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## RISK FACTORS

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*You should carefully consider all the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of the risks described below. The trading price of our H Shares could decrease significantly due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that most of our operations are conducted in China, which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, see “Regulatory Environment.” This prospectus also contains forward-looking statements that involve risks and uncertainties. Actual results of our Company and our Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this prospectus.*

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to the PRC; and (iii) risks relating to the Global Offering.

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**Constant technological changes and continuous changing market preferences could materially and adversely affect our business, which require significant research and development efforts, and our investment in new products and services may not result in any commercially viable products and services.**

In the fast-growing isotopes and irradiation technology industry, in particular, the industry of imaging diagnostic and therapeutic radiopharmaceuticals, the development of our business requires significant research and development efforts in response to constant technological changes. We may face increasing competition from technologies currently under development or which may be developed in the future. Future development or application of new or alternative technologies, services or national or industry standards could require significant changes to our business model, the provision of additional services, the development of new products and substantial new investments by us. New products and services may be expensive to develop and may result in the introduction of additional competitors into the marketplace. Some of the competitors may develop and use more advanced technologies and cutting-edge equipment. If we fail to respond timely to the changes in the industry and our customers’ needs, we may invest heavily in research and development of products and services that do not lead to significant revenue. We cannot accurately predict how emerging and future technological changes will affect our operations or the competitiveness of our products and services. There is no assurance that our technologies will not become obsolete or be subject to competition from new technologies in the future or that we will be able to acquire new technologies on reasonable terms necessary to compete in evolving circumstances.

Market participants in the isotopes and irradiation technology industry may progressively develop and market new and advanced products and services to adapt to changing market preferences and technologies. As a result, our future growth is dependent upon our ability to develop and launch new products and services that meet market demand, and any delays in our service and product launches may significantly impede our ability to compete. We have devoted substantial resources to our research and development activities to improve our ability to cater to market demands. For the years ended December 31, 2015, 2016 and 2017, our research and development expense (excluding

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amortization cost) amounted to RMB44.6 million, RMB58.7 million and RMB73.5 million, respectively. Moreover, we will utilize net proceeds from the Global Offering in the research and development of various radiopharmaceuticals. However, we cannot guarantee that our existing products and services will be upgraded through our ongoing research and development activities or that our research and development activities will always keep pace with market demand and technological advances or yield the anticipated results. Furthermore, development and production of new products and services may require substantial capital investment. The development process of our products in general, particularly the radiopharmaceuticals, is time-consuming and costly, and there can be no assurance that our research and development activities will enable us to successfully develop new radiopharmaceuticals. Since relatively few research and development programs in the radiopharmaceuticals industry produce a commercially viable product, a product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons, such as:

- the failure to demonstrate safety and efficacy in preclinical and clinical trials;
- the failure to obtain approvals for its intended indications from relevant regulatory bodies, such as the CFDA; and
- our inability to manufacture and commercialize sufficient quantities of the product economically.

The entire development process of new radiopharmaceutical may take years before a new product is commercially launched. We cannot assure you that our product and service research and development projects can be completed within the anticipated time frame, and our research and development efforts may not lead to new products and services that are commercially successful. We may also experience delays or be unsuccessful in any stage of service or product research and development, production or launch. If such events occur, our business, operating results and financial condition could be materially and adversely affected.

### **We may fail to achieve widespread market acceptance due to competition in the PRC isotopes and irradiation technology markets.**

We face competition from other local and overseas suppliers providing products and services with similar indications which can be substituted for our products and services. Our competitors may have more extensive sales and marketing resources and greater technical, research and development and manufacturing resources than us, and multinational suppliers of isotopes and irradiation technology products may have more extensive capital, greater brand recognition and larger customer bases.

Our sales volumes and revenues could be adversely affected by increased competition in the PRC isotopes and irradiation technology markets if:

- our competitors adopt new technologies and launch products with higher efficiency;
- our competitors lower their production and marketing costs which results in a decrease in their product prices;
- product prices drop due to an oversupply of the products;

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- our competitors adapt to changing market demand more quickly than us or commercialize new products and technologies, obtain patent protection or regulatory clearance faster than us; or
- the increase in the number of manufacturers of substitute or similar products.

If our competitors' substitute products gain wider market acceptance than any of our isotopes and irradiation technology products and services, our sales volume, financial condition and business prospects may be materially and adversely affected.

**If our promoters fail to effectively market and promote our pharmaceuticals, we may not be able to effectively penetrate the market in China, and our future business growth may be materially and adversely affected.**

We rely on promoters to market and promote our iodine-125 sealed source, the majority of strontium-89 chloride injection and UBT kits. As of December 31, 2017, we engaged more than 150 promoters. Revenue generated from the sale of our products through marketing and promotion service of promoters during the same periods were RMB960.6 million, RMB1,121.9 million and RMB1,322.7 million, accounting for 54.2%, 56.9% and 58.7% of our revenue of pharmaceuticals segment, respectively. If we fail to expand or effectively manage our promoters network, we may be unable to extend our coverage and increase our market penetration as contemplated by our strategies, or enjoy the benefits of operational flexibility and resource allocation as expected or desired.

We have relatively limited control over promoters and some of them may fail to effectively promote our products, which may cause an adverse effect on sales of the related products and our brand reputation. Moreover, our agreements with our promoters are typically for a fixed period. Our promoters may elect not to renew their promotion agreements with us or otherwise to terminate their business relationships with us for a number of reasons, many of which are beyond our control. In the event that our promoters fail to effectively promote our products or terminate their business relationship with us, there can be no assurance that we will be able to enter into similar relationships with other promoters in time, or at all. As a result, our sales for the relevant products in the market, especially the penetration rate of these products and our business growth, could be materially and adversely affected.

**We depend on a stable and adequate supply of quality raw materials and products from our suppliers.**

Due to the uniqueness of our business, it is common for us to purchase certain raw materials and components necessary for our products from limited suppliers, or large quantities of product from an individual supplier, and as a result, it may not be able to establish, whether due to cost, regulatory and other business considerations, in a timely manner or at all, additional or replacement sources for certain components or materials in the event an existing supplier becomes unavailable or is unable to continue to supply to us as expected. Furthermore, we are exposed to certain risks relating to jurisdictions where our certain raw materials suppliers are located such as Russia and South Africa, including political risks, such as civil unrest, acts of terrorism, war, coups, civil war, local or global political or military tensions, diplomatic relations tensions or changes. Any of these could result in production delays, increased costs, or inability to continue to manufacture key products, which could have a material adverse effect on our business, financial condition or results of operations.

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For example, we rely on overseas radioisotopes manufactures for the supply of raw radioisotopes for our imaging diagnostic and therapeutic radiopharmaceuticals. In addition, we rely on one supplier for the supply of carbon-13 urea, and rely on overseas manufactures for the supply of raw cobalt-60 for medical applications to manufacture medical radioactive source products. If any of these major suppliers suffers a decrease in supply, or declines to renew supply contracts with us in the future, or fails to meet any of our customers' requirements, and we are unable to find a replacement supplier, this could have a material adverse effect on our business, financial condition or results of operations.

For the years ended December 31, 2015, 2016 and 2017, our costs of raw materials accounted for approximately 44.3%, 48.0% and 47.2%, respectively, of our total costs of sales. In the event of significant price increases for such raw materials, we may have to pass the increased raw materials costs onto our customers. However, we cannot assure you that we will be able to raise the prices of our products and services to the extent of such increase or overcome the interruption of a sufficient supply of qualified raw materials for our products. As a result, any significant price increase in our raw materials may have a material adverse effect on our profitability.

We believe that we have established long and stable relationships with our existing third-party suppliers. However, we cannot assure you that we will be able to secure a stable supply of raw materials and outsourced services. Our suppliers may reduce or cease their supply of raw materials, products and services to us at any time in the future. In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations, and failure to do so by them may lead to interruption in their business operation, which in turn may result in shortage of raw materials, products and services supplied to us. If the supply of raw materials, products and services are interrupted, our production processes would be delayed. If any such event occurs, our operation and financial position may be materially and adversely affected.

**We have not maintained insurance for our fixed assets and product responsibility to provide coverage for ordinary risks associated with our major business.**

We have not maintained insurance for our fixed assets and product responsibility to provide coverage for ordinary risks associated with our major business. As we do not have insurance available to pay liabilities or losses associated with our operations, our profitability may be materially and adversely impacted. Moreover, we do not carry any insurance for business interruption or loss of profit arising from accidents at any of our manufacturing facilities or other disruptions of our operations such as demonstrations and protests by residents living in close proximity to our production facilities. Accidents or natural disasters may also result in significant property damage, disruption of our operations and personal injuries or fatalities. In the event of an uninsured loss, we could suffer damage to our reputation and/or lose all or a portion of our production capacity as well as future revenue expected to be generated by the relevant production facilities. Any material loss could materially and adversely affect our business, financial condition and results of operations.

**Our expansion of the production facilities may not be as successful as we have planned.**

To meet the increasing demand for our imaging diagnostic and therapeutic radiopharmaceuticals and UBT kits and analyzers, we are and intend to continue to invest in our production facilities for these products. We plan to build two new modern manufacturing and research and development bases in order to enhance our development and manufacturing capabilities and to

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meet the requirements for standardized and large-scale operation for our radiopharmaceuticals for diagnostic imaging and therapeutic uses. Furthermore, we also intend to establish 26 new manufacturing subsidiaries to produce and distribute technetium-99m labeled injections and fluorine-18-FDG injection.

The construction and completion of these new production facilities involve regulatory approvals and reviews by various authorities in the PRC, including but not limited to, urban planning, construction and environmental protection authorities. For these new production facilities, we cannot assure you that we will be able to obtain all of the required approvals, permits and licenses. Construction of the new production facilities also may not be completed according to the anticipated timetable or within the agreed budget. We may also be unable to fully utilize the production capacity of such new production facilities after they commence operations. Any inability or material delay in commencing operations at these production facilities, or any substantial increase in costs to complete the production facilities or improve operations and utilization, could materially and adversely affect our results of operations and prospects and result in loss of business opportunities.

**If our products are not produced to the necessary quality standards, our business and reputation could be harmed, and our revenue and profitability could be materially and adversely affected.**

Our products and manufacturing processes are required to meet certain quality standards. We have maintained a quality control management system and standard operating procedures in compliance with GMP standard to help prevent quality issues in respect of our products. See “Business — Quality Control” in this prospectus for further details of our quality control management system and standard operating procedures. Despite our quality control system and procedures, we cannot eliminate the risk of errors, defects or failure. Quality defects may not be detected or cured as a result of a number of factors, many of which are outside our control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacture process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and
- quality issues with the raw materials we purchase or produce.

In addition, when we expand our manufacturing capacity in the future, we may not be able to ensure consistent quality between the products manufactured in our existing and new facilities, or need to incur substantial costs for doing so. Furthermore, if we acquire other isotopes and irradiation technology companies, we may not be able to immediately ensure that their manufacturing facilities and processes will meet our own quality standards.

Failure to detect quality defects in our products or to prevent such defective products from being delivered to end-users could result in patient injury, product recalls or withdrawals, license revocation or regulatory fines, product liabilities or other problems that could seriously harm our reputation and business, expose us to liability, and materially and adversely affect our revenue and profitability.

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**If our products cause, or are perceived to cause, severe side effects, our revenue and profitability could be adversely affected.**

Our products may cause undesirable or unintended side effects as a result of a number of factors, many of which are outside our control. These factors include potential side effects not revealed in clinical testing, unusual but severe side effects in isolated cases, defective products not detected by our quality management system or misuse of our products by end-users. Our products may also be perceived to cause severe side effects when a conclusive determination as to the cause of the severe side effects is not obtained or is unobtainable.

In addition, our products may be perceived to cause severe side effects if products by other isotopes and irradiation technology companies which contain the same or similar radioactive ingredients or raw materials, or utilizes the same or similar intake approaches as our products cause or are perceived to have caused severe side effects, or if one or more regulators, including the CFDA, the FDA or an international institution, such as the WHO, determines that products containing the same or similar radioactive ingredients as our products could cause or lead to severe side effects.

If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including:

- injury of patients;
- a severe decrease in the demand for, and sales of, the relevant products;
- the recall or withdrawal of the relevant products;
- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of our products and the reputation of our Group; and
- exposure to lawsuits and regulatory investigations relating to the relevant products that may result in liabilities, fines or penalties.

As a result of these consequences, our sales and profitability could be materially and adversely affected.

**Any operational failure or disruption at our production facilities could have a material adverse effect on our cashflows, competitive position, financial condition or results of operations.**

We are subject to potential operational failure at our production facilities caused by accidents occurring during the operating process, including but not limited to, faulty construction and operator error. We have limited alternative facilities for its production because it is required to meet the licensing requirements for both its facilities that handle and store radioactive materials during the production process and its specialized equipment. The vast majority of our revenue is generated from the sale of products manufactured at our production facilities.

Any interruption in, or prolonged suspension of, any part of production at, or any damage to or destruction of, any of our production facilities arising from unexpected or catastrophic events or otherwise may prevent us from supplying products and services to our customers, which in turn may result in a material adverse effect on our business and operations. There is also a risk of injury or damage to persons, the property of others or the environment, which in turn could lead to considerable financial costs and may also have legal consequences. Consequently, our business, financial condition and results of operations may be materially and adversely affected by such an occurrence.



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Any event, including a labor dispute with unionized employees, weather or other acts of nature, pandemics or other public health crisis, fire, floods, power outages, threats to physical security, information technology or cyber-attacks or failures, accidents, regulatory, political, health or other issues that result in a prolonged business disruption or shutdown to one or more of our facilities, or the facilities of our suppliers, could create conditions that prevent, or significantly and adversely affect, our Company from receiving, processing, manufacturing, or shipping products at previous levels, or at all. Due to the stringent regulations and requirements we are subject to regarding our production, and the complexities involved with manufacturing our products, we may not be able to quickly establish additional or replacement sources for our materials and/or our production facilities. Such events could materially and adversely affect our sales, increase our expenses, create potential liabilities and/or damage our reputation, any of which could have a material adverse effect on our cash flow, competitive position, financial condition or results of operations.

In addition, any breakdown or suspension of production or failure to supply our products and services to our customers in a timely manner may result in breach of contract and loss of sales, as well as exposure to liability under the relevant agreements, lawsuits and damage to our reputation, which could have a material and adverse effect on our business, financial condition and results of operations.

**We may fail to realize the anticipated benefits of acquisitions that we have made or intend to make.**

One of our business strategies is to expand our business operations through selective acquisitions. Expansion through acquisitions involves many risks and uncertainties, including:

- inability to identify all suitable acquisition targets or compete for attractive acquisition targets;
- difficulties in obtaining financing required to fund our acquisitions;
- failure to complete acquisitions under commercially acceptable terms;
- inability to timely secure necessary governmental approvals, third party consents or land use rights, which may result in liabilities, fines or penalties arising from such inability;
- difficulties in effectively managing a larger and growing business, operating in new geographic regions and optimizing the allocation of resources and operational efficiency;
- potential ongoing financial obligations and unforeseen, hidden or latent liabilities of our acquisition targets and other risks unidentified before the acquisitions;
- failure to promptly and effectively coordinate our businesses with that of the acquisition targets, which may materially and adversely affect our ability to generate sufficient revenue to recover the acquisition costs, and to achieve synergies and other intended objectives;
- failure to effectively integrate research and development functions, standardize information technology systems, identify and eliminate redundant and underperforming operations and assets, conform standards, controls, procedures and accounting and other policies; and
- managing costs or inefficiencies associated with the consolidation of the combined operations, and the poor performance of the acquired businesses that leads to potential impairment costs.

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In addition, we may seek and pursue opportunities via joint ventures or strategic alliances for expansion from time to time, and we may face similar risks and uncertainties as listed above. Failure to properly address these risks and uncertainties may materially and adversely affect our ability to carry out acquisitions and other expansion plans, integrate and consolidate newly-acquired or newly-formed businesses and realize all or any of the anticipated benefits of such expansion, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

**If we fail to maintain an effective distribution network for our certain products in pharmaceuticals segment or manage the activities of our distributors, our business could be materially and adversely affected.**

As of December 31, 2017, we had a network of more than 440 distributors in China. We primarily sell our UBT analyzers and in vitro immunoassay diagnostic reagents (other than RIA kits) through our distributors. We also sell a small volume of sodium iodine-131 oral solution and carbon-13 Capsule UBT kits through distributors. Our sales to them represented 3.4%, 4.1% and 3.9% of our revenue of pharmaceuticals segment for the years ended December 31, 2015, 2016 and 2017, respectively. We expect we will continue to sell our UBT analyzers, in vitro immunoassay diagnostic reagents (other than RIA kits) and a small volume of sodium iodine-131 oral solution and carbon-13 Capsule UBT kits through distributors in the future. Our business growth could be affected by our ability to maintain and manage a distribution network that timely delivers our products. However, our distributors may not distribute our products in the manner that we expect, which thus may impair the effectiveness of our distribution network.

In addition, we generally do not enter into long-term distribution agreements, and we cannot assure you that we will be able to renew such agreements with our preferred distributors on terms favorable to us or at all when our existing distribution agreements expire. In the event that a significant number of our distributors terminate their relationships with us, or if we are otherwise unable to maintain and expand our distribution network effectively, our sales volumes and business prospects could be adversely affected.

We have limited ability to manage the activities of our distributors, who are independent from us. Our distributors could take actions, including one or more of the following, which could have an adverse effect on our business, prospects and brand name:

- fail to meet the sales targets for our products in accordance with the relevant distribution agreements;
- sell products that compete with our products;
- sell our products outside their designated territories;
- fail to maintain the requisite licenses or otherwise fail to comply with applicable regulatory requirements when selling our products;
- breach on the exclusivity clause; or
- violate anti-corruption and other applicable laws in China.

Any of the events mentioned above could have a material adverse effect on our business, financial condition, results of operations and prospects.



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**Substantial reductions in purchases by or delays in collecting receivables from our customers, particularly those of our pharmaceuticals business, could have a material adverse effect on our business, financial condition and results of operations.**

Our customers of pharmaceuticals primarily include hospitals, other medical institutions and distributors. We cannot assure you that these customers will continue to maintain relationships with us or that they will continue to purchase our products at similar volumes or prices, or at all. In addition, our pharmaceuticals customers may experience deterioration in their financial position, such as bankruptcy, insolvency or general liquidity problems, which may materially and adversely affect their ability to conduct business with us. Moreover, any slowdown in the growth of the PRC economy, and any corresponding effects on the levels of healthcare spending, may cause customers to reduce, modify, delay or cancel plans to purchase our products.

Most of our sales are conducted in RMB and normally settled by bank remittances. For our pharmaceuticals segment, the payment collection time is generally one year for hospital and other medical institution customers. To the extent that the revenue recognized under a sales contract has not been received, we record it as trade receivables. During the Track Record Period, some of our customers delayed their payments beyond one year. As of December 31, 2017, we had in aggregate trade and bill receivables after deduction of allowance for doubtful debts of RMB1,507.2 million, of which RMB1,352.6 million had been outstanding within one year from the invoice date, RMB118.2 million had been outstanding for one to two years from the invoice date, RMB22.5 million had been outstanding for two to three years from the invoice date and RMB13.9 million had been outstanding for over three years from the invoice date. Of our total trade and bill receivables, we had carrying amounts of RMB993.3 million, RMB1,148.3 million and RMB1,408.4 million as of December 31, 2015, 2016 and 2017, respectively, which are past due but are regarded as not impaired. See “Financial Information — Liquidity and Capital Resources — Trade and Bill Receivables” and Note 20 to “Appendix I — Accountants’ Report” in this prospectus.

As of December 31, 2017, our allowance for doubtful debts of trade and bill receivables amounted to RMB114.2 million, or 7.6% of total trade and bill receivables. We cannot assure you that our past provisioning practice will not change in the future or that our provision levels will be sufficient to cover defaults in our trade receivables. Our liquidity and cash flow from operations may be materially and adversely affected if our receivable cycles or collection periods, particularly those in respect of our pharmaceuticals business, are further lengthened or if we encounter a material increase in defaults of payment or an increase in provisions for impairment of our receivables from customers, particularly those in respect of our pharmaceuticals business. Should these events occur, we may be required to obtain working capital from other sources, such as third-party financing, in order to maintain our daily operations, and such financing may not be available on commercially acceptable terms, or at all.

**We may not be able to efficiently manage inventory at optimal levels, which could have an adverse effect on our business, results of operations, financial condition and prospects.**

Maintaining an optimal level of inventory is critical to the success of our business. We had inventory balance, net of write-down of inventories, were RMB188.0 million, RMB225.7 million and RMB263.0 million as of December 31, 2015, 2016 and 2017, respectively, and our inventory turnover days were 100.6 days, 108.4 days and 113.3 days, respectively. The nature of our business requires us to carry raw materials of different types to satisfy demand from customers and facilitate our production in a short time period. Moreover, we generally estimate demand for our products, in particular, our

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radiopharmaceutical products, ahead of production and the actual time of sale. We cannot assure you that we can accurately predict these trends and events and avoid under-stocking or over-stocking inventory. Further, we cannot assure you that our inventory management measures will be implemented effectively so that we will not have significant levels of obsolete or excessive inventories. In the event that there is a sudden decrease in the market demand for our products or in the event that our new products do not successfully meet customer demand, we may experience slow movement of our inventories. We may not be able to utilize or sell our inventories swiftly, and may face the risk of inventory obsolescence. The slow movement of our inventories may in turn lead to an increase in our inventory level and thus an increase in our inventory carrying costs or provision for impairment of inventory. Increased inventories may adversely affect our pricing strategies, and we may be forced to rely on markdowns or promotional activities to dispose of unsold items, which in turn may adversely affect our financial condition and results of operations. If we fail to manage our inventory at an optimal level, our business, results of operations, financial condition and prospects may be adversely affected.

**We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.**

As of December 31, 2015, 2016 and 2017, our deferred tax assets amounted to RMB109.4 million, RMB121.0 million and RMB155.5 million, respectively, which represent the allowance for impairment losses of certain accounts receivables and unused tax losses from our group. For details of the movements of our deferred tax assets during the Track Record Period, please see Note 28 to “Appendix I — Accountants’ Report” in this prospectus. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial positions in the future.

**Our failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.**

Pursuant to relevant PRC laws, regulations and rules, we are required to obtain, maintain and renew various permits, licenses and certificates in order to produce, and sell our pharmaceuticals. These permits, licenses and certificates include, without limitation, pharmaceuticals production permit (藥品生產許可證), radiopharmaceuticals production permit (放射性藥品生產許可證), pharmaceuticals sale permit (藥品經營許可證), radiopharmaceuticals sale permit (放射性藥品經營許可證), medical device production permit (醫療器械生產許可證), medical device sales permit (醫療器械經營許可證), pharmaceuticals registration certificates (藥品註冊證) and medical device registration certificate (醫療器械註冊證) required for our business operations. Each such permit and certificate has a specified term and is subject to periodical renewal. Should we fail to renew any of our permits or certificates, we may be forced to cease our production of the relevant products, which may in turn materially and adversely affect our financial condition and business prospects.

In addition, some of these approvals, permits, licenses and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. Although we intend to apply for the renewal and/or

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reassessment of these approvals, permits, licenses and certificates when required by applicable laws and regulations, there can be no assurance that we will successfully procure such renewals and/or reassessment. Any failure by us to obtain the necessary renewals and/or reassessment and otherwise maintain all approvals, licenses, permits and certificates necessary to carry out our business at any time could severely disrupt our business and prevent us from continuing to carry out our business, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenue and/or increase our costs, which could materially and adversely reduce our profitability and prospects.

**We may from time to time become party to litigation, other legal disputes and proceedings that may materially and adversely affect us.**

In the course of our ordinary business operations, we may become a party to litigation, legal proceedings, claims, disputes or arbitration proceedings from time to time. Any ongoing litigation, legal proceedings, claims, disputes or arbitration proceedings may distract our senior management's attention and consume our time and other resources. In addition, even if we ultimately succeed in such litigation, legal proceedings, claims, disputes or arbitration proceedings, which may attract negative publicity and may materially and adversely affect our reputation and brand names. In the case of an adverse verdict, we may be required to pay significant monetary damages, assume significant liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. For example, we had a legal proceeding in relation to a shareholding dispute that was brought against us by certain individual shareholders of Huakang Radiation during the Track Record Period. See "Business — Legal Proceedings" for details.

**Any failure to protect our intellectual property rights could harm our business and competitive position.**

Our future success depends in part upon our proprietary technology. We consider that our trademarks, patents, copyright of computer software, trade secrets, know-how, domain names and similar intellectual property rights are critical to our success. As of the Latest Practicable Date, we had 28 registered trademarks, 207 registered patents and 25 registered copyright of computer software in China, which are material to our business. As of the Latest Practicable Date, we had submitted more than 60 patent applications. We cannot assure you that any of the above patent applications will ultimately proceed to registration or will result in registration within the applied scope of patent. Some of our pending applications may be successfully challenged or invalidated by others. It is also possible that any patents, trademarks copyright of computer software or domain names registered by us may be invalidated, circumvented or challenged. There can be no assurance that such proprietary rights or pending applications will provide us with competitive advantages or adequately safeguard our proprietary rights. In the event that our intellectual property rights applications were not approved by the relevant authorities, we can continue to apply these intellectual property in our production process, but we would not be able to prevent others from developing, applying for registration of, or providing

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products and services by using the same intellectual property. If our proprietary right applications are not successful, we may have to employ different technology or terminate the production of the affected products, or seek to enter into arrangements with any third parties who may have prior registrations, applications or rights, which might not be available on commercially reasonable terms, if at all. In the event of any successful registration by other parties of any identical invention intellectual property rights applications filed prior to our relevant applications, we may not be able to practice the relevant invention in our commercial production, which could have a negative impact on our business, results of operations and financial condition to some extent. In addition, third parties may independently uncover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties, which could negatively affect our business operations.

In addition, our design and production processes involve usage of proprietary trade secrets, know-how and other similar intellectual property rights, which may be susceptible to infringement by third parties. Given the development history of our Company, a substantial amount of our intellectual property rights are protected as proprietary rights, rather than patents, as a result of which we may lose our core proprietary rights and in turn cease to supply certain of our products and services when relevant core technical personnel leave our Group. As of the Latest Practicable Date, the employment contracts entered into with the employees of certain subsidiaries do not have non-disclosure clauses. For the non-disclosure clauses in the employment contracts, we cannot assure you that the non-disclosure clauses in our employment contracts are enforceable under PRC law or are adequate to protect our proprietary rights and know-how. In addition, we cannot assure you that these non-disclosure clauses will not be breached. In the event that such breach occurs, we may suffer financial and reputational damage or penalties because of the unauthorized disclosure of confidential information belonging to us or to the parties we collaborated with, customers or suppliers. If any these events occur, our business, results of operation and financial condition may be materially and adversely affected.

**Our primary operating locations handle and store hazardous and radioactive materials. If our products and services are produced improperly or contaminated, our reputation, business, financial condition and results of operation may be materially and adversely affected. Meanwhile, we are also subject to regulations that govern the handling of hazardous substances.**

We are subject to the PRC national and local laws and regulations that govern the handling, transportation, production, use, storage, disposal and sale of certain hazardous and potentially hazardous substances used in connection with our operations and products. Some risk of environmental and property damage and environmental liabilities, including potential clean-up liability relating to currently or formerly owned or operated sites or third-party disposal sites and liabilities relating to the exposure to hazardous substances, is inherent in our operations and the products and services we produce, provide, sell or distribute. Any failure by us to comply with the applicable government regulations could also result in product recalls or impositions of significant fines and restrictions on our ability to carry on or expand a portion or possibly all of our operations. If we fail to comply with any or all of these regulations, we may be subject to fines or penalties, have to recall products and/or cease their production and distribution, which would increase our costs and reduce our sales. Our facilities handle and store radioactive materials and radioactive production equipment. The regular usage of our production facilities of imaging diagnostic and therapeutic radiopharmaceuticals and radioactive source products involves disposal of waste gas, waste water and waste residues. A significant release of radioactivity, which could result from, among other things, a natural disaster, an accident, equipment failure, human error, an act of terrorism or a transportation accident, could result in employees and/or

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the public being exposed to radiation. Furthermore, failure or damage to our shipping containers used to ship material to and from our site could also result in a release of radioactivity.

In addition, we are exposed to risks inherent in the production, packaging, sale and marketing of our products and services, such as unsafe, ineffective, defective or contaminated products and services, improper filling of products and services, insufficient or improper labeling of products and services. If any of these happens, we may be subject to product recall or withdrawal, removal of regulatory approvals for such products and services or the relevant production facilities and exposure to lawsuits relating to such products and services.

Our operations pose the risk of accidental contamination or injury caused by the use of hazardous materials and/or the creation of hazardous substances, including radioactive substances and other highly regulated substances. In the event of such an accident, we could be held liable for damages and clean-up costs which could harm our business. In addition, other adverse effects could result from such liability, including reputational damage resulting in the loss of additional business from certain customers. In addition, if our suppliers of such hazardous materials and substances are found by government authorities to have operated their business without requisite approvals, licenses or permits or otherwise to be in violation of applicable laws and regulations, they may be ordered to take rectification actions or cease operations. Any of these actions may have a material adverse effect on our business and impose additional costs on us.

**If our internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.**

We have established our internal control system such as an organizational framework, policies and procedures that are designed to monitor and control potential risk areas relevant to our business operations. In connection with the Global Offering, we have examined our internal control system, and made certain enhancements where appropriate, so that it would satisfy our internal control requirements after the completion of the Global Offering. However, due to the inherent limitations in the design and implementation of our internal control system, our internal control system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

Furthermore, integration of various business operations from our future acquisitions may give rise to additional internal control risks that are currently unknown to us, despite our efforts to anticipate such issues. If our internal control system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal controls also depend on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by governments.



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**If we experience a significant disruption in our information technology systems or if we fail to implement new systems and software successfully, our business could be adversely affected.**

We depend on information systems to effectively manage order entry, order fulfillment, accounting and financial functions, and payment data. Any system damage or failure that interrupts data input, retrieval or transmission or increased service time could disrupt our normal operations. There can be no assurances that we will be able to effectively handle a failure of our information systems or that we will be able to restore our operational capacity in a timely manner to avoid disruptions to our business. In addition, if the capacity of our information systems fails to meet the increasing needs of our expanding operations, our ability to expand may be constrained. The occurrence of any of these events could adversely affect our ability to effectively manage our business operations.

**We are required to comply with various environmental, health and safety laws and regulations in China, which may increase our cost of compliance.**

We are required to comply with the applicable environmental protection, health and safety laws and regulations in the PRC. Any failure to meet the relevant standards and requirements for production safety and labor safety could subject us to warnings from the relevant regulatory authorities and governmental orders to rectify such non-compliance within a specified period of time and fines by the relevant regulatory authorities. We may also be required to suspend our production temporarily or cease our operations permanently for significant non-compliance, which may have a material adverse effect on our reputation, business, financial condition and results of operations. During the Track Record Period, we were involved in certain incidents of non-compliance with applicable environmental protection laws and regulations, including non-compliance with regulations relating to the transportation of radiopharmaceuticals, in the PRC.

Given the number and complexity of these laws and regulations, compliance with them may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. In addition, these laws and regulations are constantly evolving. There can be no assurance that the PRC government will not impose additional or more stringent laws or regulations, the compliance with which may cause us to incur significant costs that we may be unable to pass on to our customers and may take significant time, which may affect or interrupt our operations.

**We depend on key management personnel and professional technicians, and if we are unable to recruit, hire and retain skilled and experienced personnel, our ability to effectively manage our operations and meet our strategic objectives could be harmed.**

Our success is built substantially upon the continuous efforts and service of our experienced management team and specialized technical personnel. Our key management include but not limited to Mr. Wu Jian, Dr. Du Jin and Mr. Fan Guomin. Mr. Wu Jian, our executive director and general manager, has more than 30 years of experience in the isotopes and irradiation technology industries in China. Mr. Wu is responsible for the overall daily management of our business operations. Dr. Du Jin, our executive director and chief engineer, has more than 30 years of experience in the isotopes and irradiation technology industries in China. Dr. Du is in charge of the research and development of new products and new technologies in our Group. Mr. Fan Guomin, our deputy general manager, has more than 20 years of experience in the isotopes and irradiation technology industries in China. Mr. Fan oversees the safety and quality management of our Group. There can be no assurance that we will be able to retain our key management personnel or technical staff. If any of our key management



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personnel stops working in his or her present position, or if any of them fails to perform their obligations under their employment agreements, we may not be able to find a suitable replacement. In addition, since the design, manufacturing and inspection of our radiopharmaceuticals and radioactive source products are very complicated, we are greatly dependent on the specialized services provided by our operation teams which have been specially trained for a long time, especially the operation team in key functions. If we fail to retain our senior management or operation team, our business may be adversely affected. Our future growth and success will also depend to a large extent on our ability to retain or recruit suitable and qualified individuals to strengthen our management, operational, technical and research teams. There can be no assurance that we will be able to cultivate, recruit and retain the key personnel that we need to achieve our business objectives, and if we are unable to do so it may lead to material adverse impact on our business, financial condition and results of operations.

Our future success depends, in large part, on the continued service of our key managerial, research and development, sales and technical personnel. We rely on our senior management to operate and grow our business. See “Directors, Supervisors and Senior Management” in this prospectus. Any loss or interruption of the services of any of our senior management or key personnel could reduce our ability to effectively manage our operations and meet our strategic objectives because we cannot assure you that we would be able to locate suitable or qualified replacements in a timely manner. In particular, the industry experience, management expertise and contributions of our senior management are crucial to our success. If we lose the services of any of our senior management, we may be unable to recruit a suitable or qualified replacement and may incur additional expense to recruit and train new personnel, which could disrupt our business and growth.

Furthermore, as we expect to continue to expand our operations and develop new products and services, we will need to continue attracting and retaining experienced management and key personnel. Competition for skilled and experienced personnel in the PRC industry relating to isotopes and irradiation technology applications is intense, and the availability of suitable and qualified candidates in China is limited. We compete for such personnel with other suppliers, academic institutions, government entities and other organizations, and we expect such competition to intensify as the PRC industry grows. We may be unable to attract or retain the personnel required to achieve our business objectives and failure to do so could materially and adversely impact our competitiveness, business, financial condition and results of operation.

**Our failure to comply with anti-corruption laws in China could result in penalties which could harm our reputation and have a material adverse effect on our business, financial condition or results of operations; and if our employees, customers or other intermediaries including our distributors or promoters, engage in any illegal activities, it could also harm our reputation and expose us to regulatory investigations, costs and liabilities.**

We operate in the PRC isotope and irradiation technology industry and supply our products and services primarily to hospitals and other medical institutions in China. We are subject to anti-corruption laws of China which generally prohibit companies and intermediaries from making improper payments to public officials and industry players for the purpose of obtaining or retaining business and/or other benefits, along with various other anti-corruption laws. In particular, pursuant to the Provisions on the Establishment of Commercial Bribery Records in the Purchase and Sale of Drugs (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), if we are involved in criminal, investigational or administrative proceedings for commercial bribery, we will be added to the blacklist of commercial bribery by the relevant government authorities, as a result of which (i) our products cannot be

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purchased by public medical institutions or medical and health institutions financed by government funds in local provinces for two years and (ii) points may be deducted against us by public medical institutions and medical and health institutions financed by government funds in other regions at the provincial level during the bidding and procurement process for a period of two years; and if we are blacklisted for commercial bribery twice within five years, we will be prohibited from selling our products to public medical institutions or medical and health institutions financed by government funds throughout China for two years. See “Regulatory Environment — The Regulatory System concerning the Centralized Procurement and Sales of Drugs and Medical Devices — The Mechanism of Commercial Bribery Records in the Field of Drug Sales” for further details of the relevant PRC regulations on commercial bribery.

While we have internal controls and procedures in place to monitor internal and external compliance with anti-corruption laws, regulations and policies, we cannot assure you that such internal controls and procedures will always protect us from penalties that may be imposed by PRC government authorities due to violations committed by our employees or other parties with whom we have business relationships, such as our promoters and distributors. Examples of non-compliance misconducts may include gift-giving exchanges, acceptance of, or solicitation of, bribes, kickbacks, or other gratuities in contravention of applicable laws and regulations. If we, our employees, or other parties are not in compliance with anti-corruption laws in China governing the conduct of business, we may be fined or involved in lawsuits, resulting in loss of permits, licenses, and key personnel, which could cause reputation damage and have a material adverse impact on our business, financial condition or results of operations.

We have implemented policies and procedures designed to ensure that we, our employees, customers and other intermediaries comply with applicable anti-corruption laws in the countries where we operate. These measures include implementing internal policies governing our employees. To minimize our exposure to improper conduct by our promoters and distributors, we conduct background checks on prospective promoters and distributors before entering into business relationships with them. For details on our measures to ensure compliance with the applicable anti-corruption laws, see the “Business — Internal Control and Risk Management Measures — Anti-corruption Compliance Measures” in this prospectus. We cannot assure you, however, that our employees, customers and other intermediaries will observe our policies and procedures at all times. If we were not in compliance with the applicable anti-corruption laws, we may be subject to criminal and civil penalties and other remedial measures, which could cause reputation damage and have a material and adverse impact on our business, financial condition or results of operations.

The PRC laws and regulations relating to incentive payments are not always clear. Hence, the relevant governmental authorities may have considerable discretion in determining the misconduct with respect to corruption under certain circumstances. Moreover, the PRC government authorities have recently increased their efforts to combat corrupt, illegal or improper business practices generally in the PRC, which could subject our employees, customers or other intermediaries to increased scrutiny. If our employees, customers or other intermediaries either knowingly or unknowingly engage in corrupt or improper conduct in connection with the marketing, promotion or sales of our products and services, there would be a material and adverse impact on our business, financial condition or results of operations.

Furthermore, we are exposed to the risk of fraud or other misconduct committed by our employees, customers or other third parties, including our distributors and promoters, which could

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subject us to financial losses, third party claims, regulatory investigations or reputational damage. Despite our internal control measures in place, we cannot assure you that our internal control policies and procedures are sufficient to prevent, or that we could properly manage the conduct of our employees or customers, or that we could otherwise fully detect or deter, all incidents of fraud, tax or other regulatory non-compliance, violations of relevant laws and regulations and other misconduct. Any such conduct committed by our employees, customers or other third parties could have an adverse effect on our reputation, business, financial condition and results of operations.

**Our business may be affected by adverse news, scandals or other incidents that have a negative impact on the reputation and public perception of the PRC isotopes and irradiation technology industry.**

Incidents that reflect doubt as to the quality or safety of radiopharmaceuticals and radioactive source products manufactured, distributed or sold by other participants in the PRC isotopes and irradiation industry, including our competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the pharmaceuticals industry in general, even if such parties or incidents have no relation to us, our suppliers, our distributors or promoters. As a result, our brands and reputation and our sales activities could be materially and adversely affected by such negative news, scandals or other incidents.

**Any loss of or significant reduction in the preferential tax treatment and government grant we currently enjoy in the PRC or our non-compliance with the relevant PRC tax laws and regulations may negatively affect our financial condition.**

During the Track Record Period, our major subsidiaries, namely HTA, Headway, BNIBT and BINE, were qualified to enjoy the 15% preferential tax rate of enterprise income tax as “National High and New Technology” accredited companies in each fiscal year of 2015, 2016 and 2017. Our other subsidiary, CNGT, was qualified to enjoy the 15% preferential tax rate of “China’s Western Development” enterprise income tax in each fiscal year of 2015, 2016 and 2017. We recognized tax concession of RMB41.5 million, RMB46.7 million and RMB47.9 million in 2015, 2016 and 2017, respectively. See Note 7 to “Appendix I — Accountants’ Report” for more information. We cannot assure you that we will continue to enjoy such preferential tax treatment going forward.

In addition, for the years ended December 31, 2015, 2016 and 2017, we recognized income of government grants of RMB4.6 million, RMB7.3 million and RMB9.0 million, respectively, which included government support for the growth of our Company. The amounts of and conditions attached to such grants were determined at the sole discretion of the relevant governmental authorities. The government grants are non-recurring income and hence we cannot assure you that we will be eligible to continue to receive the government grants or that the amount of any such grants will not be reduced in the future, and, even if we continue to be eligible to receive government grants, we cannot guarantee that any conditions attached to the grants will be as favorable to us as they have historically been.

Expiration or elimination of, or other adverse changes to, any of these tax incentives, or reduction or discontinuation of these government grants, could materially and adversely affect our financial condition and results of operations. In addition, the PRC government from time to time adjusts or changes its tax laws and regulations. Such adjustments or changes, together with any uncertainty resulting therefrom, could have a material adverse effect on our business, financial

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condition and results of operations. Furthermore, we are subject to periodic examinations on our fulfillment of tax obligation under the PRC tax laws and regulations by PRC tax authorities. We have been imposed with supplemental tax and late payment fee of enterprise income tax as we adopted a different interpretation of the accounting treatment of certain financial statement items to that of the tax authorities in the past. In 2014, Zhangjiagang Tax Bureau conducted an inspection of the finance and accounting record on Huakang Radiation. According to the calculation method adopted by Zhangjiagang Tax Bureau, Huakang Radiation allowed more amortization on the cobalt-60 sealed source for irradiation service than it should have done in the fiscal years of 2005 and 2006. Therefore, Huakang Radiation was ordered to pay the supplemental tax of RMB0.5 million and late payment fee of RMB0.5 million. See “Business — Regulatory Compliance — Historical Non-compliance Incidents” for further details. Although we believe that in the past we have acted in compliance with requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future audits by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our business, financial condition and results of operations, as well as our reputation.

**Our rights to some of our land and buildings with defective titles are subject to legal uncertainties which may have adverse effect on our business, financial conditions and results of operations.**

We face several legal uncertainties in our rights to some of our owned and leased properties with defective titles.

As of the Latest Practicable Date, we had not completed the ownership transfer procedures or obtained the building ownership certificates for four of our owned buildings, with a gross floor area of approximately 19,273.0 square meters and representing approximately 14.2% of the gross floor area of the buildings we owned as of the same date. As of December 31, 2017, the net book value of these four buildings amounted to RMB14.3 million, accounting for 9.9% of the net book value of the building and plant set forth in the Accountants’ Report set out in the Appendix I to this Prospectus. Our rights in relation to such buildings, including the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of such buildings in accordance with applicable PRC laws and regulations, may not be recognized and protected under PRC laws until we fully complete the relevant transfer procedures or obtain the relevant title certificates. We cannot assure you that we will be able to obtain all necessary title certificates for each of these buildings. If we are not able to obtain the building ownership certificates with respect to such properties, our rights to occupy, use, transfer, lease, and mortgage or otherwise dispose of such properties could be adversely affected which, in turn, could adversely affect our business, financial conditions and results of operations.

As of the Latest Practicable Date, we had not obtained the land use right certificate for one parcel of our owned land with defective title, with a total site area of approximately 10,000 square meters, representing approximately 4.4% of the total site area of the land we owned as of that date (excluding the site area of seven parcels of land as there are no site area measurements specified on the relevant title documents due to the combined registration of the ownership of the building and the parcel of land upon which the building was built (房屋所有權和土地所有權統一登記)). Our rights in relation to such land, including the rights to occupy, use, transfer, lease, and mortgage or otherwise dispose of such land in accordance with applicable PRC laws and regulations, may not be recognized and protected under PRC laws until we fully complete the relevant transfer procedures or obtain the

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relevant title certificates. We cannot assure you that we will be able to obtain all necessary title certificates for such parcel of land. If we are not able to obtain the land use right certificate with respect to such parcel of land, our rights to occupy, use, transfer, lease, and mortgage or otherwise dispose of such land could be adversely affected which, in turn, could adversely affect our business, financial conditions and results of operations.

As of the Latest Practicable Date, there were four buildings leased by us for which the landlords had not provided the relevant building ownership certificates or any documentary evidence in respect of the right to dispose of such buildings. The gross floor area of such buildings is approximately 4,182.0 square meters, representing 11.0% of the gross floor area of the buildings that we leased as of that date. If our landlords or lessors do not have the legal building ownership certificates, or cannot obtain the relevant authorization documents from the legal owners, our continuous leases and use of the such buildings may be adversely affected. In addition, we cannot assure you that we will be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases were to be terminated as a result of challenges by third parties or our lessors' refusal to renew them upon expiration, we might be forced to relocate some of our manufacturing operations or offices and incur losses or additional costs associated therewith which, in turn, could adversely affect our business, financial conditions and results of operations.

As of the Latest Practicable Date, we leased three parcels of land with a site area of approximately 4,778.0, 256.4, and 6,168.9 square meters, respectively, from our Controlling Shareholder without entering into lease agreements. Such parcels of land are used for production purposes. As of the Latest Practicable Date, our Controlling Shareholder was undergoing internal approval procedures to enter into the lease agreements with respect to such three parcels of land. We cannot assure you that our Controlling Shareholder would enter into the lease agreements in due course. If the internal approval procedure of our Controlling Shareholder delays, our right to continue to occupy and use such parcels of land could be adversely affected and, in turn, our business, financial conditions and results of operations could be adversely affected.

For further details on our properties with defective titles, see “Business — Properties” in this prospectus.

**We could be adversely affected as a result of our historical and future operations in certain countries and with certain persons that are subject to Sanctions.**

We have in the past engaged in business involving Restricted Countries. For more information on our business directly or indirectly involving the Restricted Countries during the Track Record Period and up to the Latest Practicable Date, see the section headed “Business — Business Operations Involving Restricted Countries” in this prospectus. Neither the Company nor any member of our Group is a Designated Person or a Sectoral Sanctions Target and we conducted no business with any Designated Person or Sectoral Sanctions Targets during the Track Record Period and up to the Latest Practicable Date.

In 2015, 2016 and 2017, the revenue from our business involving Restricted Countries was approximately RMB0.50 million, RMB0.98 million and RMB0.59 million, respectively, which accounted for approximately 0.02%, 0.04% and 0.02% of the total revenue of our Group. Our Directors do not expect a significant increase in the revenue from Restricted Countries after the Listing. A sizeable portion of the Company's sales were through distributors and the Company's business with



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Restricted Countries is disclosed in this prospectus only to the extent that the Company knew that the sales were destined to a Restricted Country.

As summarized in “Business — Business Operations Involving Restricted Countries — Our Undertakings and Internal Control Procedures,” we have made certain Sanctions compliance-related undertakings to the Hong Kong Stock Exchange. If we breach any of these undertakings after the Listing, it is possible that the Hong Kong Stock Exchange may delist our shares. Although our Group is committed to implement a Sanctions compliance program, the process of fully implementing such a program and training relevant staff can take some time and, therefore, we cannot preclude the risk that our Group may inadvertently breach applicable Sanctions during the time that it takes to fully implement the Sanctions compliance program.

With respect to any past, current or future activities by our Group involving Restricted Countries or future business, if any, involving Sanctions Targets, we cannot predict the interpretation or implementation of Sanctions policy by any Sanctions Authority; nor can we necessarily foresee the interpretation of Sanctions that would be applied by the courts of any relevant jurisdiction to particular facts. We have no present intention to undertake any business that would cause us, or the Relevant Persons, to violate or otherwise become designated under applicable Sanctions. However, we can provide no assurances that our future business will be free of Sanctions risk or that we will conform our business to the expectations and requirements of any Sanctions Authorities that assert the right to impose sanctions on an extraterritorial basis.

The interpretation or implementation of policy by Sanctions Authorities with respect to any past, current or future activities by us or our affiliates may not be favorable to us. Although our overall business involving Restricted Countries represents only a small percentage of our total revenue, unfavorable Sanctions policy changes and interpretations may have an adverse effect on us, and in turn, on your investment. It is possible that our past, current or future business activities involving Restricted Countries or future business, if any, involving Designated Persons may be subject to negative media or investor attention regardless of whether they are permissible under applicable Sanctions, which may distract management’s attention, consume internal resources and thus negatively impact our businesses and reputation and affect investors’ perception of us. As a result, our business and reputation could be adversely affected. Additionally, new requirements or restrictions could come into effect, including in relation to countries, territories, entities, groups, or persons that are not currently Sanctions Targets, which might increase scrutiny and compliance costs of our businesses or result in one or more of our business activities becoming subject to Sanctions.

Sanctions may adversely affect our ability to receive payments for our sales to Restricted Countries. In addition, in the unlikely but not impossible event that we are targeted for designation under US Sanctions, certain investors may not be able to dispose of their shareholdings or receive distributions from us to the extent such post-designation activity would involve US persons or the US financial system. Any such designation by US Sanctions Authorities would also impose limitations on our business and would prohibit US persons or the US financial system from providing services or goods to us. Any of these events could have an adverse effect on your investment. Additionally, certain US state governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain jurisdictions. As a result, concern about potential legal or reputational risk associated with our historical and ongoing business involving Sanctioned Countries or future business, if any, involving Designated Persons could also reduce the marketability of our H Shares to such particular investors,



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which could affect the price or after-market performance of our H Shares and our liquidity, and may materially and adversely affect our ability to raise financing, despite our undertaking not to direct the proceeds from the Global Offering to dealings with Sanctioned Countries, Designated Persons, or any other activity that would be prohibited by applicable Sanctions.

### **Our Controlling Shareholder is able to exercise significant influence over us.**

Immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholder will own approximately 73.83% of our share capital. Accordingly, our Controlling Shareholder, may have the ability to exercise significant influence over our business, including matters relating to:

- our management, especially the composition of our senior management;
- our business strategies and expansion plans;
- distribution of dividends;
- plans relating to major corporate activities, such as strategic investments, mergers, acquisitions, joint ventures, investments or divestitures; and
- elections of our Directors and Supervisors.

This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of opportunities to receive a premium for their Shares as part of a sale of us or our assets, and might reduce the price of our H Shares. Due to our Controlling Shareholder's significant shareholding position in our H Shares, these actions may be taken even if they are opposed by our other Shareholders, including those who subscribe for our H Shares in the Global Offering.

### **RISKS RELATING TO THE PRC**

#### **Changes in China's economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition, results of operations and prospects.**

All of our assets are located in China, and a substantial majority of our revenue is derived from our businesses in China. Accordingly, our financial condition, results of operations and prospects are, to a material extent, affected by economic, political and legal developments in China. The PRC economy differs from the economies of developed countries in many respects, including, among others, the degree of government involvement, investment control, level of economic development, growth rate, foreign exchange controls and resource allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in China is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may materially and adversely affect us. For example, our

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financial condition and results of operations may be materially and adversely affected by government policies on the isotopes and irradiation technology industry in China or changes in tax regulations applicable to us. If the market condition in China deteriorates, our business in China may also be materially and adversely affected.

**The PRC legal system has inherent uncertainties that could limit legal protections available to you.**

PRC laws and regulations govern our operations in China. All of our operating subsidiaries are organized under PRC laws. China's legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited precedential value. The PRC government has significantly enhanced laws and regulations regulating commerce and business affairs, such as foreign investment, corporate organization and governance, trading of commerce, taxation and trade. However, as many of these laws and regulations are relatively new, and because the published decisions are limited in volume and non-binding, the interpretation and enforcement of these laws and regulations involve uncertainties. These uncertainties may materially and adversely affect our business and prospects and may further affect the legal protections and remedies available to investors, which in turn may materially and adversely affect the value of your investment.

In particular, the PRC isotopes and irradiation technology industry is highly regulated. Many aspects of our business depend upon the receipt of the relevant government authorities' approvals and permits. As the PRC legal system and industry in relation to isotopes and irradiation technology develop, changes in relevant laws and regulations, or in their interpretation or enforcement, could materially and adversely affect our business, financial condition and results of operations.

**Investors may experience difficulties in effecting service of legal process and enforcing judgments obtained from non-PRC courts in China against us and our Directors, Supervisors and management.**

We are a company incorporated under the laws of PRC. All of our assets are located in China. In addition, most of our Directors and executive officers reside within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon our Directors, Supervisors and executive officers. Moreover, the PRC has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments with the United States, the United Kingdom, or most other western countries or Japan. Although the Supreme People's Court has promulgated Agreement of Recognition and Enforcement of Judgment of Civil and Commercial Cases under the Jurisdiction between the Courts of the Mainland and Hong Kong, it may only be limited to the situations where any People's Court of the Mainland or any court of Hong Kong has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing. In addition, Hong Kong has not entered into arrangements with the United States for the reciprocal enforcement of judgments. As a result, recognition and enforcement in China or Hong Kong of a court judgment obtained in the United States or any of the other jurisdictions mentioned above in relation to any matter that is not pursuant to a binding arbitration provision may be difficult or impossible.

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

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares (“**non-PRC resident individual holders**”) are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發 [1993] 045 號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) dated June 28, 2011 and issued by the SAT, the tax rate applicable to dividends paid to non-PRC resident individual holders of H Shares varies from 5.0% to 20.0% (usually 10.0%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. See “Appendix III — Taxation and Foreign Exchange.” In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. Based on our knowledge as of the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders’ investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities’ approval. See “Appendix III — Taxation and Foreign Exchange” to this prospectus. As the EIT Law and its implementation rules are relatively new, there are uncertainties as to their interpretation and implementation by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders’ investments in H Shares may be materially and adversely affected.

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## RISK FACTORS

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**The PRC regulations relating to registration requirements for employee share ownership plans or share option plans may subject our management to personal liability or administration sanction, or limit our subsidiaries' ability to distribute dividend to us, or otherwise materially and adversely affect our financial position.**

SAFE issued the Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Offshore Investment, Financing and Inbound Investment through Special Purpose Companies by PRC Residents (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”) on July 4, 2014. According to the Circular 37, a special purpose company means an offshore company that is directly established or indirectly controlled by PRC domestic residents (including domestic entities and domestic individuals), for financing purposes, with its onshore or offshore assets or equities legally held by such domestic residents. In the event that an unlisted special purpose company intends to issue share incentives to the employees of its subsidiaries with its own shares, such employees who are PRC individuals shall conduct foreign exchange registration for that special purpose company with the competent foreign exchange authority.

SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Companies (or the “**Stock Option Rules**”) on February 15, 2012. According to the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plans in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on their behalf. The participants must also appoint an overseas entrusted institution to handle matters in connection with their exercises of stock options, the purchase and sale of corresponding stocks or interests and transfer of funds. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material aspects.

Although Circular 37 of the Stock Option Rules is silent on the liabilities of the special purpose company's subsidiaries, in the event of such employees' failure to conduct such foreign exchange registration, such PRC subsidiaries may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to the offshore special purpose company, which in turn limits certain of our subsidiaries' ability to distribute profits to us, and this may materially and adversely affects our financial position. Also, failure to complete SAFE registrations by our PRC share option holders or restricted shareholders or such members under the Circular 37 may subject such members to fines and legal sanctions or other administrative sanctions.

If, in the future, such members are regarded by SAFE to have violated Circular 37 or other relevant regulations due to their holdings of our H Shares without conducting the foreign exchange registration as requested, such members may be subject to fines and legal sanctions. Our subsidiaries' ability to distribute profits to us may also be limited. This may materially and adversely affect our financial position.

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## RISK FACTORS

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**Any future occurrence of force majeure events, natural disasters or health or public security hazards in China may severely disrupt our business and operations and may have a material adverse effect on our financial condition and results of operations.**

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, or H1N1 influenza, the Ebola virus or Middle East Respiratory Syndrome, may materially and adversely affect our business, financial condition and results of operations. In 2009, there were reports of the occurrence of H1N1 influenza in certain regions of the world, including the PRC and Hong Kong, where we conduct business. An outbreak of an epidemic or contagious disease could result in a widespread health crisis and restrict the business activities in affected areas, which may, in turn, materially and adversely affect our business. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in China may materially and adversely affect its economy and our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza or other epidemics, or the measures taken by the PRC government or other countries in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

**Restrictions on currency exchanges may limit our ability to utilize our revenue effectively and the ability of our subsidiaries to obtain financing.**

We currently receive a significant amount of our revenue in Renminbi. Renminbi is not presently a freely convertible currency, and the restrictions on currency exchanges may limit our ability to use revenue generated in Renminbi to fund our business activities outside the PRC or payments in currencies other than Renminbi. The PRC government, through SAFE and other government agencies, regulates conversion of Renminbi into foreign currencies. Under the PRC's foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade, are freely exchangeable into foreign currencies without prior government approval provided certain procedural requirements are met. However, the PRC government may limit the foreign exchange under the payments of current account items in the future, and, as a result, we may not be able to pay dividends to our shareholders in a foreign currency.

Conversion of currency in the "capital account" (e.g. capital items such as direct investments or loans) requires the approval of SAFE or its local branches. These limitations could materially and adversely affect the ability of our PRC operating subsidiaries and affiliate companies to obtain foreign currencies through equity financing or for capital expenditures, therefore impeding our overall business operations.

**Some facts, forecasts and statistics contained in this prospectus with respect to the PRC, the PRC economy and industry in relation to isotopes and irradiation technology are derived from various official or other third-party sources and may not be accurate, reliable, complete or up to date.**

Some of the facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and industry in relation to isotopes and irradiation technology are derived from various official or other third-party sources, including the Frost & Sullivan Report. While we have exercised reasonable care in compiling and reproducing these facts, forecasts and statistics, they have not been independently verified by us. Therefore, we make no representation as to the accuracy of such facts,



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## RISK FACTORS

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forecasts and statistics, which may be inconsistent with other information compiled within or outside these jurisdictions and may not be complete or up to date. Moreover, the statistics in this prospectus may be inaccurate or less developed than statistics produced for other economies and should not be unduly relied upon.

### RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our H Shares, their market price may be volatile and an active trading market in our H Shares may not develop.**

Prior to the Global Offering, there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations between our Company and the Underwriters and the Offer Price may differ significantly from the market price of our H Shares following the Global Offering. We have applied for listing of and permission to deal in our H Shares on the Hong Kong Stock Exchange. The Listing on the Hong Kong Stock Exchange, however, does not guarantee that an active trading market for our H Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our H Shares will not decline after the Global Offering.

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

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

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

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



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## RISK FACTORS

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**Future sales or perceived sales of a substantial number of our H Shares in public markets could cause the prevailing market price of our H Shares to decrease significantly, as well as dilute our Shareholders' shareholdings.**

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings when we issue additional securities in future offerings. New equity or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

**As the Offer Price of our H Shares is higher than our combined net tangible book value per Share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.**

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets of HK\$11.80 per Share (assuming an Offer Price of HK\$21.00 per Offer Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our H Shares may experience further dilution of their interest if the Over-allotment Option is exercised or if we issue additional Shares in the future to raise additional capital.

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

Our ability to declare future dividends will primarily 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 IFRSs. 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 IFRSs. Accordingly, since our Company derives substantially all of our earnings and cashflows from dividends paid to us by our operating subsidiaries, we may not have sufficient distributable profit to pay dividends to our Shareholders.

For the years ended December 31, 2015, 2016 and 2017, we declared cash dividends of RMB172.1 million, RMB186.3 million and RMB175.2 million, respectively, to our shareholders, respectively, and as of December 31, 2015, 2016 and 2017, we paid cash dividends of nil, RMB319.0 million and RMB177.5 million to our shareholders, respectively. We cannot assure you that dividends will be declared or paid in the future. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law. For more details on our dividend policy, see "Financial Information — Dividend Policy" in this prospectus.

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## RISK FACTORS

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**Certain facts and statistics derived from government and third-party sources contained in this prospectus may not be reliable.**

We have derived certain facts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisors. Therefore, we cannot assure you of the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in the sections headed “Risk Factors,” “Industry Overview” and “Business” in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between the published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as the similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

**You should read the entire document carefully and we strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering.**

Prior to the publication of this prospectus, there had been press and media coverage 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 responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent that such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.