017, 2018 and 2019 and 30 June 2020, in respect of unused tax losses amounting to RMB3,371,000, RMB5,938,000, RMB16,780,000 and RMB24,780,000 of certain subsidiaries of the Group as at those dates, respectively, due to unpredictability of future assessable profit stream of these subsidiaries. The tax losses can be carried forward against future taxable income, and will be expired between 2021 and 2023 under PRC tax regulations.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Included in non-current assets				
Deposits (Note (a))	193	4,000	572	43
Other receivables (Note (b))	44	183	74	2,708
	<u>237</u>	<u>4,183</u>	<u>646</u>	<u>2,751</u>
Included in current assets				
Prepayments (Note (c))	743	942	1,115	2,194
Prepaid listing expenses	–	–	3,229	3,340
Other prepaid taxation (Note (d))	656	67	2,035	1,642
Other receivables (Note (e))	1,352	1,083	5,835	5,342
	<u>2,751</u>	<u>2,092</u>	<u>12,214</u>	<u>12,518</u>

Notes:

- (a) As at 31 December 2018, the balance represents deposit paid for acquisition of system software. During the year ended 31 December 2019, the deposit was refunded upon the termination of contract.
- (b) As at 31 December 2017, 2018 and 2019 and 30 June 2020, other receivables represent non-current portion of rental deposits.
- (c) As at 31 December 2017, 2018 and 2019 and 30 June 2020, the balances mainly represent prepayments for petrol, rental and management fee and legal retainer fee which will be utilised within 12 months from the end of the reporting period.
- (d) Other prepaid taxation mainly represents value-added tax and surcharges.
- (e) As at 31 December 2017 and 2018, other receivables mainly represent current portion of rental deposits of RMB1,045,000 and RMB1,007,000 respectively. As at 31 December 2019, other receivables mainly represent current portion of rental deposit of RMB1,467,000 and advances to suppliers of RMB4,000,000. The advances to suppliers were fully refunded in March 2020. As at 30 June 2020, other receivables mainly represent current portion of rental deposit of RMB1,641,000 and advances to suppliers of RMB3,500,000. The advances to suppliers were fully refunded in August 2020.

20. TRADE RECEIVABLES

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Receivables from third parties	30,065	34,478	81,645	58,820
Less: allowance for credit losses	(2,535)	(3,813)	(9,926)	(8,511)
	<u>27,530</u>	<u>30,665</u>	<u>71,719</u>	<u>50,309</u>

Note:

The Group normally allows a credit period of 90 days to its customers.

An ageing analysis of trade receivables (after allowance for credit losses) based on invoice date is as follows:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Within 90 days	26,525	30,108	71,319	47,442
91 days to 180 days	1,005	557	400	2,867
	<u>27,530</u>	<u>30,665</u>	<u>71,719</u>	<u>50,309</u>

An ageing analysis of trade receivables (after allowance for credit losses) based on due date is as follows:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Neither past due nor impaired	26,525	29,547	69,457	47,223
Over 90 days	1,005	1,118	2,262	3,086
	<u>27,530</u>	<u>30,665</u>	<u>71,719</u>	<u>50,309</u>

Trade receivables are classified as financial assets measured at amortised cost, their carrying amounts approximated their fair values due to their short maturities.

21. CONTRACT COSTS

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
Arising from costs to fulfill contracts	3,091	9,033	4,421	11,258

Contract costs capitalised as at 31 December 2017, 2018 and 2019 and 30 June 2020 relate to fee paid to suppliers while revenue from related services is recognised at a point in time as disclosed in Note 2.15(b). Contract costs are recognised as part of “cost of sales” in the consolidated statement of comprehensive income in the period in which revenue from the related services is recognised. The amount of capitalised costs recognised in profit or loss during the years ended 31 December 2017 and 2018 and 2019 and six months ended 30 June 2020 were RMB2,175,000, RMB3,091,000, RMB9,033,000 and RMB4,337,000 respectively. There was no impairment in relation to the contract costs at the end of the reporting period.

All the capitalised contract costs is expected to be recovered within one year.

22. BANK BALANCES AND CASH

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
Cash on hand	201	465	333	274
Cash at banks	90,018	98,740	73,309	65,260
Cash at banks and on hand	90,219	99,205	73,642	65,534

Cash at banks earn interest at floating rates based on daily bank deposit rates. The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

23. TRADE PAYABLES

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
Payables to third parties	11,805	15,763	27,357	20,829

Trade payables and their aging analysis based on invoice date are as follows:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
Up to 90 days	10,124	14,868	25,243	12,853
91 days to 180 days	556	386	1,089	1,133
181 days to 360 days	647	153	849	6,663
Over 360 days	478	356	176	180
	11,805	15,763	27,357	20,829

24. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
Contract liabilities	14,506	36,152	30,346	31,184

Movement of contract liabilities

	RMB'000
At 1 January 2017	43,069
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(43,069)
Increase in contract liabilities as a result of acquisition of a subsidiary (<i>Note 31(a)</i>)	279
Increase in contract liabilities as a result of receiving deposits for providing services	14,227
	<hr/>
At 31 December 2017 and 1 January 2018	14,506
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(14,506)
Increase in contract liabilities as a result of acquisition of a subsidiary (<i>Note 31(b)</i>)	14,049
Increase in contract liabilities as a result of receiving deposits for providing services	22,103
	<hr/>
At 31 December 2018 and 1 January 2019	36,152
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(36,152)
Increase in contract liabilities as a result of receiving deposits for providing services	30,346
	<hr/>
At 31 December 2019 and 1 January 2020	30,346
Decrease in contract liabilities as a result of recognising revenue during the period that was included in the contract liabilities at the beginning of the period	(19,463)
Increase in contract liabilities as a result of receiving deposits for providing services	20,301
	<hr/>
At 30 June 2020	<u>31,184</u>

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the preparation work of services commences, this will give rise to contract liabilities, until the related consideration is recognised as revenue. The Group typically receives a 30% deposit on acceptance of service orders. The amount of the deposit, if any, was negotiated on a case by case basis with customers. The remaining of the consideration is payable by 2 to 3 instalments in manner as set out in the contracts. The deposits are refundable upon the cancellation of the contracts which requires consent from both parties.

The amount of billings in advance of performance and instalments received expected to be recognised as income within one year or less.

25. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Reimbursement to staff	1,462	615	2,195	401
Accrued social security costs	79	172	906	459
Accrued listing expenses	–	–	2,793	4,201
Other tax payables (<i>Note</i>)	3,208	4,159	6,866	3,652
Salary payable	2,149	2,444	3,368	4,598
Others	291	457	395	265
	<u>7,189</u>	<u>7,847</u>	<u>16,523</u>	<u>13,576</u>

Note:

As at 31 December 2017, 2018 and 2019 and 30 June 2020, other tax payables mainly represent PRC Value Added Tax payable of RMB2,254,000, RMB3,607,000, RMB5,909,000 and RMB2,308,000 respectively and PRC Individual Income Tax payable (withholding tax) of RMB699,000, RMB285,000, RMB625,000 and RMB379,000 respectively.

26. LEASE LIABILITIES

	As at 31 December			As at
	2017	2018	2019	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Current	2,394	5,106	3,794	9,908
Non-current	566	2,966	370	27,247
	<u>2,960</u>	<u>8,072</u>	<u>4,164</u>	<u>37,155</u>
Weighted average incremental borrowing rate	4.75%	4.75%	4.75%	4.75%

During the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, cash outflow for interest paid on lease liabilities of RMB268,000, RMB301,000, RMB309,000 and RMB352,000 respectively, was included in net cash in financing activities. During the years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2020, cash outflows for the reduction of the principal amount of the lease liabilities of RMB5,242,000, RMB5,419,000, RMB5,246,000 and RMB3,056,000 respectively, were presented as cash flows under financing activities.

27. SHARE CAPITAL

The Group

The share capital as at 1 January 2017, 31 December 2017 and 2018 represented the share capital of Mediwelcome Beijing. The share capital as at 31 December 2019 and 30 June 2020 represented the share capital of the Company.

	<i>RMB'000</i>
At 1 January 2017	12,500
Placement of new shares (<i>Note (a)</i>)	<u>1,250</u>
At 31 December 2017 and 1 January 2018	13,750
Dividend declared and paid (<i>Note (b)</i>)	<u>40,466</u>
At 31 December 2018 and 1 January 2019	54,216
Issuance of shares of the Company	1
Effect of Recognition (<i>Note (c)</i>)	<u>(54,216)</u>
At 31 December 2019 and 1 January 2020 and 30 June 2020	<u><u>1</u></u>

Notes:

- (a) In October 2017, the registered share capital of Mediwelcome Beijing was increased from RMB12,500,000 to RMB13,750,000 by way of private placement, where a total number of 1,250,000 shares were subscribed at RMB29.6 per share by 4 placees, not related to the Controlling Parties, Xiamen Guodu Shenrui Huiying Equity Investment LLP, Ningbo Yurongsheng Equity Investment Co., Ltd., Mr. Luo Shuai (羅帥) and Tongling Lizhi Equity Investment Co., Ltd. Upon the completion of private placement, net proceeds of RMB36,689,000 was raised by Mediwelcome Beijing. The number of shares of Mediwelcome Beijing increased by 1,250,000 shares and the capital reserve of Mediwelcome Beijing increased by RMB35,439,000.
- (b) During the year ended 31 December 2018, Mediwelcome Beijing declared interim dividend of RMB54,216,000 on proportionate basis to all existing shareholders of which RMB13,750,000 was satisfied by cash and RMB40,466,000 was satisfied by shares of Mediwelcome Beijing. Amount of RMB34,375,000, the basis of 10 existing shares for 25 new shares at RMB1 per share was transferred from retained earnings to share capital. Amount of RMB3,341,000, the basis of 10 existing shares for 2,430,109 new shares at RMB1 per share was transferred from capital reserve to share capital. Amount of RMB2,750,000, the basis of 10 existing shares for 2 new shares at RMB1 per share was transferred from statutory reserve to share capital.
- (c) Upon the completion of the Reorganisation, the difference between the par value of the allotted shares of the Company with the nominal value of equity interests in Mediwelcome Beijing amounting to RMB54,216,000 was transferred from share capital to other reserve.

The Company

	Par value	Number of ordinary shares <i>RMB'000</i>	Amount <i>RMB'000</i>
Authorised:			
At date of incorporation	US\$0.01	5,000	336
Share capital redenomination on 12 May 2019	HK\$0.00001	37,995,000	<u>334</u>
At 31 December 2019, 1 January 2020 and 30 June 2020	HK\$0.00001	38,000,000	<u><u>670</u></u>
Issued and fully paid:			
At date of incorporation		–	–
Arising from reorganisation on 12 May 2019		130,000	1
Allotment of share on 18 September 2019 (<i>Note</i>)		<u>20,000</u>	<u>–</u>
At 31 December 2019, 1 January 2020 and 30 June 2020		<u><u>150,000</u></u>	<u><u>1</u></u>

Note: On 18 September 2019, 20,000,000 shares were allotted and issued to Great Global Insight Limited, a wholly-owned by a third party independent licensed administrator appointed by the Company and holding approximately 13.33% of the issued shares of the Company on trust and for the benefit of the participants of the RSU Scheme (as defined in Note 29).

28. RESERVES

	Capital reserve RMB'000	Statutory reserve RMB'000 (Note)	Fair value reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	5,780	1,895	–	–	7,418	15,093
Profit for the year	–	–	–	–	29,657	29,657
Placement of new shares (Note 27(a))	35,439	–	–	–	–	35,439
Appropriation to statutory reserve from retained earnings	–	2,216	–	–	(2,216)	–
At 31 December 2017 and 1 January 2018	41,219	4,111	–	–	34,859	80,189
Profit for the year	–	–	–	–	38,041	38,041
Fair value changes in equity instruments at FVTOCI (Note 4.4)	–	–	677	–	–	677
Appropriation to statutory reserve from retained earnings	–	3,862	–	–	(3,862)	–
Dividend declared and paid (Note 27(b))	(3,341)	(2,750)	–	–	(48,125)	(54,216)
At 31 December 2018 and 1 January 2019	37,878	5,223	677	–	20,913	64,691
Profit for the year	–	–	–	–	20,852	20,852
Fair value changes in equity instruments at FVTOCI (Note 4.4)	–	–	(3,839)	–	–	(3,839)
Derecognition upon deemed disposal of equity instruments at FVTOCI	–	–	3,601	–	(3,601)	–
Appropriation to statutory reserve from retained earnings	–	6,117	–	–	(6,117)	–
Effect of Reorganisation (Note 27(c))	–	–	–	54,216	–	54,216
At 31 December 2019 and 1 January 2020	37,878	11,340	439	54,216	32,047	135,920
Loss for the period	–	–	–	–	(2,278)	(2,278)
Fair value changes in equity instruments at FVTOCI (Note 4.4)	–	–	5,021	–	–	5,021
At 30 June 2020	<u>37,878</u>	<u>11,340</u>	<u>5,460</u>	<u>54,216</u>	<u>29,769</u>	<u>138,663</u>

Note:

In accordance with the relevant laws and regulations in the PRC, the PRC subsidiaries of the Group are required to appropriate 10% of the annual statutory net profit, after offsetting any prior years' losses to the statutory reserve fund before distributing the net profit. When the respective balance of the statutory reserve fund reaches 50% of the share capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders of the PRC subsidiaries. The statutory reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the respective remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital of the PRC subsidiaries.

29. SHARE OPTION SCHEME

The Company has a share option scheme under which eligible persons, including directors of the Group may be granted options to subscribe for shares in the Company.

On 18 September 2019, the Company adopted the Restricted Share Unit Scheme (“RSU Scheme”). The purpose of the RSU Scheme is to attract and to retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group.

Under the RSU Scheme, the Directors may grant options to any directors, employees, consultants and any persons contribute to the Company, its subsidiaries or PRC Operating Entities to subscribe for shares of the Company. An option granted by the Company is exercisable at any time for a period determined by the grantees which should not be more than 10 years from 18 September 2019 upon vesting.

The maximum number of shares in respect of which the options may be granted under the RSU Scheme shall not exceed 20,000,000 ordinary shares or 5% of the issued share capital of the Company after IPO.

The RSU Scheme will remain in force for a period of 10 years commencing from 18 September 2019. No share option has been granted as at 31 December 2019 and 30 June 2020.

30. DIVIDEND

No dividend has been paid or declared by the Company or the subsidiaries of the Group during each of the years ended 31 December 2017 and 2019 and six months ended 30 June 2020.

An interim dividend of RMB54,216,000 was declared by Mediwelcome Beijing for the year ended 31 December 2018. RMB13,750,000 of the dividend was paid by cash on 25 December 2018. On 25 December 2018, the remaining balance of the dividend declared was paid by shares on a proportion basis to all owners. The directors of the Company do not recommend the payment of any final dividend for the year ended 31 December 2018.

31. BUSINESS COMBINATION**(a) Acquisition of Beijing Haice**

On 31 May 2017, Mediwelcome Beijing completed its acquisition on 51% equity interests in Beijing Haice from independent third parties at a consideration of RMB5,000,000. Beijing Haice principally engages in providing medical conference services. The transaction has been accounted for as a business combination using acquisition accounting.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
Property, plant and equipment	67
Deferred tax assets	13
Right-of-use assets	1,285
Trade receivables	2,320
Prepayments and other receivables	1,348
Bank balances and cash	5,290
Other payables and accruals	(34)
Contract liabilities	(279)
Lease liabilities	(1,285)
Tax payable	(79)
	<hr/>
Net assets acquired	8,646
	<hr/> <hr/>
	<i>RMB'000</i>
Net cash inflow arising on acquisition	
Cash consideration transferred	(5,000)
Acquisition of cash and cash equivalents	5,290
	<hr/>
	290
	<hr/> <hr/>
	<i>RMB'000</i>
Goodwill arising on acquisition	
Consideration transferred	5,000
Add: Non-controlling interests	4,237
Less: Net assets acquired	(8,646)
	<hr/>
Goodwill arising on acquisition	591
	<hr/> <hr/>

Note:

The non-controlling interests (49%) in Beijing Haice recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the identifiable net assets of Beijing Haice at the acquisition date.

Acquisition-related costs of RMB150,000 has been charged to administrative expenses in the consolidated statements of comprehensive income for the year ended 31 December 2017.

The acquisition of Beijing Haice enabled the Group to broaden its customer base and extended its business focus on marketing and strategic consulting services and the anticipated future operating synergies from the combination would bring benefits to the operation of the Group.

The fair value of acquired trade receivables is RMB2,320,000. The gross contractual amount for trade receivables due is RMB2,372,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB52,000.

The fair value of acquired other receivables included in prepayments and other receivables is RMB471,000. The gross contractual amount for other receivables due is RMB472,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB1,000.

The acquired business contributed revenue of RMB8,305,000 and net profit of RMB1,141,000 to the Group for the period from 31 May 2017, the date of acquisition, to 31 December 2017.

The revenue and net profit of the Group for the year ended 31 December 2017 as if the acquisition date for the business combination that occurred had been as of 1 January 2017 would be RMB263,525,000 and RMB30,751,000, respectively.

(b) Acquisition of Beijing Baichuan

On 30 September 2018, Mediwelcome Beijing completed its acquisition on 55.07% equity interests in Beijing Baichuan from independent third parties at a consideration of RMB1,900,000. Beijing Baichuan principally engages in providing medical conference services. The transaction has been accounted for as a business combination using acquisition accounting.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follow:

	<i>RMB'000</i>
Property, plant and equipment	61
Right-of-use assets	8
Intangible assets	555
Prepayments and other receivables	7,658
Bank balances and cash	8,617
Other payables and accruals	(33)
Contract liabilities	(14,049)
Lease liabilities	(8)
Tax payable	(33)
	<u>2,776</u>
Net assets acquired	<u>2,776</u>
	<i>RMB'000</i>
Net cash inflow arising on acquisition	
Cash consideration transferred	(1,900)
Bank balances and cash acquired	8,617
	<u>6,717</u>
	<i>RMB'000</i>
Goodwill arising on acquisition	
Consideration transferred	1,900
Add Non-controlling interests	1,247
Less: Net assets acquired	(2,776)
	<u>371</u>
Goodwill arising on acquisition	<u>371</u>

Note:

The non-controlling interests (44.93%) in Beijing Baichuan recognised at the acquisition date were measured at the non-controlling interests' proportionate share of the identifiable net assets of Beijing Baichuan at the acquisition date.

The identified intangible assets for the acquisition primarily consists of systems and software. They are initially recognised and measured at fair value if they are acquired in business combinations.

Acquisition-related costs of RMB50,000 has been charged to administrative expenses in the consolidated statements of comprehensive income for the year ended 31 December 2018.

The fair value of acquired other receivables included in prepayments and other receivables is RMB2,006,000, mainly represents a loan receivable from an independent third party amounting to RMB2,000,000 which bearing interest rate at 5% per annum with maturity date on 31 December 2018 and has been settled on the same date. The gross contractual amount for other receivables due is RMB2,068,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB62,000.

The acquisition of Beijing Baichuan enabled the Group to broaden its customer base and extended its business focus on medical conference services and the anticipated future operating synergies from the combination would bring benefits to the operation of the Group.

The acquired business contributed revenue of RMB5,687,000 and net profit of RMB1,253,000 to the Group for the period from 30 September 2018, the date of acquisition, to 31 December 2018.

The revenue and net profit of the Group for the year ended 31 December 2018 as if the acquisition date for the business combination that occurred had been as of 1 January 2018 would be RMB300,832,000 and RMB37,395,000 respectively.

(e) Acquisition of Weiliandong

As at 31 December 2018, Mediwelcome Beijing held 18.37% equity interests in Weiliandong which is classified as equity instrument as FVTOCI as disclosed in Note 14(a). On 25 March 2019, Mediwelcome Beijing completed its acquisition on 81.63% equity interests in Weiliandong at aggregate consideration of RMB2,667,001 from independent third parties. At the completion of the transaction, Weiliandong became a wholly owned subsidiary of Mediwelcome Beijing. Weiliandong is principally engaged in providing medical conference services, patient education services, marketing and strategic consulting services. The transaction has been accounted for as a business combination using acquisition accounting. The previously held equity interests was remeasured to fair value at the date of business combination, and the accumulated loss on fair value change of 18.37% equity interests in Weiliandong amounting to RMB3,601,000 was transferred to retained earnings from fair value reserve at the date of business combination.

Fair value of assets acquired and liabilities recognised at the date of acquisition are as follows:

	<i>RMB'000</i>
Property, plant and equipment	16
Intangible assets	10,481
Trade receivables	122
Prepayments and other receivables	9,427
Bank balances and cash	2,643
Other payables and accruals	(96)
Deferred tax liabilities	(1,180)
Amount due to Beijing Chuangyan	(20,000)
	<hr/>
Net assets acquired	1,413
	<hr/> <hr/>

RMB'000

Net cash outflow arising on acquisition

Cash consideration transferred	(2,667)
Bank balances and cash acquired	2,643
	<u>(24)</u>

RMB'000

Goodwill arising on acquisition*Consideration transferred*

Equity instruments at FVTOCI	899
Cash consideration	2,667
	<u>3,566</u>
Total consideration transferred	3,566
Add: Net assets acquired	<u>(1,413)</u>
	<u>2,153</u>

Note:

The identified intangible assets for the acquisition primarily consists of softwares and sales contracts. They are initially recognised and measured at fair value if they are acquired in business combinations.

Acquisition-related costs of RMB50,000 have been charged to administrative expenses in the consolidated statements of comprehensive income for the year ended 31 December 2019.

The fair value of acquired trade receivables is RMB122,000. The gross contractual amount for trade receivables due is RMB122,000, which is the best estimate at acquisition date of the contractual cash flows expected to be collected.

The fair value of acquired other receivables included in prepayments and other receivables is RMB200,000. The gross contractual amount for other receivables due is RMB200,000, which is the best estimate at acquisition date of the contractual cash flows expected to be collected.

Weiliandong is the owner of Giraffe Platform, which is a video conferencing and online education solutions that enable hospitals to host online medical conferences and access online medical conferences and other training videos recorded by physicians. The acquisition of Weiliandong enables the Group to broaden its customer base and enhance its patient management capabilities and the anticipated future operating synergies from the combination would bring benefits to the operation of the Group.

The acquired business contributed revenue of RMB9,775,000 and net profit of RMB1,589,000 to the Group for the period from 25 March 2019, the date of acquisition, to 31 December 2019.

The revenue and net profit of the Group for the year ended 31 December 2019 as if the acquisition date for the business combination that occurred had been as of 1 January 2019 would be RMB428,352,000 and RMB21,211,000 respectively.

32. RECONCILIATION OF LIABILITIES GENERATED FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities:

	Dividend payable <i>RMB'000</i>	Lease liabilities <i>RMB'000</i> <i>(Note 26)</i>	Total <i>RMB'000</i>
At 1 January 2017	–	6,195	6,195
Financing cash flows	–	(5,510)	(5,510)
<i>Non-cash changes</i>			
Additions to lease liabilities	–	722	722
Lease liabilities from acquisition	–	1,285	1,285
Finance costs for lease liabilities	–	268	268
	<hr/>	<hr/>	<hr/>
At 31 December 2017 and 1 January 2018	–	2,960	2,960
Financing cash flows	(13,750)	(5,720)	(19,470)
<i>Non-cash changes</i>			
Dividend declared by Mediwelcome Beijing <i>(Note 30)</i>	54,216	–	54,216
Dividend settled by shares of Mediwelcome Beijing <i>(Note 30)</i>	(40,466)	–	(40,466)
Additions to lease liabilities	–	10,523	10,523
Lease liabilities from acquisition	–	8	8
Finance costs for lease liabilities	–	301	301
	<hr/>	<hr/>	<hr/>
At 31 December 2018 and 1 January 2019	–	8,072	8,072
Financing cash flows	–	(5,555)	(5,555)
<i>Non-cash changes</i>			
Written off of balance on contracts early terminated	–	(5)	(5)
Additions to lease liabilities	–	1,343	1,343
Finance costs for lease liabilities	–	309	309
	<hr/>	<hr/>	<hr/>
At 31 December 2019 and 1 January 2020	–	4,164	4,164
Financing cash flows	–	(3,408)	(3,408)
<i>Non-cash changes</i>			
Additions to lease liabilities	–	36,047	36,047
Finance costs for lease liabilities	–	352	352
	<hr/>	<hr/>	<hr/>
At 30 June 2020	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 January 2019	–	8,072	8,072
Financing cash flows	–	(2,995)	(2,995)
<i>Non-cash changes</i>			
Additions to lease liabilities	–	1,205	1,205
Finance costs for lease liabilities	–	195	195
	<hr/>	<hr/>	<hr/>
At 30 June 2019	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

33. RELATED PARTY TRANSACTIONS

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Name and relationship with related party

The following company is related party of the Group that had balances and/or transactions with the Group during the Track Record Period.

Company	Relationship with the Group
Shanghai Yiman Medical Technology Co., Ltd (上海以漫醫療技術有限公司) (“Shanghai Yiman”)	The sole shareholder of Shanghai Yiman is the director of a subsidiary of the Group.

(b) Significant transactions with a related party

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Service fees paid to related party:					
– Shanghai Yiman	–	–	196	196	–

(c) Key management personnel compensations

The compensations paid or payable to key management personnel (including chief executive officer, directors of the Company and other senior executives of the Group) for employee services are show below:

	Year ended 31 December			Six months ended 30 June	
	2017	2018	2019	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and bonuses	2,523	2,540	4,425	1,958	1,778
Pension costs – defined contribution plans	217	230	371	136	136
Other social security costs, housing benefits and other employee benefits	194	210	508	151	151
	<u>2,934</u>	<u>2,980</u>	<u>5,304</u>	<u>2,245</u>	<u>2,065</u>

34. SUBSEQUENT EVENTS

Save as disclosed in the report, the following significant events took place subsequent to 30 June 2020:

(a) Subsequent financial statements

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2020. Save as disclosed in this report, no dividends or distribution has been declared or made by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2020.

The information set out in this Appendix does not form part of the Accountants' Report on the historical financial information of the Group for each of the three years ended 31 December 2019 and the six months ended 30 June 2020 from Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company as set out in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 or at any future dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 as shown in the Accountants' Report set out in Appendix I of this document and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 ⁽¹⁾ RMB'000	Estimated net proceeds from the Global Offering ⁽²⁾ RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 30 June 2020 ⁽³⁾ RMB HKD ⁽⁴⁾	
Based on an Offer Price of HK\$3.00 per Share	112,418	92,620	205,038	1.03	1.21

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 ⁽¹⁾ <i>RMB'000</i>	Estimated net proceeds from the Global Offering ⁽²⁾ <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 30 June 2020 ⁽³⁾ <i>RMB</i> <i>HKD⁽⁴⁾</i>	
Based on an Offer Price of HK\$4.00 per Share	112,418	128,981	241,399	1.21	1.43

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 is extracted from the Accountants' Report set forth in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2020 of RMB138,664,000 with an adjustment for the goodwill of RMB3,115,000 and intangible assets of RMB23,131,000 as at 30 June 2020.
- (2) The estimated net proceeds from the Global Offering are based on 50,000,000 new shares at the indicative Offer Price of HK\$3.00 and HK\$4.00 per Share, being the low-end and high-end of the indicated Offer Price range respectively, after deduction of the estimated underwriting fees and other related expenses to be incurred by the Group other than listing expenses which has been recognised in profit or loss up to 30 June 2020.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company is arrived at on the basis that Shares were in issue assuming that the Global Offering has been completed on 30 June 2020 but takes no account of any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates for the issue or repurchase of Shares granted to the Directors.
- (4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company, the amount stated in Renminbi is converted into Hong Kong dollars at the rate of RMB0.8456 to HK\$1. No representation is made that the Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 to reflect any trading result or other transactions of the Group entered into subsequent to 30 June 2020.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share for the year ending 31 December 2020 prepared in accordance with Rule 4.29 of the Listing Rules is set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2020. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 31 December 2020 or any future period.

For the year ending 31 December 2020

Forecast consolidated profit attributable to owners of the Company ⁽¹⁾	Not less than RMB21.0 million (equivalent to HK\$24.8 million) ⁽³⁾
Unaudited pro forma forecast earnings per Share ⁽²⁾	Not less than RMB0.11 (equivalent to HK\$0.13) ⁽³⁾

Notes:

- (1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2020 has been prepared are summarized in “Profit Forecast” in Appendix IIB to this prospectus. The forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2020 prepared by the Directors is based on (i) the audited consolidated financial information of the Group for the six months ended 30 June 2020; (ii) the unaudited consolidated results based on management accounts of the Group for the five months ended 30 November 2020; and (iii) a forecast of the consolidated results of the Group for the remaining one month ending 31 December 2020, in the absence of unforeseen circumstances. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarized in “Accountants’ Report” as set out in Appendix I to this prospectus.
- (2) The calculation of the unaudited pro forma forecast earnings per Share for the year ending 31 December 2020 is based on the forecast consolidated profit attributable to owners of the Company for the year ending 31 December 2020, assuming the Global Offering had been completed on 1 January 2020 and a total of 200,000,000 Shares were in issue during the entire year, taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.
- (3) The forecast consolidated profit attributable to owners of the Company and unaudited pro forma forecast earnings per Share in RMB are converted to Hong Kong dollars at the rate of RMB0.8456 to HK\$1. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars at that rate or at any other rate.

C. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this document.

**MOORE****Moore Stephens CPA Limited**801-806 Silvercord, Tower 1,
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Kowloon, Hong KongT +852 2375 3180
F +852 2375 3828www.moore.hk大華馬施雲
會計師事務所有限公司**Independent Reporting Accountants' Assurance Report on the Compilation of Unaudited Pro Forma Financial Information**

To the Directors of Mediwelcome Healthcare Management & Technology Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Mediwelcome Healthcare Management & Technology Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 June 2020 and the unaudited pro forma forecast earnings per share for the year ending 31 December 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages IIA-1 to IIA-3 of the Company's prospectus dated 31 December 2020, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described on pages IIA-1 to IIA-3.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2020 and the forecast earnings per share of the Company for the year ending 31 December 2020 as if the proposed initial public offering had taken place at 30 June 2020 and 1 January 2020, respectively. As part of this process, information about the Group's financial position as at 30 June 2020 has been extracted by the directors of the Company from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Company's prospectus. Information about the Group's forecast of the consolidated profit attributable to owners of the Company for the year ending 31 December 2020 (the "Profit Forecast") has been extracted by the directors of the Company from the section headed "Financial Information" in the Company's prospectus on which a letter from us has been published as set out in Appendix IIB to the Company's prospectus.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2020 or 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Moore Stephens CPA Limited

Certified Public Accountants

Cheung Sai Kit

Practising Certificate Number: P05544

Hong Kong, 31 December 2020

The forecast of the consolidated profit attributable to owners of our Company for the year ending 31 December 2020 is set out in the section headed “Financial Information – Profit Forecast for the Year Ending 31 December 2020” in this document.

A. BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated profit attributable to owners of our Company for the year ending 31 December 2020 based on the audited consolidated results of our Group for the six months ended 30 June 2020, the unaudited consolidated results based on management accounts of our Group for the five months ended 30 November 2020, and a forecast of the consolidated results of our Group for the remaining one month ending 31 December 2020 and in the absence of unforeseen circumstances. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarized in Appendix I to this document and has been prepared on the following principal bases and assumptions:

1. There will be no significant changes in the existing government policies or political, legal (including changes in legislations or regulations or rules), fiscal market, or economic conditions in Hong Kong, the PRC or in any other jurisdictions in which our Group carries on its business;
2. There will be no significant disruptions arising from industrial, political or legislative actions in Hong Kong, the PRC or in any other jurisdictions that will materially affect the operations of our Group;
3. There will be no significant changes in the bases and rates of taxation, tariffs and duties from those prevailing at the date of the profit forecast and that may materially affect our Group’s performance;
4. The Group can substantially maintain the relationship with the existing customers and suppliers and there will be no significant changes in our Group’s ability to provide and source services to and from major customers and suppliers respectively;
5. There will be no significant changes in cost of sales from those currently prevailing that may materially affect our Group’s performance;

6. There will be no external bank financing during the one month ending 31 December 2020 (the “**profit forecast period**”);
7. There will be no significant changes in inflation rates, interest rates or foreign currency exchange rates from those currently prevailing;
8. Our Group will not enter into any hedging arrangements and any changes in project costs will be shifted to the customers;
9. Our Group will be able to retain the key staff and the management team;
10. Our Company will not be materially and adversely affected by any of the risk factors set out in the section headed “Risk Factors” in the Prospectus;
11. All required licenses in respect of our Group’s operation will continue to be valid during the profit forecast period;
12. Our Group will be able to maintain the business relationships and contract terms with its existing customers and service providers, all contracts entered by our Group will be performed and relevant revenue will be recognised;
13. The business strategies of our Group in the profit forecast period are developed in the manner as disclosed in the prospectus;
14. The operation of our Group will not be affected due to shortage of labour and materials or significant increase in costs of sales;
15. Our Directors assume there will be no change in fair value of the financial assets at fair value through profit or loss throughout the profit forecast period;
16. The expected taxation payables are calculated by our Directors in accordance with the relevant PRC taxation policies currently effective; and
17. Our Directors assume no option will be granted during the profit forecast period.

B. LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter, prepared for the sole purpose of inclusion in this prospectus, received from our Company's Reporting Accountants, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong in connection with the forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2020.

**MOORE****Moore Stephens CPA Limited**801-806 Silvercord, Tower 1,
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Kowloon, Hong KongT +852 2375 3180
F +852 2375 3828www.moore.hk大華馬施雲
會計師事務所有限公司

The Directors
Mediwelcome Healthcare Management & Technology Inc.

CEB International Capital Corporation Limited

Dear Sirs,

Mediwelcome Healthcare Management & Technology Inc. (“the Company”)

Profit Forecast for Year Ending 31 December 2020

We refer to the forecast of the consolidated profit attributable to owners of the Company for the year ending 31 December 2020 (“the Profit Forecast”) set forth in the section headed “Financial Information” in the prospectus of the Company dated 31 December 2020 (the “Prospectus”).

Directors' Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as “the Group”) for the six months ended 30 June 2020, the unaudited consolidated results based on the management accounts of the Group for the five months ended 30 November 2020 and a forecast of the consolidated results of the Group for the remaining one month ending 31 December 2020.

The Company's directors are solely responsible for the Profit Forecast.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in Appendix IIB of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants’ report dated 31 December 2020, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Moore Stephens CPA Limited

Certified Public Accountants

Cheung Sai Kit

Practising Certificate Number: P05544

C. LETTER FROM THE SOLE SPONSOR



The Board of Directors

Mediwelcome Healthcare Management & Technology Inc.

December 31, 2020

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to owners of Mediwelcome Healthcare Management & Technology Inc. (the “**Company**”) for the year ended December 31, 2020 (the “**Profit Forecast**”) as set out in the section headed “Financial Information – Profit Forecast For the Year Ending December 31, 2020” in the prospectus of the Company dated December 31, 2020 (the “**Prospectus**”).

The Profit Forecast, for which the directors of the Company (the “**Directors**”) are solely responsible, has been prepared by the Directors based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended June 30, 2020 as set out in the Accountants’ Report of the Group in Appendix I to the Prospectus, the unaudited consolidated results based on the management accounts of the Group for the five months ended November 30, 2020 and the forecast of the consolidated results of the Group for the remaining one month ending December 31, 2020.

We have discussed with you the bases and assumptions made by the Directors as set out in Appendix IIB to the Prospectus, upon which the Profit Forecast has been made. We have also considered, and relied upon, the letter dated December 31, 2020 addressed to you and us from Moore Stephens CPA Limited regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the information comprising the Profit Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Moore Stephens CPA Limited, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
CEB International Capital Corporation Limited
Maggie Chan
Managing Director

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on December 21, 2020 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Cayman Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection.”

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on December 21, 2020 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of adoption of the Articles is HK\$380,000 divided into 38,000,000,000 shares of HK\$0.00001 each.

2.2 *Directors***(a) *Power to allot and issue Shares***

Subject to the provisions of the Cayman Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Cayman

Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Cayman Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Cayman Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The number of Directors shall not be less than two.

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director).

The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors who are to retire by rotation at such meeting.

No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors. The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by a notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall

retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Act; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Cayman Companies Act.

2.6 Special resolution-majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Cayman Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution signed by all members for the time being entitled to receive notice of and to attend and vote at general meetings (or being corporations by their duly appointed representatives), and any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last member to sign.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorized representatives, at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

Extraordinary general meetings may be convened on the requisition of two or more shareholders (or any one member which is a recognized clearing house (or its nominee(s)) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Cayman Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Cayman Companies Act or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a statement of financial position as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may, in its absolute discretion, and without assigning any reason, refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase. The holder of the shares being purchased shall be bound to deliver up to the Company at its principal place of business in Hong Kong or such other place as the Directors shall specify the certificate(s) thereof, if any, for cancellation and thereupon the Company shall pay to him the purchase or redemption monies in respect thereof.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Cayman Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully

paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Cayman Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Cayman Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Cayman Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 February 2019 under the Cayman Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Cayman Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account.” At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Cayman Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a

company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Cayman Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (please refer to paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Cayman Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Cayman Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Cayman Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Cayman Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or

consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, ratably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Campbells, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on February 21, 2019 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 4, 2019. We have established a place of business in Hong Kong at Room 2204, 22/F, Fu Fai Commercial Centre, 27 Hillier Street, Hong Kong. Ms. Leung Wai Ling, Wylie (梁慧玲) who resides at Flat A 1/F, Tower 19 One Beacon Hill, 1 Beacon Hill Road, Kowloon Tong, Kowloon, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Act and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the company law of the Cayman Islands is set out in Appendix III.

2. Changes in the share capital of our Company

As of the date of incorporation of our Company, the authorized share capital of our Company was US\$50,000.00 divided into 5,000,000 shares with par value of US\$0.01 each. Immediately after its incorporation, one Share were allotted and issued to its initial subscriber, who on the same day transferred the Share to Ji Ze Investment. On the same day, 19, 20, 20, 20 and 20 Shares were allotted and issued to Ji Ze Investment, Shun Jia Investment, Tai Zhi Feng Investment, He Hui Wan Yi Investment and He Sheng Kang Yuan Investment, respectively.

On April 26, 2019, 3,107 Shares, 1,935 Shares, 906 Shares, 1,935 Shares, 281 Shares, 235 Shares, 246 Shares, 322 Shares, 325 Shares, 148 Shares, 147 Shares and 303 Shares were allotted and issued to Ji Ze Investment, Shun Jia Investment, Tai Zhi Feng, He Hui Wan Yi Investment, He Sheng Kang Yuan Investment, Florescent East Limited (東熙有限公司), Trade Mountain Limited (嶺業有限公司), Blue Pond Global Limited (藍溱環球有限公司), Soaring Roc Enterprises Limited (鵬昇企業有限公司), Southern Kirin Enterprises Limited (南麒企業有限公司), Faith Respect Enterprises Limited (恭信企業有限公司) and Alpha Champion Ventures Limited (首冠創投有限公司), respectively.

On May 12, 2019, our Company resolved that the authorized share capital be re-denominate from US\$50,000 to HK\$380,000 by the creation of an additional 38,000,000,000 shares with par value of HK\$0.00001 each. On the same day, 40,651,000 Shares, 25,415,000 Shares, 12,038,000 Shares, 25,415,000 Shares, 3,913,000 Shares, 3,055,000 Shares, 3,198,000 Shares, 4,316,000 Shares, 4,225,000 Shares, 3,939,000 Shares,

1,924,000 Shares and 1,911,000 Shares were allotted and issued to Ji Ze Investment, Shun Jia Investment, Tai Zhi Feng Investment, He Hui Wan Yi Investment, He Sheng Kang Yuan Investment, Florescent East Limited (東熙有限公司), Trade Mountain Limited (嶺業有限公司), Blue Pond Global Limited (藍塘環球有限公司), Soaring Roc Enterprises Limited (鵬升企業有限公司), Alpha Champion Ventures Limited (首冠創投有限公司), Southern Kirin Enterprises Limited (南麒企業有限公司) and Faith Respect Enterprises Limited (恭信企業有限公司), respectively.

Upon completion of such Share allotment and issuance, our Company has repurchased all the Shares issued by the US dollar to our Shareholders. After the repurchase, our Company has canceled all the original 5,000,000 Shares and the authorized share capital of our Company has been changed to HK\$380,000 divided into 38,000,000,000 Shares with par value of HK\$0.00001 each.

On September 18, 2019, 20,000,000 Shares were allotted and issued to RSU Holdings.

Immediately following the completion of the Global Offering but not taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$2,000 divided into 200,000,000 Shares of HK\$0.00001 each, all fully paid or credited as fully paid and 37,800,000,000 Shares will remain unissued.

Please refer to “History and Reorganization – Pre-IPO Investments” for details of the Pre-IPO reorganization.

Please refer to “Share Capital” for details of our share capital following completion of the Global Offering.

Save for the aforesaid and as mentioned in “3. Resolutions in writing of the Shareholders of our Company passed on December 21, 2020” below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders of our Company passed on December 21, 2020

- (a) Pursuant to written resolutions of the Shareholders of our Company passed on December 21, 2020:
 - (i) we approved and conditionally adopted the Memorandum of Association and the Articles of Association which will become effective from the Listing Date;

- (ii) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering and Shares to be issued as mentioned in this Prospectus (including any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme; (ii) the entering into of the agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- (1) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering;
 - (2) the Over-allotment Option was approved; and
 - (3) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “— D. Other Information — 3. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme.
- (iii) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or other similar arrangements or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (iv) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and
- (v) the general unconditional mandate mentioned in paragraph (iii) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (iv) above.

4. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. Please refer to “History and Reorganization” for information relating to the Reorganization.

5. Changes in share capital of our subsidiaries and Consolidated Affiliated Entities

Our Company’s subsidiaries are referred to in the Accountants’ Report in Appendix I. Save for the subsidiaries mentioned in the Accountants’ Report and “History and Reorganization”, our Company has no other subsidiaries.

The following changes in the share capital of our subsidiaries and Consolidated Affiliated Entities have taken place within the two years immediately preceding the date of the prospectus:

Our Subsidiaries

Beijing Haice

On June 19, 2019, Mediwelcome Beijing transferred approximately 51.0% equity interest in Beijing Haice to WFOE.

Beijing Baichuan

On August 2, 2018, Beijing Zhongshan Yuanwei Investment LP (北京重山遠為投資中心(有限合夥)) and Mr. Zhang Xingeng transferred approximately 12.0% and 51.0% equity interest in Beijing Baichuan to Mr. Gao Bin, respectively.

On November 2, 2018, Mediwelcome Beijing injected RMB1,400,921, representing approximately 55.1% equity interest in Beijing Baichuan. Upon completion of such capital injection, the registered capital of Beijing Baichuan was increased from RMB1,142,857 to RMB2,543,778.

On January 2, 2019, Mr. Gao Bin transferred approximately 1.23% and 2.48% equity interest in Beijing Baichuan to Mr. Li Hui and Mr. Xu Yu, respectively.

On July 1, 2019, Mediwelcome Beijing transferred approximately 55.1% equity interest in Beijing Baichuan to WFOE.

*Consolidated Affiliated Entities**Mediwelcome Beijing*

On March 20, 2018, Mr. Luo Shuai, Ningbo Yurongsheng, Tongling Lizhi and Xiamen Guodu subscribed for 203,000 shares, 338,000 shares, 202,000 shares and 507,000 shares, respectively. Upon completion of such share subscription, the registered capital of Mediwelcome Beijing was increased from RMB12,500,000 to RMB13,750,000.

On April 19, 2019, Ms. Zhang Yitao transferred approximately 18.8% equity interest in Mediwelcome Beijing to Ms. Yan Jing, Daohe Yilu transferred approximately 3.04% and 3.26% equity interest in Mediwelcome Beijing to Dongyuan Heyi and Defeng Qixiang, respectively, and Xiamen Guodu transferred approximately 0.37% and 3.32% equity interest in Mediwelcome Beijing to Tianjin Qixing and Ningbo Yurongsheng, respectively.

Weiliandong

On May 2, 2018, Guodu Weikang Health Industry Investment Private Equity Fund (國都衛康健康產業投資私募基金) entered into an agreement to inject RMB675,000 to Weiliandong, representing approximately 18.4% equity interest in Weiliandong. Upon completion of such capital injection, the registered capital of Weiliandong was increased from RMB3,000,000 to RMB3,675,000.

On March 25, 2019, Ms. Yang Liu, Ms. Li Na and Guodu Weikang Health Industry Investment Private Equity Fund transferred all their equity interest in Weiliandong to Mediwelcome Beijing, respectively.

Save as disclosed in “History and Reorganization”, there are no changes in share capital of our Company’s subsidiaries within the two years immediately preceding the date of this Prospectus.

6. Repurchases of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders’ approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders of our Company on December 21, 2020, a general unconditional mandate (the “**Buyback Mandate**”) was granted to our Directors authorizing the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Act, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Companies Act, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this Prospectus in the event that the Buyback Mandate is exercised in full.

(d) Share capital

Exercise in full of the Buyback Mandate, on the basis of 200,000,000 Shares in issue immediately after the Listing (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), could accordingly result in up to 20,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified our Company that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is approved and exercised by the Directors.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be 20,000,000 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately 57.51% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this Prospectus that are or may be material:

- (a) an equity interest transfer agreement dated March 20, 2019 entered into among Guodu Weikang Health Industry Investment Private Equity Fund (國都衛康健康產業投資私募基金), Beijing Mediwelcome Communication Group Co., Ltd. (北京麥迪衛康品牌管理顧問股份有限公司) and Beijing Weiliandong Internet Technology Co., Ltd. (北京微聯動網絡科技有限公司), pursuant to which Guodu Weikang Health Industry Investment Private Equity Fund (國都衛康健康產業投資私募基金) agreed to transfer approximately 18.37% equity interest in Beijing Weiliandong Internet Technology Co., Ltd. (北京微聯動網絡科技有限公司) to Beijing Mediwelcome Communication Group Co., Ltd. (北京麥迪衛康品牌管理顧問股份有限公司) at a consideration of RMB4,500,000;
- (b) an equity interest transfer agreement dated March 20, 2019 entered into among Ms. Yang Liu (楊柳), Beijing Mediwelcome Communication Group Co., Ltd. (北京麥迪衛康品牌管理顧問股份有限公司) and Beijing Weiliandong Internet Technology Co., Ltd. (北京微聯動網絡科技有限公司), pursuant to which Ms. Yang Liu (楊柳) agreed to transfer approximately 57.14% equity interest in Beijing Weiliandong Internet Technology Co., Ltd. (北京微聯動網絡科技有限公司) to Beijing Mediwelcome Communication Group Co., Ltd. (北京麥迪衛康品牌管理顧問股份有限公司) at a consideration of RMB1.00;
- (c) an equity interest transfer agreement dated March 20, 2019 entered into among Ms. Li Na (李娜), Beijing Mediwelcome Communication Group Co., Ltd. (北京麥迪衛康品牌管理顧問股份有限公司) and Beijing Weiliandong Internet Technology Co., Ltd. (北京微聯動網絡科技有限公司), pursuant to which Ms. Li Na (李娜) agreed to transfer approximately 24.49% equity interest in Beijing Weiliandong Internet Technology Co., Ltd. (北京微聯動網絡科技有限公司) to Beijing Mediwelcome Communication Group Co., Ltd. (北京麥迪衛康品牌管理顧問股份有限公司) at a consideration of RMB2,666,700;
- (d) the Exclusive Business Cooperation Agreement (《獨家業務合作協議》) dated July 5, 2019 entered into between Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), pursuant to which Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) agreed to engage Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) as its exclusive provider of technical support, consultation and other services for consideration of agreed service fees;

- (e) the Business Subcontracting Agreement (《業務分包合同》) and the two supplemental agreements dated May 20, 2019 entered into between Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), pursuant to which Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) subcontracted all the Remaining Non-restricted Businesses to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司);
- (f) an Exclusive Option Agreement (《獨家購買權合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mr. Shi Wei (施煒) and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which (i) Mr. Shi Wei (施煒) granted to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) the irrevocable and exclusive rights to require the Mr. Shi Wei (施煒) to transfer any or all of his equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) and/or a third party designated by it, in whole or in part at any time and from time to time, at RMB1.0 or a minimum purchase price permitted under PRC laws and regulations for consideration of agreed service fees, whichever is lower; and (ii) Mr. Shi Wei (施煒) will return to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) any consideration he received in the event that Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (g) an Equity Pledge Agreement (《股權質押合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mr. Shi Wei (施煒), and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which Mr. Shi Wei (施煒) agreed to pledge all of his equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement;
- (h) the Shareholders' Rights Proxy Agreement (《股東權利委託協議》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Mr. Shi Wei (施煒), pursuant to which Mr. Shi Wei (施煒) unconditionally and irrevocably authorized and entrusted Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) or person(s) designated by Beijing Medi Healthcare Management

Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) to exercise all his respective rights as a shareholder of Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);

- (i) an Exclusive Option Agreement (《獨家購買權合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mr. Yang Weimin (楊為民) and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which (i) Mr. Yang Weimin (楊為民) granted to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) the irrevocable and exclusive rights to require the Mr. Yang Weimin (楊為民) to transfer any or all of his equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) and/or a third party designated by it, in whole or in part at any time and from time to time, at RMB1.0 or a minimum purchase price permitted under PRC laws and regulations for consideration of agreed service fees, whichever is lower; and (ii) Mr. Yang Weimin (楊為民) will return to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) any consideration he received in the event that Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (j) an Equity Pledge Agreement (《股權質押合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mr. Yang Weimin (楊為民), and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which Mr. Yang Weimin (楊為民) agreed to pledge all of his equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement;
- (k) the Shareholders' Rights Proxy Agreement (《股東權利委託協議》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Mr. Yang Weimin (楊為民), pursuant to which Mr. Yang Weimin (楊為民) unconditionally and irrevocably authorized and entrusted Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) or person(s) designated by Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) to exercise all his respective rights as a shareholder of Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);

- (l) an Exclusive Option Agreement (《獨家購買權合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Ms. Yan Jing (閆靜) and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which (i) Ms. Yan Jing (閆靜) granted to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) the irrevocable and exclusive rights to require the Ms. Yan Jing (閆靜) to transfer any or all of her equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) and/or a third party designated by it, in whole or in part at any time and from time to time, at RMB1.0 or a minimum purchase price permitted under PRC laws and regulations for consideration of agreed service fees, whichever is lower; and (ii) Ms. Yan Jing (閆靜) will return to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) any consideration she received in the event that Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (m) an Equity Pledge Agreement (《股權質押合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Ms. Yan Jing (閆靜), and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which Ms. Yan Jing (閆靜) agreed to pledge all of her equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement;
- (n) the Shareholders' Rights Proxy Agreement (《股東權利委託協議》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Ms. Yan Jing (閆靜), pursuant to which Ms. Yan Jing (閆靜) unconditionally and irrevocably authorized and entrusted Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) or person(s) designated by Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) to exercise all her respective rights as a shareholder of Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);

- (o) an Exclusive Option Agreement (《獨家購買權合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mr. Wang Liang (王亮) and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which (i) Mr. Wang Liang (王亮) granted to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) the irrevocable and exclusive rights to require the Mr. Wang Liang (王亮) to transfer any or all of his equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) and/or a third party designated by it, in whole or in part at any time and from time to time, at RMB1.0 or a minimum purchase price permitted under PRC laws and regulations for consideration of agreed service fees, whichever is lower; and (ii) Mr. Wang Liang (王亮) will return to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) any consideration he received in the event that Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (p) an Equity Pledge Agreement (《股權質押合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mr. Wang Liang (王亮), and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which Mr. Wang Liang (王亮) agreed to pledge all of his equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement;
- (q) the Shareholders' Rights Proxy Agreement (《股東權利委託協議》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Mr. Wang Liang (王亮), pursuant to which Mr. Wang Liang (王亮) unconditionally and irrevocably authorized and entrusted Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) or person(s) designated by Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) to exercise all his respective rights as a shareholder of Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);

- (r) an Exclusive Option Agreement (《獨家購買權合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Ningbo Yurongsheng Equity Investment Co., Ltd.* (寧波昱融晟股權投資有限公司) and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which (i) Ningbo Yurongsheng Equity Investment Co., Ltd.* (寧波昱融晟股權投資有限公司) granted to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) the irrevocable and exclusive rights to require the Ningbo Yurongsheng Equity Investment Co., Ltd.* (寧波昱融晟股權投資有限公司) to transfer any or all of its equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) and/or a third party designated by it, in whole or in part at any time and from time to time, at RMB1.0 or a minimum purchase price permitted under PRC laws and regulations for consideration of agreed service fees, whichever is lower; and (ii) Ningbo Yurongsheng Equity Investment Co., Ltd.* (寧波昱融晟股權投資有限公司) will return to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) any consideration it received in the event that Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (s) an Equity Pledge Agreement (《股權質押合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Ningbo Yurongsheng Equity Investment Co., Ltd.* (寧波昱融晟股權投資有限公司), and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which Ningbo Yurongsheng Equity Investment Co., Ltd.* (寧波昱融晟股權投資有限公司) agreed to pledge all of its equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement;
- (t) the Shareholders' Rights Proxy Agreement (《股東權利委託協議》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Ningbo Yurongsheng Equity Investment Co., Ltd.* (寧波昱融晟股權投資有限公司), pursuant to which Ningbo Yurongsheng Equity Investment Co., Ltd.* (寧波昱融晟股權投資有限公司) unconditionally and irrevocably authorized and entrusted Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) or person(s) designated by Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) to exercise all its respective rights as a shareholder of Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);

- (u) an Exclusive Option Agreement (《獨家購買權合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mr. Luo Shuai (羅帥) and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which (i) Mr. Luo Shuai (羅帥) granted to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) the irrevocable and exclusive rights to require the Mr. Luo Shuai (羅帥) to transfer any or all of his equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) and/or a third party designated by it, in whole or in part at any time and from time to time, at RMB1.0 or a minimum purchase price permitted under PRC laws and regulations for consideration of agreed service fees, whichever is lower; and (ii) Mr. Luo Shuai (羅帥) will return to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) any consideration he received in the event that Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (v) an Equity Pledge Agreement (《股權質押合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mr. Luo Shuai (羅帥), and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which Mr. Luo Shuai (羅帥) agreed to pledge all of his equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement;
- (w) the Shareholders' Rights Proxy Agreement (《股東權利委託協議》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Mr. Luo Shuai (羅帥), pursuant to which Mr. Luo Shuai (羅帥) unconditionally and irrevocably authorized and entrusted Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) or person(s) designated by Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) to exercise all his respective rights as a shareholder of Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);

- (x) an Exclusive Option Agreement (《獨家購買權合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪健康管理諮詢有限公司), Tongling Lizhi Equity Investment Co., Ltd.* (銅陵勵志投資有限公司) and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which (i) Tongling Lizhi Equity Investment Co., Ltd.* (銅陵勵志投資有限公司) granted to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪健康管理諮詢有限公司) the irrevocable and exclusive rights to require the Tongling Lizhi Equity Investment Co., Ltd.* (銅陵勵志投資有限公司) to transfer any or all of its equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪健康管理諮詢有限公司) and/or a third party designated by it, in whole or in part at any time and from time to time, at RMB1.0 or a minimum purchase price permitted under PRC laws and regulations for consideration of agreed service fees, whichever is lower; and (ii) Tongling Lizhi Equity Investment Co., Ltd.* (銅陵勵志投資有限公司) will return to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪健康管理諮詢有限公司) any consideration it received in the event that Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪健康管理諮詢有限公司) exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (y) an Equity Pledge Agreement (《股權質押合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪健康管理諮詢有限公司), Tongling Lizhi Equity Investment Co., Ltd.* (銅陵勵志投資有限公司), and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which Tongling Lizhi Equity Investment Co., Ltd.* (銅陵勵志投資有限公司) agreed to pledge all of its equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪健康管理諮詢有限公司) as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement;
- (z) the Shareholders' Rights Proxy Agreement (《股東權利委託協議》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪健康管理諮詢有限公司), Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Tongling Lizhi Equity Investment Co., Ltd.* (銅陵勵志投資有限公司), pursuant to which Tongling Lizhi Equity Investment Co., Ltd.* (銅陵勵志投資有限公司) unconditionally and irrevocably authorized and entrusted Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪健康管理諮詢有限公司) or person(s) designated by Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪健康管理諮詢有限公司) to exercise all its respective rights as a shareholder of Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);

- (aa) an Exclusive Option Agreement (《獨家購買權合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Tianjin Dongyuan Heyi Business Management Consulting Limited Liability Partnership* (天津東元禾宜企業管理諮詢有限合夥企業) and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which (i) Tianjin Dongyuan Heyi Business Management Consulting Limited Liability Partnership* (天津東元禾宜企業管理諮詢有限合夥企業) granted to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) the irrevocable and exclusive rights to require the Tianjin Dongyuan Heyi Business Management Consulting Limited Liability Partnership* (天津東元禾宜企業管理諮詢有限合夥企業) to transfer any or all of its equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) and/or a third party designated by it, in whole or in part at any time and from time to time, at RMB1.0 or a minimum purchase price permitted under PRC laws and regulations for consideration of agreed service fees, whichever is lower; and (ii) Tianjin Dongyuan Heyi Business Management Consulting Limited Liability Partnership* (天津東元禾宜企業管理諮詢有限合夥企業) will return to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) any consideration it received in the event that Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (bb) an Equity Pledge Agreement (《股權質押合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Tianjin Dongyuan Heyi Business Management Consulting Limited Liability Partnership* (天津東元禾宜企業管理諮詢有限合夥企業), and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which Tianjin Dongyuan Heyi Business Management Consulting Limited Liability Partnership* (天津東元禾宜企業管理諮詢有限合夥企業) agreed to pledge all of its equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement;
- (cc) the Shareholders' Rights Proxy Agreement (《股東權利委託協議》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Tianjin Dongyuan Heyi Business Management Consulting Limited Liability Partnership* (天津東元禾宜企業管理諮詢有限合夥企業), pursuant to which Tianjin Dongyuan Heyi Business Management Consulting Limited Liability Partnership* (天津東元禾宜企業管理諮詢有限合夥企

- 業) unconditionally and irrevocably authorized and entrusted Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) or person(s) designated by Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) to exercise all its respective rights as a shareholder of Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (dd) an Exclusive Option Agreement (《獨家購買權合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Tianjin Defeng Qixiang Business Management Consulting Limited Liability Partnership* (天津德豐啟祥企業管理諮詢有限合夥企業) and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which (i) Tianjin Defeng Qixiang Business Management Consulting Limited Liability Partnership* (天津德豐啟祥企業管理諮詢有限合夥企業) granted to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) the irrevocable and exclusive rights to require the Tianjin Defeng Qixiang Business Management Consulting Limited Liability Partnership* (天津德豐啟祥企業管理諮詢有限合夥企業) to transfer any or all of its equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) and/or a third party designated by it, in whole or in part at any time and from time to time, at RMB1.0 or a minimum purchase price permitted under PRC laws and regulations for consideration of agreed service fees, whichever is lower; and (ii) Tianjin Defeng Qixiang Business Management Consulting Limited Liability Partnership* (天津德豐啟祥企業管理諮詢有限合夥企業) will return to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) any consideration it received in the event that Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (ee) an Equity Pledge Agreement (《股權質押合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Tianjin Defeng Qixiang Business Management Consulting Limited Liability Partnership* (天津德豐啟祥企業管理諮詢有限合夥企業), and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which Tianjin Defeng Qixiang Business Management Consulting Limited Liability Partnership* (天津德豐啟祥企業管理諮詢有限合夥企業) agreed to pledge all of its equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement;

- (ff) the Shareholders' Rights Proxy Agreement (《股東權利委託協議》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Tianjin Defeng Qixiang Business Management Consulting Limited Liability Partnership* (天津德豐啟祥企業管理諮詢有限合夥企業), pursuant to which Tianjin Defeng Qixiang Business Management Consulting Limited Liability Partnership* (天津德豐啟祥企業管理諮詢有限合夥企業) unconditionally and irrevocably authorized and entrusted Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) or person(s) designated by Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) to exercise all its respective rights as a shareholder of Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (gg) an Exclusive Option Agreement (《獨家購買權合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Tianjin Qixing Heyi Management Consulting Co., Ltd.* (天津啟興和宜企業管理諮詢有限公司) and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which (i) Tianjin Qixing Heyi Management Consulting Co., Ltd.* (天津啟興和宜企業管理諮詢有限公司) granted to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) the irrevocable and exclusive rights to require the Tianjin Qixing Heyi Management Consulting Co., Ltd.* (天津啟興和宜企業管理諮詢有限公司) to transfer any or all of its equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) and/or a third party designated by it, in whole or in part at any time and from time to time, at RMB1.0 or a minimum purchase price permitted under PRC laws and regulations for consideration of agreed service fees, whichever is lower; and (ii) Tianjin Qixing Heyi Management Consulting Co., Ltd.* (天津啟興和宜企業管理諮詢有限公司) will return to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) any consideration it received in the event that Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) exercises the options under the Exclusive Option Agreement to acquire the assets in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (hh) an Equity Pledge Agreement (《股權質押合同》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Tianjin Qixing Heyi Management Consulting Co., Ltd.* (天津啟興和宜企業管理諮詢有限公司), and Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司), pursuant to which Tianjin Qixing Heyi Management Consulting Co., Ltd.* (天津啟興和宜企業管理諮詢有限公司) agreed

to pledge all of its equity interests in Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) to Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) as a security interest to guarantee the payment of outstanding debts under the Exclusive Business Cooperation Agreement;

- (ii) the Shareholders' Rights Proxy Agreement (《股東權利委託協議》) dated July 5, 2019 entered into among Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司), Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司) and Tianjin Qixing Heyi Management Consulting Co., Ltd.* (天津啟興和宜企業管理諮詢有限公司), pursuant to which Tianjin Qixing Heyi Management Consulting Co., Ltd.* (天津啟興和宜企業管理諮詢有限公司) unconditionally and irrevocably authorized and entrusted Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) or person(s) designated by Beijing Medi Healthcare Management Consulting Co., Ltd. (北京麥迪康健管理諮詢有限公司) to exercise all its respective rights as a shareholder of Mediwelcome Beijing Healthcare Technology Co., Ltd. (北京麥迪衛康醫療科技有限公司);
- (jj) the Deed of Indemnity; and
- (kk) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

(a) Trademarks

As of the Latest Practicable Date, our Group have registered the following trademarks in the PRC which, in the opinion of our Directors, are material to our Group's business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	9176933	35	Mediwelcome Beijing	PRC	March 14, 2012	March 13, 2022
卒中网	9176941	35	Mediwelcome Beijing	PRC	March 14, 2012	March 13, 2022
医点	13676152	9	Mediwelcome Beijing	PRC	February 14, 2015	February 13, 2025
医加	13676149	9	Mediwelcome Beijing	PRC	February 21, 2015	February 20, 2025
Dafutown	13676147	9	Mediwelcome Beijing	PRC	February 14, 2015	February 13, 2025
医点点	13676146	9	Mediwelcome Beijing	PRC	February 14, 2015	February 13, 2025
医声	13676150	9	Mediwelcome Beijing	PRC	February 21, 2015	February 20, 2025
	4043250	35	Mediwelcome Beijing	PRC	March 28, 2017	March 27, 2027
	35875954	35	Mediwelcome Beijing	PRC	September 21, 2019	September 20, 2029
医生工社	17188161	9	Mediwelcome Beijing	PRC	May 21, 2017	May 20, 2027
医生公社	17188159	9	Mediwelcome Beijing	PRC	May 21, 2017	May 20, 2027
	21788100	9	Beijing Baichuan	PRC	December 21, 2017	December 20, 2027
	21788100	10	Beijing Baichuan	PRC	December 21, 2017	December 20, 2027
云糖医	21969625	42	Beijing Baichuan	PRC	February 14, 2018	February 13, 2028
云糖医	21969625	35	Beijing Baichuan	PRC	February 14, 2018	February 13, 2028
云糖医	21969625	44	Beijing Baichuan	PRC	February 14, 2018	February 13, 2028
	304906125	9, 10, 35, 42, 44	Mediwelcome HK	Hong Kong	April 26, 2019	April 25, 2029

(b) Copyright

As of the Latest Practicable Date, our Group was the registered proprietor of the following copyright which, in the opinion of our Directors, is material to our Group's business:

Copyright Name	Version	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Status
Stroke Trials Encyclopedia mobile phone software (卒中臨床試驗大全 (Stroke Trials Encyclopedia) 手機軟件)	V1.10	2016SR198455	Mediwelcome Beijing	PRC	July 29, 2016	Valid
Intelligent Health Follow-up Management Platform (智能健康隨訪管理平臺)	V1.0	2019SR0038473	Mediwelcome Beijing	PRC	January 11, 2019	Valid
Slow disease rehabilitation intelligent analysis platform (慢病康復智能分析平臺)	V1.0	2019SR0038469	Mediwelcome Beijing	PRC	January 11, 2019	Valid
Intelligent Medicine Big Data Visualization Platform (智能醫學大數據可視化平臺)	V1.0	2019SR0040044	Mediwelcome Beijing	PRC	January 11, 2019	Valid
Intelligent medical data reporting platform (智能醫學數據上報平臺)	V1.0	2019SR0040987	Mediwelcome Beijing	PRC	January 14, 2019	Valid

Copyright Name	Version	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Status
Medical Conference + Android version of mobile phone software (醫會+安卓版手機軟件)	V1.4	2019SR0075597	Mediwelcome Beijing	PRC	January 22, 2019	Valid
Easy eating data reporting system (Easy eating 數據上報系統)	V1.0	2019SR0072595	Mediwelcome Beijing	PRC	January 22, 2019	Valid
Doctor and patient case data analysis platform (Android version) (醫患病例數據分析平台 (Android版))	V1.0	2019SR0128323	Mediwelcome Beijing	PRC	February 2, 2019	Valid
Doctor and patient online communication training customer software (醫患在線交流培訓客戶端軟件)	V1.0	2019SR0129178	Mediwelcome Beijing	PRC	February 3, 2019	Valid
Doctor and patient case data analysis platform (iOS version) (醫患病例數據分析平台 (iOS版))	V1.0	2019SR0129141	Mediwelcome Beijing	PRC	February 3, 2019	Valid
Hospital online coordinator integrated management system (醫院在線協調員綜合管理系統)	V1.0	2019SR0130740	Mediwelcome Beijing	PRC	February 11, 2019	Valid

Copyright Name	Version	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Status
Hospital online coordination data transmission service system (醫院在線協調資料發送服務系統)	V1.0	2019SR0130782	Mediwelcome Beijing	PRC	February 11, 2019	Valid
Doctor-patient management online system (醫患管理在線系統)	V1.0	2019SR0072566	Mediwelcome Beijing	PRC	January 22, 2019	Valid
Doctor card platform patient H5 end system (醫生名片平台患者H5端系統)	V1.0	2019SR0075576	Mediwelcome Beijing	PRC	January 22, 2019	Valid
Medical conference executive management system (醫學會議執行管理系統)	V1.0	2019SR0128750	Mediwelcome Beijing	PRC	February 3, 2019	Valid
富露施卡通形象 (大富)	N/A	國作登字-2019-F-00883132	Mediwelcome Beijing	PRC	September 15, 2019	Valid
Stroke management line of stroke medical line mobile phone software [referred to as: stroke medical line] (中風管理的中風醫線手機軟件)	V1.0	2016SR074306	Beijing Chuangyan	PRC	April 12, 2016	Valid
Stroke medical service quality inspection system (腦卒中醫療服務質量檢測系統)	V1.0	20168SR554004	Beijing Chuangyan	PRC	July 16, 2018	Valid

Copyright Name	Version	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Status
Health Education Online Management Cloud Platform (健康教育在線管理雲平台)	V1.0	2018SR554103	Beijing Chuangyan	PRC	July 16, 2018	Valid
Mental illness care cloud platform (精神疾病關愛雲平台)	V1.0	2018SR557192	Beijing Chuangyan	PRC	July 17, 2018	Valid
Patient Distance Education Management System (患者遠程教育管理系統)	V1.0	2018SR554092	Beijing Chuangyan	PRC	July 16, 2018	Valid
Patient Education Conference Management System (患者教育會議管理系統)	V1.0	2018SR599752	Beijing Chuangyan	PRC	July 31, 2018	Valid
Million Vascular Health Plan Platform (百萬血管健康計劃平台)	V3.0	2019SR1106521	Beijing Chuangyan	PRC	October 31, 2019	Valid
Doctor Professional Video Recording Platform (醫生專業錄課平台)	V2.0	2019SR1106263	Beijing Chuangyan	PRC	October 31, 2019	Valid
Online Conference Assistant Platform (線上會議助手平台)	V1.0	2019SR1119373	Beijing Chuangyan	PRC	November 5, 2019	Valid

Copyright Name	Version	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Status
Doctor Professional Video Recording Management Platform (醫生專業錄課管理平台)	V2.0	2019SR1119371	Beijing Chuangyan	PRC	November 5, 2019	Valid
Online Conference Assistant Management Platform (線上會議助手管理平台)	V1.0	2019SR1107538	Beijing Chuangyan	PRC	October 31, 2019	Valid
Basic insulin optimization management service patient system [referred to as: HI sugar doctor] (基礎胰島素優化管理服務患者端系統[簡稱:HI糖醫])	V1.0	2017SR89787	Beijing Baichuan	PRC	October 27, 2017	Valid
Yuntang medical system (iOS version) (雲糖醫系統(iOS版))	V1.2.5	2018SR454767	Beijing Baichuan	PRC	June 15, 2018	Valid
Yuntang Medical System (Android version) (雲糖醫系統(Android版))	V1.2.6	2018SR454769	Beijing Baichuan	PRC	June 15, 2018	Valid
Yuntang doctor Tangyou version system (iOS version) (雲糖醫糖友版系統(iOS版))	V1.2.6	2018SR453945	Beijing Baichuan	PRC	June 15, 2018	Valid

Copyright Name	Version	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Status
Yuntang doctor Tangyou version system (Android version) V1.2.6 (雲糖醫糖友版系統 (Android 版)V1.2.6)	V1.2.6	2018SR453938	Beijing Baichuan	PRC	June 15, 2018	Valid
Yuntang Medical Tangyou version System V1.0 (雲糖醫糖友版系統V1.0)	V1.0	2017SR466446	Beijing Baichuan	PRC	August 23, 2017	Valid
Yuntang Medical System V1.0 (雲糖醫系統 V1.0)	V1.0	2017SR466451	Beijing Baichuan	PRC	August 23, 2017	Valid
Basic insulin optimization management service doctor system [referred to as: HI sugar friend] V1.0 (基礎胰島素優化管理服務醫生端系統【簡稱:HI糖友】 V1.0)	V1.0	2017SR589250	Beijing Baichuan	PRC	October 26, 2017	Valid
Inflection point conference assistant management platform (拐點會議助手管理平台)	V1.0	2017SR580545	Weiliandong	PRC	October 23, 2017	Valid
Health Education Cloud Platform (健康教育雲平台)	V1.0	2017SR580065	Weiliandong	PRC	October 23, 2017	Valid

Copyright Name	Version	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Status
Stroke patient care center application platform (卒中患者關愛中心應用平台)	V1.0	2017SR520720	Weiliandong	PRC	September 15, 2017	Valid
Million Vascular Health Plan mobile application platform (百萬血管健康計劃手機應用平台)	V1.0	2017SR520728	Weiliandong	PRC	September 15, 2017	Valid
Inflection point conference assistant Android version mobile phone software (拐點會議助手 Android版手機軟件)	V1.1	2017SR523784	Weiliandong	PRC	September 18, 2017	Valid
Inflection point conference assistant iOS version mobile phone software (拐點會議助手 iOS版手機軟件)	V1.1	2017SR523788	Weiliandong	PRC	September 18, 2017	Valid
Stroke patient management center application platform (卒中患者管理中心應用平台)	V1.0	2017SR526456	Weiliandong	PRC	September 19, 2017	Valid

Copyright Name	Version	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Status
Stroke Hotline – Consulting Service Platform Android Edition Mobile Software (卒中熱線-諮詢服務平台 Android版手機軟件)	V1.0.9	2017SR605223	Weiliandong	PRC	November 6, 2017	Valid
Stroke Hotline – Expert Management Platform Android Edition Mobile Software (卒中熱線-專家管理平台 Android版手機軟件)	V1.0.9	2017SR605171	Weiliandong	PRC	November 6, 2017	Valid
Medical Audio-Visual Web Management Platform (醫學視聽網管理平台)	V1.0	2019SR1119369	Weiliandong	PRC	November 5, 2019	Valid
Medical Audio-Visual Web Platform (醫學視聽網平台)	V1.0	2019SR1106851	Weiliandong	PRC	October 31, 2019	Valid
Distance Academic Exchange Platform (遠程學術交流平台)	V1.0	2019SR1107542	Weiliandong	PRC	October 31, 2019	Valid
Giraffe Smart Medical Synergy Platform Software (長頸鹿智能醫•學協同平台軟件)	V1.0	2019SR0683332	Weiliandong	PRC	July 3, 2019	Valid

Copyright Name	Version	Registration Number	Name of Registered Proprietor	Place of Registration	Date of Registration	Status
Giraffe Smart Medical Synergy Platform Management System (長頸鹿智能醫學協同平台管理系統)	V1.0	2019SR0688047	Weiliandong	PRC	July 4, 2019	Valid
長頸鹿GIRAFFE	N/A	國作登字-2019-F-00774252	Weiliandong	PRC	April 29, 2019	Valid
Doctor + for Doctor (醫加醫生端)	V1.0	2019SR1138053	Ningxia Subsidiary	PRC	November 11, 2019	Valid

(c) *Domain names*

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Name of Registered Proprietor	Place of Registration	Expiry Date
chinastroke.com	Mediwelcome Beijing	PRC	June 8, 2021
chinastroke.org	Mediwelcome Beijing	PRC	June 8, 2021
chinastroke.net	Mediwelcome Beijing	PRC	June 8, 2029
mediwelcome.com	Mediwelcome Beijing	PRC	December 4, 2021
t-isc.com	Mediwelcome Beijing	PRC	February 6, 2021
strokeonline.com	Beijing Chuangyan	PRC	September 28, 2021
yiluenxing.com	Beijing Chuangyan	PRC	July 16, 2021
improvestroke.com	Beijing Chuangyan	PRC	March 8, 2023
cscadata.com	Beijing Chuangyan	PRC	March 27, 2029
chinastroke.com.cn	Beijing Chuangyan	PRC	March 25, 2021

Domain name	Name of Registered Proprietor	Place of Registration	Expiry Date
chinarmcc.cn	Beijing Chuangyan	PRC	June 5, 2021
chinahpgc.com	Beijing Chuangyan	PRC	July 8, 2021
doctorworking.com.cn	Beijing Chuangyan	PRC	April 24, 2021
chinamillionclub.net	Beijing Chuangyan	PRC	June 26, 2021
medi-online.cn	Beijing Chuangyan	PRC	July 9, 2021
cn-stroke.net	Beijing Chuangyan	PRC	August 29, 2021
t-isc.cn	Beijing Chuangyan	PRC	August 30, 2021
innoresearch.cn	Beijing Chuangyan	PRC	November 17, 2021
yuntangyi.com	Beijing Baichuan	PRC	October 27, 2021
yuntangyi.cn	Beijing Baichuan	PRC	October 27, 2021
baichuanbinhai.com	Beijing Baichuan	PRC	January 3, 2021
weiliandong.net	Weiliandong	PRC	June 21, 2021
giraffemed.com.cn	Weiliandong	PRC	May 31, 2021
doctorworking.cn	Weiliandong	PRC	September 12, 2021
doctorworking.net	Weiliandong	PRC	September 12, 2021
medicallive.net	Weiliandong	PRC	March 2, 2021
medicallive.cn	Weiliandong	PRC	March 2, 2021
mwcare.cn	Ningxia Subsidiary	PRC	June 14, 2022
brightnesscenter.com	Shanghai Xuanmai	PRC	March 24, 2021

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of Interests — Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company*

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

Interest in our Company

Name of Director	Nature of Interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Mr. Shi Wei ⁽²⁾	Interest in a controlled corporation Interest held jointly with another person	103,519,000(L)	51.76%
Mr. Yang Weimin ⁽²⁾	Interest in a controlled corporation Interest held jointly with another person	103,519,000(L)	51.76%
Ms. Zhang Yitao ⁽²⁾	Interest in a controlled corporation Interest held jointly with another person	103,519,000(L)	51.76%
Mr. Wang Liang ⁽²⁾	Interest in a controlled corporation Interest held jointly with another person	103,519,000(L)	51.76%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Our ultimate controlling shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, are parties acting in concerts and on October 13, 2019, they entered into written agreement to, among others, confirm their acting-in-concert arrangement. Please refer to “History and Reorganization — Parties Acting in Concert” for further details. Immediately following completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), the Controlling Shareholders will together control approximately 51.76% of the total issued share capital of our Company. By virtue of the SFO, each Controlling Shareholder will be deemed to be interested in the Shares beneficially owned by other Controlling Shareholders.

(b) Particulars of service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of our non-executive Directors and our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years, which may be terminated by not less than three months’ notice in writing served by either party on the other.

(c) Directors’ remuneration

During the three years ended December 31, 2019 and the six months ended June 30, 2020, the aggregate remuneration (including salary, emoluments paid or payable in respect of a person’s services as a director, whether of the company or its subsidiaries undertaking employer’s contribution of a retirement benefit scheme, and other) paid to our Directors was approximately RMB1.6 million, RMB1.6 million, RMB3.3 million and RMB1.5 million, respectively. Please refer to Note 9 of the Accountants’ Report set out in Appendix I for details. Each of our executive Directors and non-executive Directors agrees to waive their director’s fee.

Each of our independent non-executive Directors has been appointed for a term of three years. Our Company intends to pay a director’s fee of HK\$350,000 per annum to each of Mr. Song Ruilin and Mr. Fei John Xiang, and HK\$250,000 per annum to each of Mr. David Zheng Wang and Mr. Yang Xiaoxi. Save for directors’ fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Pursuant to the arrangements currently in force, the aggregate amount of remuneration (excluding discretionary bonus) payable to and the benefits in kind receivable by our Directors for the year ending December 31, 2020 is estimated to be approximately RMB3.3 million.

2. Substantial Shareholders

So far as our Directors are aware, immediately prior to and following the completion of the Global Offering assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the completion of the Global Offering ⁽¹⁾		Shares held immediately following the completion of the Global Offering ⁽¹⁾	
		<i>Approximate</i>		<i>Approximate</i>	
		<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
Ji Ze Investment ⁽²⁾⁽³⁾	Beneficial owner Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
Shun Jia Investment ⁽²⁾⁽⁴⁾	Beneficial owner Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
He Hui Wan Yi ⁽²⁾⁽⁵⁾ Investment	Beneficial owner Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
Tai Zhi Feng Investment ⁽²⁾⁽⁶⁾	Beneficial owner Interest held jointly with another person	103,519,000 (L)	69.01%	103,519,000 (L)	51.76%
RSU Holdings	Beneficial owner	20,000,000 (L)	13.33%	20,000,000 (L)	10.0%

Notes:

- (1) The letter “L” denotes the person’s long position in our Shares.
- (2) Our ultimate controlling shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, are parties acting in concerts and on October 13, 2019, they entered into written agreement to, among others, confirm their acting-in-concert arrangement. Please refer to “History and Reorganization — Parties Acting in Concert” for further details. Immediately following completion of the Global Offering (without taking into account the Shares which may be issued pursuant to the exercise of the

Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will together control approximately 51.76% of the total issued share capital of our Company. By virtue of the SFO, each Controlling Shareholder will be deemed to be interested in the Shares beneficially owned by other Controlling Shareholders.

- (3) Ji Ze Investment is wholly-owned by Mr. Shi Wei. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Shun Jia Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by Ji Ze Investment.
- (4) Shun Jia Investment is wholly-owned by Mr. Yang Weimin. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by Shun Jia Investment.
- (5) He Hui Wan Yi Investment is wholly-owned by Ms. Zhang Yitao. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by He Hui Wan Yi Investment.
- (6) Tai Zhi Feng Investment is wholly-owned by Mr. Wang Liang. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment and He Hui Wan Yi Investment are deemed to be interested in the Shares held by Tai Zhi Feng Investment.

3. Agency fees or commissions received

Save as disclosed in this Prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this Prospectus.

4. Disclaimers

Save as disclosed this Prospectus:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;
- (b) none of our Directors or experts referred to in “— D. Other information — 9. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (f) none of the experts referred to in “— D. Other information — 9. Qualification of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors as at the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have entered into a Deed of Indemnity with and in favor of our Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, (i) any liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), or legislation similar thereto in Hong Kong or any jurisdictions outside Hong Kong which might be incurred by any member of our Company on or before the Listing Date; (ii) taxation or taxation claims resulting from income, profits or gains earned, accrued or received to which any member of our Group may be subject on or before the date when the Global Offering becomes unconditional; and (iii) any medical liability claims or damages before our Group’s medical liability insurance for registered physicians in respect of our internet hospital service becomes effective.

2. RSU Scheme

Our Company has conditionally adopted an RSU Scheme by a resolution of our Shareholders and a resolution of our Board on September 18, 2019. The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) Purposes of the RSU Scheme

The purposes of the RSU Scheme is to reward the Participants (as defined below) for their contribution to the success of our Group, and to provide incentives to them to further contribute to our Group.

(b) Administration of the RSU Scheme

The RSU Scheme shall be subject to the administration of our Board and the decision of our Board shall be final and binding on all parties. Our Board shall have the right to:

- (i) interpret and construe the provisions of the RSU Scheme;
- (ii) determine the persons who will be granted Awards under the RSU Scheme, the terms on which Awards are granted and when the RSUs granted pursuant to the RSU Scheme may vest;
- (iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Scheme as it deems necessary;
- (iv) appoint one or more independent third party professionals and contractors to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as our Board deems appropriate; and
- (v) make such other decisions or determinations as it shall deem appropriate in the administration of the RSU Scheme.

(c) RSU Awards

An award of restricted share under the RSU Scheme (“**Award(s)**”) gives a Participant in the RSU Scheme a conditional right when the Award vests to obtain Shares on or about the date of vesting, as determined by our Board in its absolute discretion. An Award may include, if so specified by our Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

For the purposes of the RSU Scheme, “Board” means board of directors of our Company or a duly authorized administrator thereof or such other committee or sub-committee as our Board may authorize.

(d) Participants in the RSU Scheme

Participants of the RSU Scheme (“**Participants**”) include the following:

- (i) the Employees or officers (including executive, non-executive and independent non-executive directors);
- (ii) any person or entity that provides research, development, consultancy and other technical or operational or administrative support to our Group; and
- (iii) any other persons who, in the sole opinion of our Board, have contributed or will contribute to our Company, any of its subsidiaries and/or the Consolidated Affiliated Entities.

(e) Status of the RSU Scheme

The RSU Scheme shall take effect immediately after satisfaction of the following conditions:

- (i) the passing of an ordinary resolution by our Shareholders to approve and adopt the RSU Scheme, and to authorize our Directors to grant RSUs and to allot and deal with Shares in connection with the RSU Scheme (which occurred on September 18, 2019);
- (ii) the Stock Exchange granting approval of the Listing of and permission to deal in the Shares that are the subject of RSUs that may be granted pursuant to the RSU Scheme; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

(collectively, the “**RSU Conditions**”).

(f) Term of the Scheme

Subject to the RSU Conditions being satisfied and the termination clause in paragraph (aa), the RSU Scheme shall be valid and effective for the period of 10 years commencing on the adoption date of the RSU Scheme (the “**Term of the RSU Scheme**”), after which period no further Awards will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and Awards that are granted during the Term of the RSU Scheme may continue to be exercisable in accordance with their terms of issue.

(g) Grant of Award

On and subject to the terms of the RSU Scheme and the terms and conditions that our Board imposes pursuant thereto, our Board shall be entitled at any time during the life of the RSU Scheme to make a grant to any Participant as our Board may in its absolute discretion determine.

Awards may be granted on such terms and conditions (e.g. by linking the vesting of the RSU to the attainment or performance of milestones by any member of our Group, the Grantee (as defined below) or any group of Participants) as our Board may determine, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the RSU Scheme.

A grant shall be made to an Participant by a letter and/or any such notice or document in such form as our Board may from time to time determine (the “**Notice of Grant**”) and such grant shall be subject to the terms as specified in the RSU Scheme. The Participant shall undertake to hold the Award on the terms on which it is granted and be bound by the provisions of the RSU Scheme, such Award shall remain open for acceptance by the Participant to whom a grant is made for a period to be determined by our Board, provided that no such grant shall be open for acceptance after the tenth anniversary of the adoption date of the RSU Scheme or after the RSU Scheme has been terminated in accordance with the provisions of the RSU Scheme. To the extent that the Award is not accepted within the period determined by our Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

(h) Acceptance of Award

If the Participant accepts the offer of grant of RSU(s) by signing the Notice of Grant, he/she is required to sign the Acceptance Notice and return it to our Company within the period specified and in a manner prescribed in the Notice of Grant. Upon the receipt from the Participant of a duly executed Acceptance Notice, the RSU(s) is granted to such Participant, who becomes a grantee (the “**Grantee**”) in the RSU Scheme.

(i) Restrictions on Grants

Our Board may not grant any Awards to any Participant (“**Excluded Participants**”) in any of the following circumstances:

- (i) the requisite approvals for that grant from any applicable regulatory authorities have not been obtained;
- (ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect of the RSU Scheme, unless our Board determines otherwise;

- (iii) where granting the Award would result in a breach by our Company, our subsidiaries, the Consolidated Affiliated Entities or any of our Directors of any applicable securities laws, rules or regulations; or
- (iv) where such grant of Award would result in a breach of the limits of the RSU Scheme.

(j) *Grant to Directors*

Where any Award is proposed to be granted to a director of any members of our Group, it shall not be granted on any day on which our financial results are published and during the period of:

- (i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(k) *Grant to Connected Persons*

Any grant of an Award to any Director, chief executive or substantial shareholder of any member of our Group, or any of their respective associates (as defined in the Listing Rules), shall be subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director who is the proposed Grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of an Award to a Director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the Award forms part of the relevant Director's remuneration under his/her service contract.

(l) *RSU Scheme Limit*

No Award shall be granted pursuant to the RSU Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares (being in a Board Lot or an integral multiple thereof) (or, where cash is awarded in lieu of Shares, the aggregate number of Shares as are equivalent to the amount of cash so awarded) underlying all grants made pursuant to the RSU Scheme (excluding the Awards that have lapsed or been canceled in accordance with the rules of the RSU Scheme) will exceed 5% of the number of Shares in issue (without taking into account the shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) immediately before the completion of the Global Offering (the "**RSU Scheme Limit**").

(m) Rights Attached to the Awards

The RSUs do not carry any right to vote at general meetings of our Company. No Participant shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award pursuant to the RSU Scheme, unless and until such Shares underlying the Award are actually issued or transferred (as the case may be) to the Participant upon the vesting of the RSU and the Participant's name has been entered in the register of members of our Company as holder of such Shares. Unless otherwise specified by our Board in its entire discretion in the RSU Notice of Grant, the Participants do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an Award.

(n) Rights Attached to Shares

The Shares to be issued upon the vesting of RSUs granted pursuant to the RSU Scheme shall be subject to all the provisions of the memorandum and Articles of Association of our Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are issued. Once the name of a RSU holder has been recorded in the register of members of our Company, such holder shall be entitled to participate in all dividends or other distributions of our Company.

(o) Awards to be Personal to the Grantee

Unless otherwise approved by our Company in writing (to the extent permitted by law), an Award shall be personal to the Grantee and shall not be assignable or transferable by the Grantee provided that following the Grantee's death, RSUs may be transferred by will or by the laws of testacy and distribution.

The terms of the Scheme and the Notice of Grant shall be binding upon the executors, administrators, heirs, successors and assigns of the Grantee.

Subject to the above, no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favor of any third party over or in relation to any RSU.

For the purpose of the RSU Scheme, "Family Member" means the Grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Grantee's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Grantee) control the management of assets, and any other entity in which these persons (or the Grantee) own more than 50% of the voting interests.

(p) Appointment of RSU Trustee

Our Company has appointed The Core Trust Company Limited (匯聚信託有限公司) as the RSU trustee, a third party independent licensed administrator (the “**RSU Trustee**”) to satisfy all relevant obligations in connection with the administration and vesting of RSUs granted pursuant to the RSU Scheme and trust deed which had been entered into among our Company, the RSU Trustee and Great Insight Global Limited, acting as the nominee (the “**Nominee**”).

(q) Vesting

Our Board has the sole discretion to determine the vesting schedule and vesting conditions (if any) for any grant of Award(s) to any Grantee, which may also be adjusted and re-determined by our Board from time to time. If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU shall be canceled according to conditions as determined by our Board in its absolute discretion.

(r) Provision of Funds

Our Company shall provide sufficient funds to the RSU Trustee by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration and vesting of RSUs granted pursuant to the RSU Scheme. The Shares held by the RSU Trustee or its nominee under the RSU Scheme shall constitute the assets held by the RSU Trustee or its nominee pursuant to the RSU Scheme (the “**RSU Fund**”) and shall be held, administered and dealt with by the RSU Trustee pursuant to the rules of the RSU Scheme, the trust deed and any other documentation entered into between the RSU Trustee and our Company (collectively, the “**Trust Deed and Ancillary Documents**”).

(s) Vesting Notice

Upon fulfillment or waiver of the vesting period and vesting conditions (if any) applicable to each of the Grantees, a vesting notice (the “**Vesting Notice**”) will be posted to notify the Grantee by our Board confirming (a) the extent to which the vesting period and vesting conditions (if any) have been fulfilled or waived and, (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

The Grantee is required to execute, after receiving the Vesting Notice, certain documents set out in the Vesting Notice that our Board considers necessary (which may include, without limitation, a certification to our Company that he has complied with all the terms and conditions set out in this Scheme and the Notice of Grant).

(t) Rights on a Takeover

In the event a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (t) below) is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the vesting date of any RSU, our Board shall, prior to the offer becoming or being declared unconditional, determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If our Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(u) Rights on a Scheme of Arrangement

In the event a general offer for Shares by way of scheme of arrangement is made to all our Shareholders and has been approved by the necessary number of shareholders at the requisite meetings prior to the vesting of any RSU, our Board shall, prior to such meetings, determine at its absolute discretion whether such RSU shall vest and the period within which such RSU shall vest. If our Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(v) Rights on a Voluntary Winding-up

In the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company prior to the vesting date of any RSU, our Board shall determine at its discretion whether such RSU shall vest, and the period when such RSU shall vest and in the latter case, the unvested RSUs must be vested and effected by no later than two business days before the day of the proposed Shareholders' meeting. If our Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(w) Rights on a Compromise or Arrangement

In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph (t), between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Board shall determine at its discretion whether such RSU shall vest, and the period when such RSU shall vest. If our Board determines that such RSU shall vest, it shall notify the Grantee that the RSU shall vest and the period within which such RSU shall vest.

(x) *Lapse or Cancellation of RSU*

An unvested RSU shall be lapsed and canceled automatically upon the earliest of:

- (i) the date of the termination of Grantee's employment or service by our Company, any of its subsidiaries or Consolidated Affiliated Entities for Cause or by reasons that the relevant subsidiary with which the Grantee is employed ceased to be a subsidiary of our Group or that the results of the Consolidated Affiliated Entities ceased to be consolidated with that of our Group; or
- (ii) the date on which the offer (or, as the case may be, revised offer) referred to in paragraph (t) closes; or
- (iii) the record date for determining entitlements under the scheme of arrangement referred to in paragraph (u); or
- (iv) the date of the commencement of the winding-up of our Company; or
- (v) the date on which the Grantee commits a breach of paragraph (n); or
- (vi) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

If the Grantee's employment or service with our Company, the subsidiaries or Consolidated Affiliated Entities is terminated for any reason other than for Cause (including by reason of resignation, retirement, death, Disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for Cause), our Board shall determine at its absolute discretion and shall notify the Grantee whether any unvested RSU granted to such Grantee shall vest and the period within which such RSU shall vest. If our Board determines that such RSU or any part thereof shall not vest, such RSU shall be canceled automatically with effect from the date on which the Grantee's employment or service is terminated.

For the purpose of this RSU Scheme, "Cause" means, with respect to a grantee, the summary termination of employment or office on any one or more of the following grounds (which shall be determined and judged by sole discretion of our Board): the Grantee has been guilty of misconduct, or has been convicted of any criminal offense involving his/her integrity or honesty or (if so determined by our Board in its absolute discretion) on any other ground on which the relevant company in our Group would be entitled to terminate his employment or office summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with the relevant company in our Group. Notwithstanding the foregoing, a resolution of our Board or the board of directors of the relevant subsidiaries or Consolidated Operational Entities to the effect that the employment or office of a Grantee has or has not been terminated on one or more of the grounds specified herein shall be conclusive.

For the purpose of this RSU Scheme, “Disability” means, a disability, whether temporary or permanent, partial or total as determined by our Board.

Our Board may at any time cancel any unvested RSUs granted to a Grantee subject to consent by the Grantee. Where our Company cancels unvested RSUs and makes a grant of new RSUs to the same Grantee, such grant may only be made with available RSUs to the extent not yet granted (excluding the canceled RSUs) within the limits prescribed by paragraph (k) above.

Notwithstanding the aforesaid in this paragraph, in each case, our Board may in its absolute discretion decide that any RSU shall not be canceled or determine subject to such conditions or limitations as our Board may decide.

(y) Reorganization of Capital Structure

In the event of an alteration in the capital structure of our Company whilst any RSU has not vested by way of capitalization of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange (other than an issue of Shares as consideration in respect of a transaction to which our Company, the subsidiary or Consolidated Affiliated Entity is a party or in connection with any share option, restricted share or other equity incentive schemes of our Group or in the event of any distribution of our Company’s capital assets to its shareholders on a pro rata basis (whether in cash or in specie) (other than dividends paid out of the net profits attributable to its shareholders for each financial year of our Company), such corresponding alterations (if any) shall be made to the number or nominal amount of Shares subject to the RSU so far as unvested as the Auditors or an approved independent financial adviser shall certify in writing, either generally or as regard any particular Grantee, to have in their opinion, fairly and reasonably satisfied the requirement that such adjustments give a Participant the same proportion (or rights in respect of the same proportion) of the share capital of our Company as that to which that Grantee was previously entitled, but that no such adjustments be made to the extent that a Share would be issued at less than its nominal value. The capacity of the auditors of our Company from the time to time or the approved independent financial adviser in this paragraph is that of experts and not of arbitrators and their certification shall, in absence of manifest error, be final and binding on our Company and the Grantees. The costs of the Auditors or the approved independent financial adviser shall be borne by our Company.

(z) Amendment of the RSU Scheme

Save for any material amendments to the RSU Scheme, the RSU Scheme may be altered in any respect by a resolution of our Board. Our Board’s determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme is material shall be conclusive, provided in each case that such decision is made in accordance with the Articles and any applicable laws.

Any alteration to the terms and conditions of the RSU Scheme, which is of a material nature, or any change to the terms of any RSU granted or agreed to be granted must be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the RSU Scheme.

Shareholders of our Company in general meeting must approve any change to the authority of our Board in relation to any alteration to the terms of the RSU Scheme.

(aa) Termination of the RSU Scheme

Our Company by ordinary resolution in general meeting or our Board may at any time terminate the operation of the RSU Scheme and in such event no further RSUs will be offered but in all other respects the provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted during the life of the RSU Scheme and which remain unvested immediately prior to the termination of the operation of the RSU Scheme.

3. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a written resolution of all the Shareholders passed on December 21, 2020 and adopted by a resolution of our Board on December 21, 2020. The terms of the Share Option Scheme are in accordance with the provisions under the Listing Rules. As of the Latest Practicable Date, no option has been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

(a) Purpose of the Share Option Scheme and eligibility

The purpose of the Share Option Scheme is to motivate the Eligible Persons (as defined below) to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time during the life of the Share Option Scheme to offer the grant of any Option (as defined below) to any Eligible Person as our Board may in its absolute discretion select. The basis of eligibility shall be determined by our Board from time to time.

(b) *Conditions of the Share Option Scheme*

The Share Option Scheme shall come into effect on the Listing Date subject to the following conditions having been fulfilled:

- (i) the approval of all the Shareholders of our Company for the adoption of the Share Option Scheme and authorization be given to our Directors to grant Options and to allot, issue and deal with Shares under the Share Option Scheme;
- (ii) the approval of the Stock Exchange for the listing of and permission to deal in, any Shares to be allotted and issued pursuant to the exercise of the Options in accordance with the terms and conditions of the Share Option Scheme; and
- (iii) the obligations of the underwriters under the Underwriting Agreement(s), if any, becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the conditions referred to the above are not satisfied within six calendar months after the Adoption Date:

- (i) the Share Option Scheme will forthwith determine;
- (ii) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and
- (iv) our Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

(c) *Administration*

Subject to the fulfillment of the conditions and the termination provisions of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Upon the expiry of the Share Option Scheme, no further Options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the Share Option Scheme) be final and binding on all parties. Our Board may delegate any or all of its powers in relation to the Share Option Scheme to any of its committees.

(d) Who may join

Our Board may, at its absolute discretion, offer options (the “**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

- (i) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (the “**Executive**”);
- (ii) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group;
- (iii) a director or proposed director (including an independent non-executive director) of any member of our Group;
- (iv) a direct or indirect shareholder of any member of our Group;
- (v) a supplier of goods or services to any member of our Group;
- (vi) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;
- (vii) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and
- (viii) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraph (i) to (vii) above. (the person referred above are the “**Eligible Persons**”)

(e) Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (the “**Scheme Mandate Limit**”) provided that:

- (i) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of the Shares in issue as at the date of approval

by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules; and

- (ii) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules.

Notwithstanding paragraph (i) above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Shares in issue from time to time.

(f) Maximum entitlement of each participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (including exercised and outstanding Options) in any 12-month period shall not exceed 1% of our Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates or his associates (if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of our Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

The maximum numbers in respect of which Options may be granted shall be adjusted in such manner as the auditors of our Company (the “**Auditors**”) shall certify in writing to our Board to be fair and reasonable in the event of any alteration to the capital structure of our Company in accordance with paragraph (v) whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the number of our Shares but shall not in any event exceed the limits imposed by the Listing Rules.

(g) Offer and grant of Options

Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within 10 years after the Adoption Date to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Share Option Scheme) determine provided that:

- (i) no Options shall be granted under the Share Option Scheme after the termination of the Share Option Scheme in accordance with paragraph (t);
- (ii) no Options shall be granted if our Company would be required to issue a prospectus or offer document in respect of such grant under relevant laws or regulations applicable to our Company;
- (iii) no Options shall be granted if the grant would result in a breach by our Company or our Directors of relevant laws or regulations (including those relating to securities); and
- (iv) any Option, once issued, shall not be reissued under the Share Option Scheme.

(h) Granting Options to Connected Persons

Subject to paragraph (e) above, but only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a Director, chief executive or a substantial Shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associate is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director or any of their respective associates would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the relevant class of securities in issue; and
- (ii) (where the securities are listed on the Stock Exchange) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5.0 million,

such further grant of Options must be approved by our Shareholders, with such person, his associates and all core connected persons of our Company (as defined in the Listing Rules) abstaining from voting in favor of such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director or any of their respective associates.

If in accordance with the terms of paragraph (g), our Board determines to offer the grant of an Option to an Eligible Person, our Board shall forward to the relevant Eligible Person an offer letter specifying:

- (i) the Eligible Person's name, address and occupation;
- (ii) the offer date;
- (iii) the Acceptance Date (as defined below);
- (iv) the number of Shares in respect of which the Option is offered;
- (v) the subscription price and the manner of payment of the subscription price of the Shares on and in consequence of the exercise of the Option;
- (vi) how the expiry date in relation to that Option is ascertained;
- (vii) the method of acceptance of the Option which shall, unless our Board otherwise determines, be as set out in "— 1. Summary of the terms of the Share Option Scheme — (i) Offer period and number accepted";

- (viii) the method of exercise of the Option which shall, unless our Board otherwise determines, as set out in “— 1. Summary of the terms of the Share Option Scheme — (n) Exercise of Option”; and
- (ix) such other terms and conditions relating to the offer of the Option which in the opinion of our Board are fair and reasonable but not being inconsistent with the rules and procedures applicable to the Share Option Scheme and requiring the Eligible Person to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme.

(i) Offer period and number accepted

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK\$1.0 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date not later than 30 days after the offer date (the “**Acceptance Date**”). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option in the manner as set out in this paragraph (i). To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

(j) Restriction on the time of grant of Options

Our Board shall not offer the grant of any Option to any Eligible Person after inside information has come to its knowledge, until such inside information has been announced pursuant to the requirements of the Listing Rules or during the period commencing one month immediately preceding the earlier of: (i) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

(k) Vesting and performance target

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of our Shares to which the Option relates shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no performance target which need to be achieved by the grantee before the Option can be exercised.

(l) Amount payable for Options

The amount payable on acceptance of an Option is HK\$1.0.

(m) Subscription price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

- (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (ii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

(n) Exercise of Option

- (i) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the period, in respect of an Option, commencing immediately after the business day (as defined in the Listing Rules) on which the Option is deemed to be granted and accepted in accordance to the Share Option Scheme (the "**Commencement Date**") and expiring on such date of the expiry of the Option as our Board may in its

absolute discretion determine and which shall not exceed 10 years from the Commencement Date but subject to the provisions for early termination thereof contained in the Share Option Scheme (the “**Expiry Date**”) (the “**Option Period**”) in the manner as set out in the Share Option Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 30 days after receipt of the notice and, where appropriate, receipt of a certificate from the Auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

- (ii) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the number of Shares which may fall to be issued by our Company.
- (iii) Subject as hereinafter provided, an Option may be exercised by the grantee at any time during the Option Period, provided that:
 - (a) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the grantee’s entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as our Board may determine;
 - (b) in the event that the grantee ceases to be an Executive by reason of his retirement pursuant to such retirement scheme applicable to our Group at the relevant time, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period;
 - (c) in the event that the grantee ceases to be an Executive by reason of his transfer of employment to an affiliate company, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined;

- (d) in the event that the grantee ceases to be an Executive for any reason (including his employing company ceasing to be a member of our Group) other than his death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his employment to an affiliate company or the termination of his employment with the relevant member of our Group by resignation or on the grounds that he has been guilty of serious misconduct or other culpable reason (“**Culpable Termination**”), his Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

- (e) in the event that the grantee ceases to be an Executive by reason of the termination of his employment by resignation or Culpable Termination, his Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the grantee is notified of the termination of his employment (in the case of Culpable Termination) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such service or notification. A resolution of our Board resolving that the Executive’s Option has lapsed pursuant to this paragraph (n)(iii)(e) shall be final and conclusive;

- (f) if a grantee being:
 - (i) an executive Director ceases to be an Executive but remains a non-executive Director, his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or

- (ii) a non-executive Director ceases to be a Director:
 - (1) by reason of retiring pursuant to the Articles and who notifies our Company that he is not offering himself for re-election at our Company's annual general meeting ("**Non-Executive Director Retirement**"), his Option (to the extent not already exercised) shall be exercisable until the expiry of the relevant Option Period unless our Board in its absolute discretion otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board has determined; or
 - (2) for reasons other than Non-Executive Director Retirement, his Option (to the extent not already exercised) shall lapse on the date of cessation of such appointment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

- (g) if:
 - (i) our Board in its absolute discretion at any time determines that a grantee has ceased to be an Eligible Person; or
 - (ii) a grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted, his Option (to the extent not already exercised) shall lapse on the date on which the grantee is notified thereof (in the case of (i)) or on the date on which the grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (ii)) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (i), a resolution of our Board resolving that the grantee's Option has lapsed pursuant to this paragraph (g) shall be final and conclusive;

- (h) if a grantee (being a corporation):
 - (i) has a liquidator or receiver appointed anywhere in the world in respect of the whole or any part of the assets or undertaking of the grantee; or
 - (ii) has suspended, ceased or threatened to suspend or cease business; or
 - (iii) is unable to pay its debts; or
 - (iv) otherwise becomes insolvent; or
 - (v) suffers a change in its constitution, management, directors or shareholding which in the opinion of our Board is material; or
 - (vi) commits a breach of any contract entered into between the grantee or its associate and any member of our Group,

its Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or on the date when the grantee is deemed to be unable to pay its debts as aforesaid or on the date of notification by our Company that the said change in constitution, management, directors or shareholding is material or on the date of notification by our Company of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Option has lapsed pursuant to this paragraph (h) by reason of breach of contract or material change in the constitution, management, directors or shareholding as aforesaid shall be final and conclusive;

- (i) if a grantee (being an individual):
 - (i) is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or any other applicable law or has otherwise become insolvent; or
 - (ii) has made any arrangement or composition with his creditors generally; or

- (iii) has been convicted of any criminal offense involving his integrity or honesty; or
- (iv) commits a breach of any contract entered into between the grantee or his associate and any member of our Group, his Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts as aforesaid or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the said arrangement or composition with his creditors or on the date of his conviction or on the date of the said breach of contract (as the case may be) and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such occurrence. A resolution of our Board resolving that the grantee's Option has lapsed pursuant to this paragraph (i) for breach of contract as aforesaid shall be final and conclusive;
- (j) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise his Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;
- (k) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it despatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his legal representatives or receiver) may until the expiry of the earlier of:
 - (i) the Option Period;
 - (ii) the period of two months from the date of such notice; or
 - (iii) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his Option. Except insofar as exercised in accordance with this paragraph (k), all Options outstanding at the expiry of the relevant period referred to in this paragraph (k) shall lapse. Our Company may thereafter require each grantee to transfer or otherwise deal with our Shares issued on exercise of the Option to place the grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement; and

- (l) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(o) Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles and the laws of the Cayman Islands from time to time and shall rank pari passu in all respects with the then existing fully paid Shares in issue on the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the allotment date or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the allotment date.

A Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

(p) Duration

Subject to the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, after which no further options will be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(q) Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the period referred to in paragraph (n)(iii) above;
- (iii) subject to paragraph (n)(iii)(l), the date of the commencement of the winding-up of our Company;
- (iv) there is an unsatisfied judgment, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraph (n)(iii)(h) or (q)(iv); or
- (vi) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction. No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(r) Reorganization of capital structure

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, sub-division or reduction of the number of Shares, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

- (i) the maximum number of Shares subject to the Share Option Scheme; and/or

- (ii) the aggregate number of Shares subject to the Option so far as unexercised; and/or
- (iii) the subscription price of each outstanding Option.

Where our Board determines that such adjustments are appropriate, the Auditors shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (i) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
- (ii) any such adjustments shall be made in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and
- (iii) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

The capacity of the Auditors in this paragraph is that of experts and not arbitrators and their certification shall be final and binding on our Company and the grantees in the absence of manifest error. The costs of the Auditors shall be borne by our Company.

If there has been any alteration in the capital structure of our Company as referred to in this paragraph, our Company shall, upon receipt of a notice from the grantee in accordance with paragraph (n)(i) inform the grantee of such alteration and shall either inform the grantee of the adjustment to be made pursuant to the certificate of the Auditors obtained by our Company for such purpose, or if no such certificate has yet been obtained, inform the grantee of such fact and instruct the Auditors to issue a certificate in that regard in accordance with this paragraph.

(s) Cancellation of Options

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby canceled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (i) the grantee commits or permits or attempts to commit or permit a breach of paragraph (u) or any terms or conditions attached to the grant of the Option;
- (ii) the grantee makes a written request to our Board for the Option to be canceled; or

- (iii) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been canceled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

(t) Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

(u) Transferability

An Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered), except with the prior written consent of our Board from time to time. Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

(v) Alteration

The Share Option Scheme may be altered in any respect by a resolution of our Board subject to that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting, provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules: (i) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme); (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee; (iii) any change to the authority of our Board or any person or committee delegated by our Board pursuant to paragraph (c) to administer the day-to-day running of the Share Option Scheme; and (iv) any alteration to the aforesaid provisions.

(w) Disputes

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares the subject of an Option, the amount of the subscription price or otherwise) shall be referred to the decision of the Auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final and conclusive and binding on all persons who may be affected thereby.

(x) Miscellaneous

- (i) Our Company shall bear the costs of establishing and administering the Share Option Scheme (including the costs of the Auditors).
- (ii) A grantee shall be entitled to inspect copies of all notices and other documents sent by our Company to its members at the same time or within a reasonable time of such notices or documents being sent, which shall be made available to him during normal office hours at the principal office of our Company in Hong Kong.
- (iii) Any notices, documents or other communication between our Company and a grantee shall be in writing and may be sent by prepaid post or by personal delivery to, in the case of our Company, its principal office in Hong Kong and, in the case of the grantee, his address in Hong Kong as notified to our Company from time to time.
- (iv) Any notice or other communication served:
 - (a) by our Company shall be deemed to have been served 24 hours after the same was put in the post or if delivered by hand, when delivered; and
 - (b) by the grantee shall not be deemed to have been received until the same shall have been received by our Company.
- (v) All allotments and issues of Shares pursuant to the Share Option Scheme shall be subject to any necessary consents under the relevant laws, enactments or regulations for the time being in force in the Cayman Islands or elsewhere and a grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of his Option. By accepting an offer or exercising his Option, the grantee thereof is deemed to have represented to our Company that he has obtained all such consents. A grantee shall indemnify our Company fully against all claims, demands, liabilities, actions, proceedings, fees, costs and expenses which our Company may suffer or incur (whether alone or jointly with other party or parties) for or in respect of any failure on the part of the grantee to obtain any necessary consent or to pay tax or other liabilities

referred therein. Our Company shall not be responsible for any failure by a grantee to obtain any such consent or for any tax or other liability to which a grantee may become subject as a result of his participation in the Share Option Scheme.

- (vi) A grantee shall pay all taxes and discharge all other liabilities to which he may become subject as a result of his participation in the Share Option Scheme or the exercise of any Option.
- (vii) The Share Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against our Company directly or indirectly or give rise to any cause of action at law or in equity against our Company.
- (viii) The Share Option Scheme shall not form part of any contract of employment between our Company or any of its subsidiaries and any Executive and the rights and obligations of any Executive under the terms of his office or employment shall not be affected by his participation in it and the Share Option Scheme shall afford such an Executive no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

(y) *Governing law*

The Share Option Scheme and all Options granted thereunder shall be governed by and construed in accordance with the laws of Hong Kong.

4. Litigation

As of the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

5. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees are HK\$8.0 million and are payable by our Company.

6. Preliminary Expenses

The preliminary expenses incurred and paid by our Company were approximately HK\$28,800.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this Prospectus.

8. Taxation of holders of Shares***(a) Hong Kong***

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares given that our Company has no interest in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

9. Qualification of Experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this Prospectus:

Name	Qualification
CEB International Capital Corporation Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities
Moore Stephens CPA Limited	Certified public accountants
Campbells	Cayman Islands legal advisers
Global Law Office	PRC Legal Advisers
China Insights Industry Consultancy Limited	Industry consultant

10. Consents of Experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn its respective written consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

11. Interests of experts in our Company

None of the persons named in paragraph 9 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

12. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

13. Miscellaneous

- (a) Within the two years immediately preceding the date of this Prospectus:
 - (i) save as disclosed in “History and Reorganization” in this Prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2020 (being the date which the latest audited consolidated financial information of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Campbells Corporate Services Limited and a branch register of members of our Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

- (g) our Directors have been advised that under Cayman Islands law the use of a Chinese name by our Company in conjunction with our English name does not contravene Cayman Islands law;
- (h) our Company has no outstanding convertible debt securities or debentures;
- (i) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (j) there is no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

14. Bilingual Prospectus

The English and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption from Companies and Prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW AND GREEN** Application Forms;
- (b) the written consents referred to in “Statutory and General Information — D. Other Information — 10. Consents of Experts” in Appendix IV; and
- (c) a copy of each of the material contracts referred to in “Statutory and General Information — B. Information about Our Business — 1. Summary of Material Contracts” in Appendix IV.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report from Moore Stephens CPA Limited, the text of which is set out in Appendix I;
- (c) the report from Moore Stephens CPA Limited in respect of the unaudited pro forma financial information, the text of which is set out in Appendix IIA;
- (d) the audited consolidated financial statements of our Group for the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020;
- (e) the letters relating to profit forecast of our Group for the year ending December 31, 2020 issued by Moore Stephens CPA Limited and CEB International Capital Corporation Limited, the text of which is set out in Appendix IIB;
- (f) the legal opinion issued by Global Law Office, our PRC Legal Advisers in respect of our Group’s business operations and property interests in the PRC;
- (g) the letter of advice from Campbells, our Cayman legal advisers, summarizing certain aspects of Cayman company law referred to in “Summary of the Constitution of Our Company and Cayman Companies Act” in Appendix III;
- (h) the industry report prepared by China Insights Industry Consultancy Limited, our industry consultant;
- (i) the Companies Act;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (j) the copies of the material contracts referred to in “Statutory and General Information — B. Information about Our Business — 1. Summary of Material Contracts” in Appendix IV;
- (k) the service contracts and letters of appointment with each of the Directors referred to in “Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment” in Appendix IV;
- (l) the written consents referred to in “Statutory and General Information — D. Other Information — 10. Consents of Experts” in Appendix IV;
- (m) the rules of the RSU Scheme; and
- (n) the rules of the Share Option Scheme.



麥迪衛康健康醫療管理科技股份有限公司

MEDIWELCOME HEALTHCARE
MANAGEMENT & TECHNOLOGY INC.