

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 001-40580

Sentage Holdings Inc.

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant's Name Into English)

Cayman Islands

(Jurisdiction of Incorporation or Organization)

**501, Platinum Tower 233 Taicang Road
HuangPu, Shanghai City 200001
People's Republic of China**

(Address of Principal Executive Offices)

Qiaoling Lu

Telephone: +86-21 5386 0209

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At the address of the Company set forth above

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange On Which Registered
Class A Ordinary shares, par value US\$0.005 per share	SNTG	The Nasdaq Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

As of December 31, 2023, there were 2,805,325 issued and outstanding Class A ordinary shares and 0 issued and outstanding Class B ordinary shares, par value US\$0.005 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards[†] provided pursuant to Section 13 (a) of the Exchange Act.

[†]The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accountant firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP <input checked="" type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board <input type="checkbox"/>	Other <input type="checkbox"/>
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If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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INTRODUCTION

We are a holding company incorporated in the Cayman Islands with no material operations of our own. We are not a Chinese operating company. Investors of our Ordinary Shares do not own any equity interests in the VIEs (defined below), but instead own shares of a Cayman Islands holding company. Unless otherwise stated, as used in this annual report and in the context of describing our operations and consolidated financial information, “we,” “us,” the “Company,” “Sentage Holdings,” or “our company” refers to Sentage Holdings Inc., a Cayman Islands holding company.

“Sentage Operating Companies” or the “VIEs” refer, collectively, to Daxin Wealth Investment Management (Shanghai) Co., Ltd. (“Daxin Wealth”), Daxin Zhuohui Financial Information Services (Shanghai) Co., Ltd. (“Daxin Zhuohui”), Qingdao Buytop Payment Services Co., Ltd. (“Qingdao Buytop”), and Zhenyi Information Technology (Shanghai) Co., Ltd. (“Zhenyi”), and their subsidiaries, all of which are limited liability companies organized under the laws of the Peoples Republic of China (the “PRC”). We do not have any equity interests in the Sentage Operating Companies, but consolidate their financial results in accordance with U.S. GAAP because we are deemed to have effective control over and be the primary beneficiary of these companies, for accounting purposes only, via a series of contractual agreements, or the “VIE Agreements”, among Sentage WFOE (defined below), the Sentage Operating Companies and their respective shareholders. However, the VIE Agreements have not been tested in a court of law in China as of the date of this annual report, and as a result we are subject to various risks. As advised by our PRC counsel, Beijing Dacheng Law Offices, LLP (Fuzhou) (“Dacheng”), the VIE structure is not used to provide contractual exposure to foreign investment in China-based companies where Chinese law prohibits direct foreign investment in the operating companies; rather we use the VIE structure because the Chinese laws and regulations affecting Sentage Operating Companies’ businesses are vague and unclear. Sentage Operating Companies engage in (i) consumer loan repayment and collection management service, (ii) loan recommendation service, and (iii) prepaid payment network service. According to “Administrative Measures of People’s Bank of China on Payment Services Provided by Non-financial Institutions” (“Order 2”) and “People’s Bank of China Announcement [2018] No. 7 — Announcement on Matters Relating to Foreign-funded Payment Organizations” (“Announcement No. 7”), those who engage in prepaid network services business within China need to go through a special legal approval procedure to obtain third-party payment licenses. Although the People’s Bank of China has loosened the requirements for foreign-invested enterprises to hold third-party payment licenses, the review procedure is still very strict in practice. At the same time, Chinese authorities have not yet made it clear whether to permit or prohibit foreign-invested enterprises to engage in prepaid network services, loan collection management and loan recommendation services, and there is a risk that Chinese authorities may prohibit direct foreign investment of such businesses. For details of the VIE Agreements, see “The VIE Agreements”; and for the risks associated with the VIE Agreements and the VIE structure, see “ITEM 3D. Risk Factors – Risks Related to Our Corporate Structure”.

In this annual report on Form 20-F, except where the context otherwise requires and for purposes of this annual report only, references to:

- “Articles” or “articles” are to the Companies’ amended and rested articles of association;
- “China” or the “PRC” are to the People’s Republic of China;
- “Class A Ordinary Shares” or “Class A ordinary shares” are to Class A ordinary shares of the Company, par value \$0.005 per share;
- “Class B Ordinary Shares” or “Class B ordinary shares” are to Class B ordinary shares of the Company, par value \$0.005 per share;
- “Code” are to the U.S. Internal Revenue Code of 1986, as amended;
- “Companies Act” are to the Companies Act (Revised) of the Cayman Islands;
- “RMB” and “Renminbi” are to the legal currency of China;
- “PRC operating entities” are to Sentage WFOE (defined below) and the Sentage Operating Companies;
- “Sentage HK” are to Sentage Hong Kong Limited, a Hong Kong corporation, which is a wholly owned subsidiary of Sentage Holdings (defined below);
- “Sentage Holdings”, “we,” “us,” the “Company” or “our company” are to Sentage Holdings Inc., an exempted company with limited liability incorporated and registered under the laws of Cayman Islands;
- “Sentage Operating Companies Shareholders” or “VIEs Shareholders” are to the shareholders of Sentage Operating Companies, or the VIEs;
- “Sentage WFOE” or “WFOE” are to Shanghai Santeng Technology Co., Ltd., a limited liability company organized under the laws of the PRC, which is wholly owned by Sentage HK;
- “shares,” “Shares,” or “Ordinary Shares” are, collectively, to the Class A Ordinary Shares and the Class B Ordinary Shares;
- “US\$,” “U.S. dollars,” and “dollars” are to the legal currency of the United States;
- “U.S. GAAP” are to generally accepted accounting principles in the United States;
- “VIE” are to variable interest entity; and
- “VIE Agreements” are to a series of contractual agreements among Sentage WFOE, Sentage Operating Companies, and Sentage Operating Companies Shareholders.

Our business is conducted by Sentage Operating Companies, or the VIEs, in the PRC, using RMB, the currency of mainland China. Our consolidated financial statements are presented in United States dollars. In this annual report, we refer to assets, obligations, commitments and liabilities in our consolidated financial statements in United States dollars. These dollar references are based on the exchange rate of RMB to United States dollars, determined as of a specific date or for a specific period. Changes in the exchange rate will affect the amount of our obligations and the value of our assets in terms of United States dollars which may result in an increase or decrease in the amount of our obligations (expressed in dollars) and the value of our assets, including accounts receivable (expressed in dollars).

Unless expressly indicated herein to the contrary, all references to share amounts in this annual report give retroactive effect to share consolidations, the last of which was effected August 10, 2022.

We are subject to risks associated with our VIE structure. Investors may never directly hold equity interests in the VIEs. If the PRC government finds that the contractual arrangements which establish the structure of our business operations do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations, which would result in the VIEs being deconsolidated. A majority of our assets, including the necessary licenses to conduct business are held by the VIEs and their subsidiaries. Substantially all of our revenue is generated by the VIEs. The deconsolidation of the VIEs would have a material adverse effect on our operations and substantially diminish the value of our Ordinary Shares. There are uncertainties about potential future actions by the PRC government that could affect the enforceability of our contractual arrangements with the VIEs and, consequently, significantly affect our financial performance. The value of the Ordinary Shares may significantly decline or become worthless as a result. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under “Risk Factors—Risks Related to Our Corporate Structure.”

We face various legal and operational risks and uncertainties associated with having substantially all of our operations in China and with the complex and evolving PRC laws and regulations, and as a result these risks may result in material changes in the operations of our subsidiaries, the VIEs, and their subsidiaries, significant depreciation or a complete loss of the value of our Ordinary Shares, or a complete hindrance of our ability to offer, or continue to offer, our securities to investors. For example, we face risks associated with PRC governmental authorities’ significant oversight and discretion over the businesses and financing activities of the VIEs, the requirement of regulatory approvals for offerings and listings conducted overseas and foreign investment in China-based issuers, the use of VIEs, the enforcement of anti-monopoly regime, the regulatory oversight on cybersecurity and data privacy as well as the risk of delisting if the PCAOB is unable to conduct inspection on our auditors, which may impact our ability to conduct certain businesses, accept foreign investments, or continue to list on a United States or other foreign exchange. These risks could result in a material adverse change in our operations and the value of our Ordinary Shares, significantly limit or completely hinder our ability to offer or continue to offer such securities to investors, or cause the value of such securities to significantly decline. For a detailed description of risks related to doing business in China, see “Risk Factors—Risks Related to Doing Business in China.”

Recently, the PRC government adopted a series of regulatory actions and issued statements to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. As of the date of this report, none of the Company, our subsidiaries, nor the VIEs and their subsidiaries have been involved in any investigation or cybersecurity review initiated by any PRC regulatory authority, nor has any of them received any inquiry, notice, or sanction related to cybersecurity review under the Cybersecurity Review Measures. On December 28, 2021, 13 governmental departments of the PRC, including the Cyberspace Administration of China (the “CAC”), issued the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures provide that an online platform operator which possesses the personal information of at least one million users must apply for a cybersecurity review by the CAC if it intends to be listed in foreign countries. On July 7, 2022, the CAC published the Measures for the Security Assessment of Outbound Data Transfer (《数据出境安全评估办法》), which effected on September 1, 2022. The measures apply to the security assessment of important data and personal information collected and generated during operation within the territory of the People’s Republic of China and transferred abroad by a data handler. According to the Measures, if a data handler transfers data abroad under any of the following circumstances, it shall file to the State Cyberspace Administration for security assessment via the Province Cyberspace Administration: (i) a data handler who transfers important data abroad; (ii) a critical information infrastructure operator, or a data handler processing the personal information of more than one million individuals transfers personal information to abroad ; (iii) since January 1 of the previous year, a data handler cumulatively transferred abroad the personal information of more than 100,000 individuals, or the sensitive personal information of more than 10,000 individuals, or ; (iv) other circumstances where the security assessment for the outbound data transfer is required by the State Cyberspace Administration. As of the date of this annual report, according to our PRC counsel, Dacheng, our operations in the PRC and our continued listing are not subject to the review or prior approval of the Cyberspace Administration of China (“CAC”) or the China Securities Regulatory Commission (“CSRC”). Uncertainties still exist, however, due to the possibility that laws, regulations, or policies in the PRC could change rapidly in the future.

In the event that (i) the PRC government expanded the categories of industries and companies whose foreign securities offerings are subject to review by the CSRC or the CAC and that we are required to obtain such permissions or approvals; or (ii) we inadvertently concluded that relevant permissions or approvals were not required or that we did not receive or maintain relevant permissions or approvals required, any action taken by the PRC government could significantly limit or completely hinder our operating subsidiaries' operations in the PRC and our ability to offer or continue to offer our Ordinary Shares to investors and could cause the value of such securities to significantly decline or be worthless. Since these statements and regulatory actions are newly published, however, official guidance and related implementation rules have not been issued. It is highly uncertain what the potential impact such modified or new laws and regulations will have on the daily business operations of our subsidiaries and the VIEs and their subsidiaries, our ability to accept foreign investments, and our listing on a U.S. exchange. The Standing Committee of the National People's Congress ("SCNPC") or PRC regulatory authorities may in the future promulgate laws, regulations, or implementing rules that require us, our subsidiaries, or the VIEs and their subsidiaries to obtain regulatory approval from Chinese authorities before listing in the U.S. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—*Recent greater oversight by the Cyberspace Administration of China ("CAC") over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business*" and "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—*Changes in China's economic, political, or social conditions or government policies could have a material adverse effect on the operating entities' business and operations.*"

As a holding company, we conduct our operations in China through the VIEs in China. In addition, some of our senior executive officers and directors, namely Qiaoling Lu, Jianhu Chen, Yiheng Guo, Shengsong Wong, reside in the PRC for a significant portion of the time and are PRC nationals. As a result, it may be difficult to effect service of process upon those persons. It may be difficult to enforce judgements obtained in U.S. courts based on civil liability provisions of the U.S. federal securities laws against us and our officers and directors, as none of them currently resides in the U.S. or has substantial assets in the U.S. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the U.S. or any state. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in China—*You may experience difficulties in effecting service of legal process, enforcing foreign judgments, or bringing actions in China against us or our management named in this annual report based on foreign laws.*"

In addition, trading in our securities may be prohibited under the Holding Foreign Companies Accountable Act if the PCAOB determines that it cannot inspect our auditor, and as a result an exchange may determine to delist our securities. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, the Consolidated Appropriations Act 2023 was signed into law, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act, which reduces the number of consecutive non-inspection years required for triggering the prohibitions under the Holding Foreign Companies Accountable Act from three years to two years.

Enrome LLP. Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, is headquartered in Singapore. As an auditor of companies that are traded publicly in the U.S. and a firm registered with the PCAOB, our auditor is subject to laws in the U.S. and PCAOB's inspection.

However, these recent developments would add uncertainties to our continued listing and we cannot assure you whether Nasdaq or other regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach or experience as related to the audit of our financial statements. Furthermore, there is a risk that our auditor cannot be inspected by the PCAOB in the future. The lack of inspection could cause trading in our securities to be prohibited on a national exchange or in the over-the-counter trading market under the Holding Foreign Companies Accountable Act, and, as a result, Nasdaq may determine to delist our securities, which may cause the value of our securities to decline or become worthless.

Recent Regulatory Developments on Overseas-listing

On July 6, 2021, the relevant PRC governmental authorities made public the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. As these opinions are recently issued, official guidance and related implementation rules have not been issued yet and the interpretation of these opinions remains unclear at this stage. See “Item 3. D. Risk Factors—Risks Related to Doing Business in China—*The “Opinions on Severely Cracking Down on Illegal Securities Activities According to Law,” or the “Opinions,” recently issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council may subject us to additional compliance requirement in the future.*”

On December 24, 2021, the China Securities Regulatory Commission, or the CSRC, issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (the “Administration Provisions”), and the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (the “Measures”), of which the public comment period ended on January 23, 2022. The Administration Provisions and Measures for overseas listings lay out specific requirements for filing documents and include unified regulation management, strengthening regulatory coordination, and cross-border regulatory cooperation. Domestic companies seeking to list abroad must carry out relevant security screening procedures if their businesses involve such supervision. Companies endangering national security are among those off-limits for overseas listings.

On February 17, 2023, the China Securities Regulatory Commission (the “CSRC”) released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “Trial Measures”), (《境内企业境外发行证券和上市管理试行办法》), and five supporting guidelines (collectively, the “Overseas Listings Rules”), which has become effective on March 31, 2023. On the same date of the issuance of the Overseas Listings Rules, the CSRC circulated No.1 to No.5 Supporting Guidance Rules, the Notes on the Overseas Listings Rules, the Notice on Administration Arrangements for the Filing of Overseas Listings by Domestic Enterprises and the relevant CSRC Answers to Reporter Questions on the official website of CSRC, or collectively, the Guidance Rules and Notice. The Overseas Listings Rules, together with the Guidance Rules and Notice, reiterate the basic supervision principles as reflected in the Administration Provisions and Measures by providing substantially the same requirements for filings of overseas offering and listing by domestic companies.

Under the Overseas Listings Rules and the Guidance Rules and Notice, domestic companies conducting overseas securities offering and listing activities, either in direct or indirect form, shall complete filing procedures with the CSRC pursuant to the requirements of the Trial Measures within three working days following submission of initial public offerings or listing applications. The companies that have already been listed on overseas stock exchanges or have obtained the approval from overseas supervision administrations or stock exchanges for its offering and listing before March 31, 2023 and completed their overseas offering and listing prior to September 30, 2023, such as us, shall be deemed to be existing issuers (the “Existing Issuers”). Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC for any subsequent offerings. See “Item 3. D. Risk Factors—Risks Related to Doing Business in China— *The New Overseas Listing Rules and other relevant rules promulgated by the CSRC may subject us to additional compliance requirements in the future.*”

As of the date of this annual report, we and the PRC operating entities have not received any formal inquiry, notice, warning, sanction, or any regulatory objection from the CSRC with respect to our listing or subsequent offerings. As the Overseas Listings Rules were newly published and there exists uncertainty with respect to the filing requirements and its implementation, if we are required to submit to the CRSC and complete the filing procedure of our subsequent overseas public offerings, we cannot be sure that we will be able to complete such filings in a timely manner. Any failure or perceived failure by us to comply with such filing requirements under the Overseas Listings Rules may result in forced corrections, warnings and fines against us and could materially hinder our ability to offer or continue to offer our securities.

Permissions from the PRC Authorities

As of the date of this annual report, we, our PRC subsidiary, and the VIEs have received from PRC authorities all requisite licenses, permissions, and approvals needed to engage in the businesses currently conducted in the PRC, and no such permission or approval has been denied. These licenses, permissions, and approvals, which have been successfully obtained, are: (1) business licenses; and (2) third-party payment license. However, in the future, if any additional approvals or permissions are required, we cannot assure you that any of these entities will be able to receive clearance of compliance requirements in a timely manner, or at all. Any failure to fully comply with any compliance requirements may cause our PRC subsidiary, or the VIEs, to be unable to operate their businesses in the PRC, subject them to fines, relevant businesses or operations suspension for rectification, or other sanctions.

On December 28, 2021, thirteen governmental departments of the PRC, including the Cyberspace Administration of China (“CAC”), issued the revised Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures require that any network platform operator which possesses the personal information of at least one million users must apply for a cybersecurity review by the CAC if it intends to be listed in foreign countries. As advised by our PRC counsel, the operations of the PRC operating entities (our PRC subsidiary and the VIEs) and our continued listing will not be affected and that we will not be subject to cybersecurity review by the CAC, given that the PRC operating entities (i) possess personal data of fewer than one million individual clients; (ii) do not collect data that affects or may affect national security in their business operations, as of the date of this annual report; and (iii) do not anticipate that they will be collecting over one million users’ personal information or data that affect or may affect national security in the near future. However, as uncertainties remain regarding the interpretation and implementation of these laws and regulations, we cannot assure you that we will be able to comply with such regulations in all respects, and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. We may also become subject to fines and/or other sanctions and the costs of compliance with, and other burdens imposed by such laws and regulations may limit the use and adoption of our products, which may have material adverse effects on our business, operations, and financial condition.

In addition, on February 17, 2023, the China Securities Regulatory Commission (“CSRC”) promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (the “Trial Measures”) and released five supporting guidelines, which took effect on March 31, 2023. Pursuant to the Trial Measures, PRC domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall file with the CSRC pursuant to the requirements of the Trial Measures within three working days following submission of relevant application for listing or completion of any subsequent offerings. If a domestic company fails to complete required filing procedures or conceals any material facts or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings, and fines, and its controlling shareholders, actual controllers, and the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. The CSRC also held a press conference for the release of the Trial Measures and issued the CSRC Notice, which, among other things, clarified that PRC domestic companies that were listed overseas before the effective date of the Trial Measures shall be deemed to be “Existing Issuers”, who shall not be required to complete the filing procedure with the CSRC immediately, but shall be required to file with the CSRC for any subsequent offerings. Based on the foregoing, we are an Existing Issuer, and will be required to file with the CSRC within three working days following the completion of any subsequent overseas offerings.

As of the date of this annual report, we believe that, except as described above, none of the Company, our PRC subsidiary, or the VIEs, will be required to obtain permission from the CSRC, the CAC, or any other Chinese authorities to offer our securities based on PRC laws and regulations currently in effect, and we have not been denied such permission by any Chinese authorities. However, we cannot assure you that the PRC regulatory agencies, including the CAC or the CSRC, would take the same view as we do, and there is no assurance that our PRC subsidiary, or the VIEs, will always be able to successfully update or renew the licenses or permits required for the relevant business in a timely manner or that these licenses or permits are sufficient to conduct all of their present or future business. If our PRC subsidiary, or the VIEs (i) do not receive or maintain required permissions or approvals, (ii) inadvertently conclude that such permissions or approvals are not required, or (iii) applicable laws, regulations, or interpretations change and our PRC subsidiary, or the VIEs, are required to obtain such permissions or approvals in the future, they could be subject to fines, legal sanctions, or an order to suspend their relevant services, which may materially and adversely affect our financial condition and results of operations and cause our securities to significantly decline in value or become worthless.

Distributions and Dividends

Under existing PRC foreign exchange regulations, payment of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or the SAFE, by complying with certain procedural requirements. Therefore, our PRC subsidiary is able to pay dividends in foreign currencies to us without prior approval from the SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulations, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. Approval from, or registration with, appropriate government authorities is, however, required where the RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Current PRC regulations permit WFOE to pay dividends to the Company only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. As of the date of this annual report, there are no restrictions or limitations imposed by the Hong Kong government on the transfer of capital within, into and out of Hong Kong (including funds from Hong Kong to the PRC), except for the transfer of funds involving money laundering and criminal activities. See “Item 3. D. Risk Factors—Risks Related to Doing Business in China—*To the extent cash or assets of our business, or of the PRC Operating Entities, is in PRC or Hong Kong, such cash or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong, due to interventions in or the imposition of restrictions and limitations by the PRC government to the transfer of cash or assets.*”

For the fiscal years ended December 31, 2023, 2022, and 2021, and as of the date of this annual report, there were no dividends distributed between the holding company and its subsidiaries and consolidated VIEs or to investors. Cash is transferred among our Company, our subsidiaries, and the VIEs, in the following manner: (i) funds are transferred to WFOE from our Company as needed through Sentage HK, our Hong Kong subsidiary, in the form of capital contributions or shareholder loans, as the case may be; (ii) funds may be paid by a VIE to WFOE, as service fees according to the VIE Agreements; (iii) dividends or other distributions may be paid by WFOE, to our Company through Sentage HK; and (iv) WFOE and the VIEs lend to and borrow from each other from time to time for business operation purposes. As of the date of this annual report, cash transfers and transfers of other assets among the Company, its subsidiaries, and the VIEs, were as follows:

- For fiscal year ended December 31, 2021, the Company transferred net IPO proceeds in the amount of \$16.91 million to Sentage HK, and Sentage HK transferred cash in the amount of \$0.1 million to WFOE.
- For fiscal year ended December 31, 2022, Sentage HK transferred cash in the amount of \$1.4 million to WFOE, and WFOE transferred cash in the amount of \$1.1 million to the VIEs.
- For fiscal year ended December 31, 2023, Sentage HK transferred cash in the amount of \$0.5 million to WFOE, and WFOE transferred cash in the amount of \$0.5 million to the VIEs.

As of the date of this annual report, the VIEs have not distributed any earnings or settled any amounts owed under the VIE Agreements, nor are there any plans to distribute earnings or settle amounts owed under the VIE Agreements in the foreseeable future. As such, we have not requested approval to transfer cash to WFOE or to entities outside of China.

Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of either profits or share premium amounts, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they become due in the ordinary course of business. We intend to keep any future earnings to finance the expansion of our business, and we do not anticipate that any cash dividends will be paid in the foreseeable future, or any funds will be transferred from one entity to another on a regular basis. As such, as of the date of this annual report, we have not installed any cash management policies that dictate how funds are transferred among Sentage Holdings, its subsidiaries, or investors.

If we determine to pay dividends in the future, as a holding company, we will rely on payments made from the VIEs to WFOE, pursuant to VIE Agreements, and the distribution of such payments to Sentage HK as dividends from WFOE. Certain payments from the VIEs to WFOE are subject to PRC taxes, including business taxes and value-added taxes. In addition, if any VIE incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Current PRC regulations permit WFOE to pay dividends to Sentage HK only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, each of our operating entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each such entity in China is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at the discretion of its board of directors. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation.

The PRC government also imposes controls on the conversion of RMB into foreign currencies and the remittance of currencies out of the PRC. Therefore, we may experience difficulties in complying with the administrative requirements necessary to obtain and remit foreign currency for the payment of dividends from our profits, if any. Furthermore, if our operating entities in the PRC incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments.

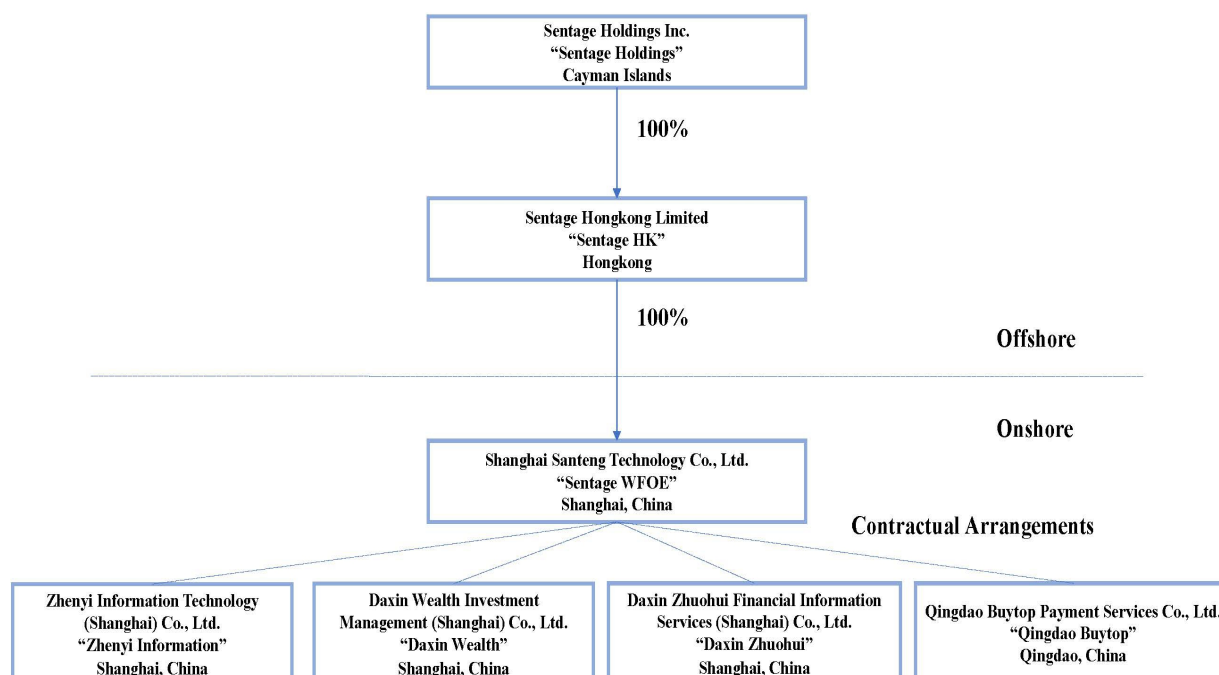
Cash dividends, if any, on our Ordinary Shares will be paid in U.S. dollars. Sentage HK may be considered a non-resident enterprise for tax purposes, so that any dividends Sentage WFOE pays to Sentage HK may be regarded as China-sourced income and, as a result, may be subject to PRC withholding tax at a rate of up to 10%. See “Material Income Tax Consideration—People’s Republic of China Enterprise Taxation.”

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the Double Tax Avoidance Arrangement, the 10% withholding tax rate may be lowered to 5% if a Hong Kong resident enterprise owns no less than 25% of a PRC project. The 5% withholding tax rate, however, does not automatically apply and certain requirements must be satisfied, including, without limitation, that (a) the Hong Kong project must be the beneficial owner of the relevant dividends; and (b) the Hong Kong project must directly hold no less than 25% share ownership in the PRC project during the 12 consecutive months preceding its receipt of the dividends. In current practice, a Hong Kong project must obtain a tax resident certificate from the Hong Kong tax authority to apply for the 5% lower PRC withholding tax rate. As the Hong Kong tax authority will issue such a tax resident certificate on a case-by-case basis, we cannot assure you that we will be able to obtain the tax resident certificate from the relevant Hong Kong tax authority and enjoy the preferential withholding tax rate of 5% under the Double Taxation Arrangement with respect to any dividends paid by Sentage WFOE to its immediate holding company, Sentage HK. As of the date of this annual report, we have not applied for the tax resident certificate from the relevant Hong Kong tax authority. Sentage HK intends to apply for the tax resident certificate if and when Sentage WFOE plans to declare and pay dividends to Sentage HK. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—*There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of Sentage WFOE, and dividends payable by Sentage WFOE to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.*”

Organizational Structure

Our businesses are conducted by Sentage Operating Companies, or the VIEs.

The following diagram illustrates our corporate structure, including our subsidiaries and the VIEs, as of the date of this annual report.



Ms. Qiaoling Lu (the chairperson of the board of directors, the chief executive officer, and a major shareholder of the Company), Yiheng Guo (a director and a shareholder of the Company), Hua Wang (a beneficial shareholder of the Company), and Jianxiu Li (a beneficial shareholder of the Company), are the controlling shareholders of the following Sentage Operating Companies: (1) Daxin Wealth Investment Management (Shanghai) Co., Ltd. ("Daxin Wealth"), (2) Daxin Zhuohui Financial Information Services (Shanghai) Co., Ltd. ("Daxin Zhuohui"); (3) Qingdao Buytop Payment Services Co., Ltd. ("Qingdao Buytop"); and (4) Zhenyi Information Technology (Shanghai) Co. Ltd ("Zhenyi").

Daxin Wealth and Daxin Zhuohui are primarily engaged in providing consumer loan repayment and collection management services. Daxin Zhuohui also provides loan recommendation services. Qingdao Buytop is primarily engaged in providing customers with prepaid payment network services. As of the date of this annual report, Zhenyi is not engaged in active business operation but is expected to provide us with technical and system development and support in the future.

The VIE Agreements

Neither we nor our subsidiaries own any equity interest in any of the Sentage Operating Companies. Instead, we control and receive the economic benefits of each of the Sentage Operating Companies' business operation through a series of VIE Agreements. Sentage WFOE, three of the Sentage Operating Companies (Daxin Wealth, Daxin Zhuohui, and Qingdao Buytop), and their respective shareholders entered into the VIE Agreements on March 9, 2020. Sentage WFOE, Zhenyi, and Zhenyi's shareholders entered into the VIE Agreements on April 1, 2021.

The VIE structure is not used to provide contractual exposure to foreign investment in China-based companies where Chinese law prohibits direct foreign investment in the operating companies, rather we use the VIE structure because the Chinese laws and regulations affecting Sentage Operating Companies' businesses are vague and unclear. Sentage Operating Companies engage in (i) consumer loan repayment and collection management service, (ii) loan recommendation service, and (iii) prepaid payment network service. According to "Administrative Measures of People's Bank of China on Payment Services Provided by Non-financial Institutions" ("Order 2") and "People's Bank of China Announcement [2018] No. 7 — Announcement on Matters Relating to Foreign-funded Payment Organizations" ("Announcement No. 7"), those who engage in prepaid network services business within China need to go through a special legal approval procedure to obtain third-party payment licenses. Although the People's Bank of China has loosened the requirements for foreign-invested enterprises to hold third-party payment licenses, the review procedure is still very strict in practice. At the same time, Chinese authorities have not yet made it clear whether to permit or prohibit foreign-invested enterprises to engage in prepaid network services, loan collection management and loan recommendation services, and there is a risk that Chinese authorities may prohibit direct foreign investment of such businesses.

Under U.S. GAAP, we are deemed to have a controlling financial interest in, and be the primary beneficiary of, the VIEs for accounting purposes, because such contractual arrangements are designed so that the operations of the VIE are solely for the benefit of WFOE and, ultimately, the Company. As such, we have consolidated the VIE for accounting purposes. The VIE Agreements have not been tested in a court of law and may not be effective in providing control over the VIE, and we are subject to risks due to the uncertainty of the interpretation and application of the laws and regulations of the PRC, regarding the VIE, and the VIE structure, including, but not limited to, regulatory review of overseas listing of PRC companies through a special purpose vehicle, and the validity and enforcement of the contractual arrangements with the VIE. We are also subject to the risk that the PRC government could disallow the VIE structure, which would likely result in a material change in our operations and, as a result, the value of our Ordinary Shares may depreciate significantly or become worthless. See “ITEM 3.C Risk Factors – Risks Related to Our Corporate Structure.”

Each of the VIE Agreements is described in detail below.

Exclusive Business Cooperation Agreement

Pursuant to the Exclusive Business Cooperation Agreements between Sentage Operating Company and Sentage WFOE, Sentage WFOE provides Sentage Operating Companies with technical support, intellectual services and other management services relating to its day-to-day business operations and management, on an exclusive basis, utilizing its advantages in technology, human resources, and information. For services rendered to Sentage Operating Companies by Sentage WFOE under the Exclusive Business Cooperation Agreements, Sentage WFOE is entitled to collect a service fee equal to the remaining amount of Sentage Operating Companies’ profit before tax after deducting relevant costs and reasonable expenses.

The term of each Exclusive Business Cooperation Agreement remains effective unless the agreement is explicitly terminated by Sentage WFOE through written form or other means specified therein. The Sentage Operating Companies do not have the right to terminate that agreement unilaterally.

Sentage WFOE has absolutely authority relating to the management of the Sentage Operating Companies, including but not limited to decisions with regard to expense, salary raises and bonuses, hiring, firing, and other operational functions. The Exclusive Business Cooperation Agreement does not prohibit related party transactions.

Equity Pledge Agreement

Under the Equity Pledge Agreements among Sentage WFOE and all the shareholders of Sentage Operating Companies (the “Sentage Operating Companies Shareholders”), the Sentage Operating Companies Shareholders pledged all of their respective equity interests in the Sentage Operating Companies to Sentage WFOE to guarantee the performance of the Sentage Operating Companies’ obligations under the Exclusive Business Cooperation Agreement, Exclusive Purchase Option Agreement, and Loan Contracts (collectively, the “Transaction Agreements”). Under the terms of the Equity Pledge Agreements, in the event that the Sentage Operating Companies or the Sentage Operating Companies Shareholders breach their respective contractual obligations under the Transaction Agreements, Sentage WFOE, as pledgee, will be entitled to certain rights, including, but not limited to, the right to collect dividends generated by the pledged equity interests. The Sentage Operating Companies Shareholders also agreed that upon occurrence of any event of default, as set forth in the Equity Pledge Agreement, Sentage WFOE is entitled to dispose of the pledged equity interests in accordance with applicable PRC laws. The Sentage Operating Companies Shareholders further agreed not to dispose of the pledged equity interests or take any action that would prejudice Sentage WFOE’s interest.

The Equity Pledge Agreements are effective until the latest date of the following: (1) the secured debt in the scope of pledge is paid in full; (2) Sentage WFOE exercises its pledge rights pursuant to provisions and conditions of the Equity Pledge Agreements; and (3) the Sentage Operating Companies Shareholders transfer all the pledged equity interests to the Sentage WFOE according to the Exclusive Purchase Option Agreements, or other entity or individual designated by it.

The purpose of the Equity Pledge Agreements are to (1) guarantee the performance of the Sentage Operating Companies’ obligations under the Transaction Agreements, (2) make sure the Sentage Operating Companies Shareholders do not transfer or assign the pledged equity interests, or create or allow any encumbrance that would prejudice Sentage WFOE’s interests without Sentage WFOE’s prior written consent, and (3) provide Sentage WFOE control over the Sentage Operating Companies. In the event the Sentage Operating Companies breach their contractual obligations under the Transaction Agreements, Sentage WFOE will be entitled to foreclose on the Sentage Operating Companies Shareholders’ equity interests in the Sentage Operating Companies and may (1) exercise its option to purchase or designate third parties to purchase part or all of their equity interests in the Sentage Operating Companies and, under such circumstances, Sentage WFOE may terminate the Equity Pledge Agreement and the other VIE Agreements after acquisition of all equity interests in the Sentage Operating Companies or form a new VIE structure with the third parties designated by Sentage WFOE, or (2) dispose of the pledged equity interests and be paid in priority out of proceeds from the disposal, in which the case, the existing VIE structure will be terminated.

Exclusive Purchase Option Agreement

Under the Exclusive Purchase Option Agreements, the Sentage Operating Companies Shareholders irrevocably granted Sentage WFOE (or its designee) an exclusive option to purchase, to the extent permitted under PRC law, once or at multiple times, at any time, part or all of their equity interests in the Sentage Operating Companies or the assets of the Sentage Operating Companies. The option price is the minimum amount to the extent permitted under PRC law.

Under the Exclusive Purchase Agreements, Sentage WFOE may, at any time under any circumstances, purchase or have its designee purchase, at its discretion, to the extent permitted under PRC law, all or part of the Sentage Operating Companies Shareholders' equity interests in the Sentage Operating Companies or the assets of the Sentage Operating Companies. The Exclusive Purchase Agreement, together with the Equity Pledge Agreement, the Exclusive Business Cooperation Agreement, Powers of Attorney, and Loan Contracts, enable Sentage WFOE to exercise effective control over the Sentage Operating Companies.

The Exclusive Purchase Agreements remain effective until all the equity or assets of the Sentage Operating Companies is legally transferred under the name of Sentage WFOE and/or other entity or individual designated by it.

Shareholders' Powers of Attorney

Under each of the Powers of Attorney, the Sentage Operating Companies Shareholders authorized Sentage WFOE to act on their behalf as their exclusive agent and attorney with respect to all rights as shareholders, including, but not limited to: (a) attending shareholders' meetings; (b) exercising all the shareholders' rights, including voting, that shareholders are entitled to under the laws of China and the articles of association of the respective Sentage Operating Company, including but not limited to the sale or transfer or pledge or disposition of shares in part or in whole; and (c) designating and appointing on behalf of shareholders the legal representative, the executive director, supervisor, the chief executive officer, and other senior management members of the Sentage Operating Companies.

The term of each of the Powers of Attorney is the same as the term of the Exclusive Purchase Option Agreement. The Powers of Attorney are each irrevocable and continuously valid from the date of execution of the Powers of Attorney, so long as the Sentage Operating Companies Shareholders are shareholders of the Sentage Operating Companies.

Loan Contracts

Each shareholder of the Sentage Operating Companies has entered into a loan contract with Sentage WFOE, with each contract taking effect from March 9, 2020. Under these loan contracts, Sentage WFOE provided each shareholder of the VIEs with a loan, free of interest, provided that if any of the shareholders of the Sentage Operating Companies fails to pay any sum pursuant to the schedule specified thereunder, default interest shall be calculated at a daily rate of 0.1% until the shareholder fully repays such sum (including the default interest). The proceeds from the loans were used for purposes consented by Sentage WFOE. The loans can be repaid by transferring each shareholder's respective equity interest in the Sentage Operating Companies pursuant to the Exclusive Purchase Option Agreements. Each of the loan contracts shall remain in effect until the day when Sentage WFOE exercises its exclusive option in accordance with the applicable Exclusive Purchase Option Agreement, unless otherwise terminated by Sentage WFOE when any shareholder of VIEs materially breaches the terms of such loan contracts.

Spousal Consents

The spouse of each of the Sentage Operating Companies Shareholders agreed, via a spousal consent, to the execution of the "Transaction Documents", including: (a) the Exclusive Purchase Option Agreement entered into with Sentage WFOE and the Sentage Operating Companies; (b) the Equity Pledge Agreement entered into with Sentage WFOE; (c) the Powers of Attorney executed by the Sentage Operating Companies Shareholders, and (d) the Loan Contracts entered into with Sentage WFOE, and the disposal of the equity interests of Sentage Operating Companies held by the Sentage Operating Companies Shareholder and registered in his or her name.

The spouse of each of the individual Sentage Operating Companies Shareholders has further undertaken to not to make any claims in connection with the equity interests of Sentage Operating Companies, which are held by the Sentage Operating Companies Shareholder. The spouse of the Sentage Operating Companies Shareholder confirms that the Sentage Operating Companies Shareholder can perform, amend, or terminate the Transaction Documents without his or her authorization or consent. He or she undertakes to execute all necessary documents and take all necessary actions to ensure appropriate performance of the agreements.

The spouse of each of the individual Sentage Operating Companies Shareholders has also agreed that if he or she obtains any equity interest of Sentage Operating Companies which are held by the Sentage Operating Companies Shareholder for any reasons, he or she shall be bound by the Transaction Documents and the Exclusive Business Cooperation Agreement entered into among Sentage WFOE and the Sentage Operating Companies (as amended time to time) and will comply with the obligations thereunder as a shareholder of the Sentage Operating Companies. For this purpose, upon Sentage WFOE's request, he or she shall sign a series of written documents in substantially the same format and content as the Transaction Documents and Exclusive Business Cooperation Agreement (as amended from time to time).

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements that reflect our current expectations and views of future events. These forward-looking statements are made under the “safe-harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. Known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. Risk Factors,” “Item 5. Operating and Financial Review and Prospects—A. Operating Results” and “Item 11. Quantitative and Qualitative Disclosures About Market Risk” may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include statements relating to:

- assumptions about our future financial and operating results, including revenue, income, expenditures, cash balances, and other financial items;
- our ability to execute our growth, and expansion, including our ability to meet our goals;
- current and future economic and political conditions;
- our capital requirements and our ability to raise any additional financing which we may require;
- our ability to attract clients and further enhance our brand recognition;
- our ability to hire and retain qualified management personnel and key employees in order to enable us to develop our business;
- uncertainty about the further spread of the COVID-19 virus and the impact it may still have on the Company’s operations, the demand for the Company’s products, global supply chains, and economic activity in general;
- trends and competition in the consumer loan repayment and collection management, loan recommendation, and third-party payment services industries;
- our expectations regarding the demand for, and market acceptance of, our services and our brands;
- general economic and business conditions in the markets in which we operate;
- relevant government policies and regulations relating to our corporate structure, business and industry; and
- the assumptions underlying or related to any of the foregoing.

These forward-looking statements involve various risks and uncertainties. Although we believe that our expectations expressed in these forward-looking statements are reasonable, our expectations may later be found to be incorrect. Our actual results could be materially different from our expectations. Other sections of this annual report include additional factors that could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. You should read thoroughly this annual report and the documents that we refer to with the understanding that our actual future results may be materially different from, or worse than, what we expect. We qualify all of our forward-looking statements by these cautionary statements.

The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this annual report and the documents that we refer to in this annual report and exhibits to this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

Industry Data and Forecasts

This annual report also contains data related to the consumer loan repayment and collection management, loan recommendation, and third-party payment services industries in China. These industry data include projections that are based on a number of assumptions which have been derived from industry and government sources which we believe to be reasonable. The consumer loan repayment and collection management, loan recommendation, and third-party payment services industries may not grow at the rate projected by industry data, or at all. The failure of these industries to grow as anticipated is likely to have a material adverse effect on our business and the market price of our Ordinary Shares. In addition, the rapidly changing nature of the consumer loan repayment and collection management, loan recommendation, and third-party payment services industries subjects any projections or estimates relating to the growth prospects or future condition of our industries to significant uncertainties. Furthermore, if any one or more of the assumptions underlying the industry data turns out to be incorrect, actual results may, and are likely to, differ from the projections based on these assumptions.

This annual report contains information and statistics relating to China's economy and the industries in which we operate derived from various publications issued by PRC governmental entities which have not been independently verified by us. The information in such official sources may not be consistent with other information compiled in or outside China.

PART I.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Summary of Risk Factors

Investing in our Ordinary Shares involves significant risks. You should carefully consider all of the information in this annual report before making an investment in our Ordinary Shares.

We do not have any equity interests in the Sentage Operating Companies, or the VIEs, whose financial results have been consolidated by us in accordance with U.S. GAAP, because we are deemed to have effective control over and be the primary beneficiary of these companies, for accounting purposes only, via the VIE Agreements. However, the VIE Agreements have not been tested in a court of law in China as of the date of this annual report. Investors of our Ordinary Shares, thus, do not own any equity interest in the Sentage Operating Companies, or the VIEs, in China, but instead own an equity interest in a Cayman Islands holding company. For details of the VIE Agreements, see “Introduction – The VIE Agreements”; and for the risks associated with the VIE Agreements and the VIE structure, see “ITEM 3D. Risk Factors – Risks Related to Our Corporate Structure”.

We are subject to risks associated with our VIE structure. Investors may never directly hold equity interests in the VIEs. If the PRC government finds that the contractual arrangements which establish the structure of our business operations do not comply with PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations, which would result in the VIEs being deconsolidated. A majority of our assets, including the necessary licenses to conduct business, are held by the VIEs and their subsidiaries. Substantially all of our revenue is generated by the VIEs. The deconsolidation of the VIEs would have a material adverse effect on our operations and substantially diminish the value of our Ordinary Shares. There are uncertainties about potential future actions by the PRC government that could affect the enforceability of our contractual arrangements with the VIEs and, consequently, significantly affect our financial performance. The value of the Ordinary Shares may significantly decline or become worthless as a result. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under “ITEM 3D. Risk Factors—Risks Related to Our Corporate Structure.”

We face various legal and operational risks and uncertainties associated with having substantially all of our operations in China and with the complex and evolving PRC laws and regulations, and as a result these risks may result in material changes in the operations of our subsidiaries, the VIEs, and their subsidiaries, significant depreciation or a complete loss of the value of our Ordinary Shares, or a complete hindrance of our ability to offer, or continue to offer, our securities to investors. For example, we face risks associated with PRC governmental authorities’ significant oversight and discretion over the businesses and financing activities of the VIEs, the requirement of regulatory approvals for offerings and listings conducted overseas and foreign investment in China-based issuers, the use of VIEs, the enforcement of an anti-monopoly regime, the regulatory oversight on cybersecurity and data privacy, as well as the risk of delisting if the PCAOB is unable to conduct inspections of our auditors, which may impact our ability to conduct certain businesses, accept foreign investments, or continue to list on a United States or other foreign exchange. Furthermore, rules and regulations in China can change quickly with little advance notice, and the Chinese government may intervene or influence our operations at any time, or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers. These risks could result in a material adverse change in our operations and the value of our Ordinary Shares, significantly limit or completely hinder our ability to offer or continue to offer such securities to investors, or cause the value of such securities to significantly decline. For a detailed description of risks related to doing business in China, see “Risk Factors—Risks Related to Doing Business in China.”

Below please find a summary of the principal risks we face, organized under relevant headings. Each of these risks is discussed more thoroughly in the succeeding section under the same title, starting on page 3 of this annual report.

Risks Related to Our Corporate Structure

We are also subject to risks and uncertainties related to our corporate structure, including, but are not limited to, the following:

- If the PRC government finds that the contractual arrangements that establish the structure for our business operations do not comply with applicable PRC laws and regulations, we could be subject to severe penalties or be forced to relinquish our interests in those operations;
- We rely on contractual arrangements with the VIEs and their shareholders for our operations in China, which may not be as effective in providing operational control as direct ownership;
- Substantial uncertainties exist with respect to the interpretation and implementation of any new PRC laws, rules and regulations relating to foreign investment and how they may impact the viability of our current corporate structure, corporate governance and business operations;
- The Sentage Operating Companies Shareholders have potential conflicts of interest with us, which may adversely affect our business and financial condition;
- Because we rely on the exclusive business cooperation agreement with each of the Sentage Operating Companies for our revenue, the termination of this agreement would severely and detrimentally affect our continuing business viability under our current corporate structure; and
- Because we are a Cayman Island company and all of our business is conducted in the PRC, you may be unable to bring an action against us or our officers and directors or to enforce any judgment you may obtain.

Risks Related to Our Business and Industries

Risks and uncertainties related to our business and industries include, but are not limited to, the following:

- We have a limited operating history, which makes it difficult to evaluate our future prospects;
- The industries we are in are still evolving, which makes it difficult to effectively assess our future prospects;
- The financial sector in China is subject to changes in regulations. Non-compliance with new financial regulations or new licensing requirements may materially affect our business operations and financial results;
- The wind-down of our past engagements in the consumer loan repayment and collection management business affected our business operation and financial performance, and we may not be able to expand our customer base by collaborating with third-party financial institutions as we have planned;
- We operate a socially sensitive business public complaints against the consumer loan repayment and collection management industry generally or against us in particular may materially and adversely affect our business, financial condition and results of operations;
- If we fail to maintain collaboration with our funding partners, our reputation, results of operations, and financial condition may be materially and adversely affected;
- Fluctuations in interest rates could negatively affect our loan origination volume;
- We are dependent on NetsUnion Clearing Corporation, and any changes to its rules or practices could harm our prepaid payment network business;
- If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report the results of operations or prevent fraud, and investor confidence and the market price of our securities may be materially and adversely affected; and
- We may be liable for improper use or appropriation of personal information provided by the customers and any failure to comply with PRC laws and regulations over data security could result in materially adverse impact on our business, results of operations, and our continued listing on Nasdaq.

Risks Related to Doing Business in China

Risks and uncertainties related to doing business in China include, but are not limited to, the following:

- There are uncertainties under the Foreign Investment Law relating to the status of businesses in China controlled by foreign invested projects primarily through contractual arrangements, such as our business;
- Changes in China's economic, political, or social conditions or government policies could have a material adverse effect on our business and operations;
- Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protection available to you and us;
- There are uncertainties regarding the enforcement of laws and rules and regulations in mainland China, which can change quickly with little advance notice, and there is a risk that the Chinese government may exert more oversight and control over offerings that are conducted overseas, which could materially and adversely affect our business and hinder our ability to offer our securities or continue our operations, and cause the value of our securities to significantly decline or become worthless;
- You may experience difficulties in effecting service of legal process, enforcing foreign judgments, or bringing actions in China against us or our management named in the reporting based on foreign laws;
- U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China;
- Increases in labor costs in the PRC may adversely affect our business and our profitability;
- PRC regulations relating to offshore investment activities by PRC residents may subject our PRC resident beneficial owners or the PRC operating entities to liability or penalties, limit our ability to inject capital into the PRC Operating Entities, limit the PRC Operating Entities' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us;
- Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment;
- Under the PRC Enterprise Income Tax Law, we may be classified as a PRC "resident enterprise" for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment;
- Our PRC operating entities are subject to restrictions on paying dividends or making other payments to us, which may have a material adverse effect on our ability to conduct our business;
- We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies;
- Governmental control of currency conversion may affect the value of your investment and our payment of dividends;

- There are significant uncertainties under the PRC Enterprise Income Tax Law relating to the withholding tax liabilities of the PRC Operating Entities, and dividends payable by the PRC operating entities to our offshore subsidiaries may not qualify to enjoy certain treaty benefits;
- The “Opinions on Severely Cracking Down on Illegal Securities Activities According to Law,” or the “Opinions,” recently issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council may subject us to additional compliance requirement in the future;
- Recent greater oversight by the Cyberspace Administration of China (“CAC”) over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business;
- If we become directly subject to the scrutiny, criticism, and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business operations, stock price, and reputation;
- The disclosures in our reports and other filings with the SEC and our other public pronouncements may be subject to the scrutiny of any regulatory bodies in the PRC;
- The recent joint statement by the SEC and the PCAOB, rule changes by Nasdaq, and the Holding Foreign Companies Accountable Act and related regulations, all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our continued listing or future offerings of our securities in the U.S.;
- We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations and certain other PRC regulations;
- The Chinese government exerts substantial influence over the manner in which we must conduct our business, and may intervene or influence our operations at any time, which could result in a material change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, and cause the value of our Ordinary Shares to significantly decline or be worthless;
- The Trial Measures and other relevant rules promulgated by the CSRC may subject us to additional compliance requirements in the future; and
- To the extent cash or assets of our business, or of the PRC Operating Entities, is in the PRC or Hong Kong, such cash or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong, due to interventions in or the imposition of restrictions and limitations by the PRC government to the transfer of cash or assets.

Risks Related to Our Ordinary Shares

Risks and uncertainties related to our Ordinary Shares include, but are not limited to, the following:

- We may issue additional Ordinary Shares or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of our Ordinary Shares;
- We are not expected to pay dividends on our Ordinary Shares in the foreseeable future; and
- You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we were formed under Cayman Islands law.

Risks Related to Our Corporate Structure

If the PRC government finds that the contractual arrangements that establish the structure for our business operations do not comply with applicable PRC laws and regulations, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

We operate our business through the VIEs, in which we do not have equity interests but whose financial results have been consolidated by Sentage Holdings in accordance with U.S. GAAP because we are deemed to have effective control over and be the primary beneficiary of these companies, for accounting purposes only, via the VIE Agreements, which have not been tested in a court of law in China. There are uncertainties regarding the interpretation and application of PRC laws, rules and regulations, including but not limited to the laws, rules and regulations governing the validity and enforcement of the contractual arrangements between WFOE and the VIEs.

As advised by our PRC counsel, Dacheng, if WFOE, the VIEs, or their ownership structure or the contractual arrangements are determined to be in violation of any existing or future PRC laws, rules or regulations, or if WFOE or the VIEs, fails to obtain or maintain any of the required governmental permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of WFOE or the VIEs;
- discontinuing or restricting the operations of WFOE or the VIEs;
- imposing conditions or requirements with which we, WFOE, or the VIEs may not be able to comply;
- requiring us, WFOE, or the VIEs to restructure the relevant ownership structure or operations which may significantly impair the rights of the holders of our Ordinary Shares;
- restricting or prohibiting our use of the proceeds from our initial public offering to finance our business and operations in China; and
- imposing fines.

Recently, the PRC government adopted a series of regulatory actions and issued statements to regulate business operations in China, including those related to variable interest entities. There are currently no relevant laws or regulations in the PRC that prohibit companies whose entity interests are within the PRC from listing on overseas stock exchanges. Although we believe that our corporate structure and contractual arrangements comply with current applicable PRC laws and regulations, in the event that PRC government determines that the contractual arrangements constituting part of our VIE structure do not comply with PRC regulations, or if these regulations change or are interpreted differently in the future, we may be unable to assert our contractual rights over the assets of the VIEs and their subsidiaries, and our Ordinary Shares may decline in value or become worthless. The VIE Agreements have not been tested in a court of law in China as of the date of this annual report.

We rely on contractual arrangements with the VIEs and their shareholders for our operations in China, which may not be as effective in providing operational control as direct ownership.

A substantial part of our current revenue and net income is derived from the Sentage Operating Companies. We do not have an equity interest in any of the Sentage Operating Companies but their financial results have been consolidated by us in accordance with U.S. GAAP, due to us being deemed to have effective control over, and be the primary beneficiary of, these companies for accounting purposes, via the VIE Agreements, which VIE Agreements have not been tested in a court of law in China. The VIE Agreements may not be as effective in providing us with the necessary control over the Sentage Operating Companies and their operations. Any deficiency in these VIE Agreements may result in our loss of control over the management and operations of the Sentage Operating Companies, which will result in a significant loss in the value of an investment in our company. We rely on contractual rights through the VIE Agreements to effect control over and management of the Sentage Operating Companies, which exposes us to the risk of potential breach of contract by the Sentage Operating Companies Shareholders.

As all of the VIE agreements with the Sentage Operating Companies are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC, they would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. Disputes arising from these VIE agreements between us and any of the Sentage Operating Companies will be resolved through arbitration in the PRC, although these disputes do not include claims arising under the United States federal securities law and thus do not prevent you from pursuing claims under the United States federal securities law. The legal environment in the PRC is not as developed as in the United States. As a result, uncertainties in the PRC legal system could further limit our ability to enforce these VIE agreements, through arbitration, litigation, and other legal proceedings in the PRC, which could limit our ability to exert effective control over the Sentage Operating Companies. Furthermore, these contracts may not be enforceable in the PRC if the PRC government authorities or courts take a view that such contracts contravene PRC laws and regulations or are otherwise not enforceable for public policy reasons. In the event we are unable to enforce these VIE agreements, we may not be able to exert effective control over the Sentage Operating Companies, and our ability to conduct our business through the operating entities may be materially and adversely affected.

Substantial uncertainties exist with respect to the interpretation and implementation of any new PRC laws, rules and regulations relating to foreign investment and how they may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which came into effect on January 1, 2020 and replaced the three existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The existing foreign-invested enterprises, or FIEs, established prior to the effectiveness of the Foreign Investment Law may keep their corporate forms within five years. The Foreign Investment Law stipulates that China implements the management system of pre-establishment national treatment plus a negative list to foreign investment, and the government generally will not expropriate foreign investment, except under certain special circumstances, in which case it will provide fair and reasonable compensation to foreign investors. Foreign investors are barred from investing in prohibited industries on the negative list and must comply with the specified requirements when investing in restricted industries on such list. As of the date of this annual report, according to our PRC counsel, Dacheng, our business and industry are not on the negative list, and our VIE structure is not implemented to avoid direct foreign investment in the prohibited fields, but to protect the Company, its subsidiaries and VIEs from uncertainties and risks related to China's policy on foreign investments in Sentage Operating Companies' line of businesses. On December 26, 2019, the State Council promulgated the Implementing Regulations of the Foreign Investment Law, which came into effect on January 1, 2020 and further requires that FIEs and domestic enterprises be treated equally with respect to policy making and implementation.

Pursuant to the Foreign Investment Law, "foreign investment" means any foreign investor's direct or indirect investment in the PRC, including: (i) establishing FIEs in the PRC either individually or jointly with other investors; (ii) obtaining stock shares, stock equity, property shares, other similar interests in Chinese domestic enterprises; (iii) investing in new project in the PRC either individually or jointly with other investors; and (iv) making investment through other means provided by laws, administrative regulations or State Council of the PRC (the "State Council") provisions. Although the Foreign Investment Law does not explicitly classify the contractual arrangements, such as our contractual arrangement described in "Item 4. Information on the Company—C. Organizational Structure," as a form of foreign investment, it contains a catch-all provision under the definition of "foreign investment," which includes investments made by foreign investors in China through other means stipulated by laws or administrative regulations or other methods prescribed by the State Council without elaboration on the meaning of "other means." However, the Implementing Regulations of the Foreign Investment Law still do not specify whether foreign investment includes contractual arrangements.

It is possible that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the contractual arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned contractual arrangements will be handled. Therefore, there is no guarantee that the contractual arrangements and the business of our operating entities will not be materially and adversely affected in the future due to changes in the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be completed by companies with existing contractual arrangements, we may face substantial uncertainties as to the timely completion of such actions. In the extreme case scenario, we may be required to unwind the contractual arrangements and/or dispose of the VIEs and their subsidiaries, which could have a material and adverse effect on our business, financial conditions and results of operations.

The Sentage Operating Companies Shareholders have potential conflicts of interest with us, which may adversely affect our business and financial condition.

The Sentage Operating Companies Shareholders may have potential conflicts of interest with us. These shareholders may not act in the best interest of Sentage Holdings or may breach, or cause Sentage Operating Companies to breach, the existing VIE Agreements we have with them and the Sentage Operating Companies, which would have a material and adverse effect on our ability to effectively control the Sentage Operating Companies and receive economic benefits from them. For example, the shareholders may be able to cause our agreements with the Sentage Operating Companies to be performed in a manner adverse to us by, among other things, failing to remit payments due under the VIE Agreements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of us or such conflicts will be resolved in our favor.

Currently, we do not have any arrangements to address potential conflicts of interest between the Sentage Operating Companies Shareholders and us, except that we could exercise our purchase option under the exclusive purchase option agreements with these shareholders to request them to transfer all of their equity interests in the Sentage Operating Companies to a PRC entity or individual designated by us, to the extent permitted by PRC law. If we cannot resolve any conflicts of interest or disputes between us and those individuals, we would have to rely on legal proceedings, which may materially disrupt our business. There is also substantial uncertainty as to the outcome of any such legal proceeding.

Because we rely on the exclusive business cooperation agreement with each of the Sentage Operating Companies for our revenue, the termination of this agreement would severely and detrimentally affect our continuing business viability under our current corporate structure; and

We are a holding company and a substantial part of our business operations are conducted through the VIE Agreements. As a result, we currently rely on the assumption that we will continue to generate revenue from dividends payments from Sentage WFOE upon its receipt of payments from each of the Sentage Operating Companies pursuant to the exclusive business cooperation agreement. The term of the exclusive business cooperation agreement remains effective unless the agreement is explicitly terminated by Sentage WFOE through written form or other means specified therein. None of the Sentage Operating Companies has the right to terminate that agreement unilaterally. Because neither we nor our subsidiaries own equity interests of the Sentage Operating Companies, the termination of the exclusive business cooperation agreement would sever our ability to continue receiving payments from the Sentage Operating Companies under our current holding company structure. While we are currently not aware of any event or reason that may cause the business cooperation agreement to terminate, we cannot assure you that such an event or reason will not occur in the future. In the event that the exclusive business cooperation agreement is terminated, this may have a severe and detrimental effect on our viability under our current corporate structure, which, in turn, may affect the value of your investment.

Because we are a Cayman Island company and all of our business is conducted in the PRC, you may be unable to bring an action against us or our officers and directors or to enforce any judgment you may obtain.

We are incorporated in the Cayman Islands and conduct our operations primarily in China. Substantially all of our assets are located outside of the United States. In addition, all of our directors and officers reside outside of the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe we have violated your rights, either under United States federal or state securities laws or otherwise, or if you have a claim against us. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may not allow you to enforce a judgment against our assets or the assets of our directors and officers. See “Enforceability of Civil Liabilities.”

The VIE Agreements among Sentage WFOE and each of the Sentage Operating Companies may result in adverse tax consequences.

PRC laws and regulations emphasize the requirement of an arm's length basis for transfer pricing arrangements between related parties. The laws and regulations also require enterprises with related party transactions to prepare transfer pricing documentation to demonstrate the basis for determining pricing, the computation methodology, and detailed explanations. Related party arrangements and transactions may be subject to challenge or tax inspection by the PRC tax authorities.

Under a tax inspection, as advised by our PRC counsel, Dacheng, if our transfer pricing arrangements among Sentage WFOE and each of the Sentage Operating Companies are judged to be tax avoidance vehicles, or related documentation does not meet the requirements, Sentage WFOE and each of the Sentage Operating Companies may be subject to material adverse tax consequences, such as transfer pricing adjustment. A transfer pricing adjustment could result in a reduction, for PRC tax purpose, of adjustments recorded by Sentage WFOE, which could adversely affect us by (i) increasing Sentage Operating Companies' tax liabilities without reducing our subsidiaries' tax liabilities, which could further result in interest being levied to us for unpaid taxes; (ii) limiting the ability of our PRC companies to maintain preferential tax treatment and other financial incentives; or (iii) the PRC tax authorities may impose late payment fees and other penalties on a Sentage Operating Company for the adjusted but unpaid taxes according to the applicable regulations.

We rely on the approvals, certificates and business licenses held by the Sentage Operating Companies and any deterioration of the relationship between Sentage WFOE and any of the Sentage Operating Companies could materially and adversely affect our overall business operations.

Pursuant to the VIE Agreements, a substantial part of our business in the PRC will be undertaken on the basis of the approvals, certificates, business licenses, and other requisite licenses held by each of the Sentage Operating Companies. There is no assurance that all the Sentage Operating Companies will be able to renew their approvals, licenses or certificates when their terms expire with substantially similar terms as the ones they currently hold.

Further, our relationship with each of the Sentage Operating Companies is governed by the VIE Agreements, which are intended to provide us, through our indirect ownership of Sentage WFOE, with effective control over the business operations of each of the Sentage Operating Companies. However, the VIE Agreements may not be effective in providing control over the applications for and maintenance of the licenses required for our business operations. Each of the Sentage Operating Companies could violate the VIE Agreements, go bankrupt, suffer from difficulties in its business, or otherwise become unable to perform its obligations under the VIE Agreements and, as a result, our operations, reputation, business, and stock price could be severely harmed.

If any of our operating entities becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy assets held by such entity, which could materially and adversely affect our business, financial condition and results of operations.

We currently conduct our operations in China through contractual arrangements with the Sentage Operating Companies and the Sentage Operating Companies Shareholders. As part of these arrangements, most of our assets that are important to the operation of our business are held by the Sentage Operating Companies. If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our operating entities undergoes a voluntary or involuntary liquidation proceeding, its equity owners or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our Ordinary Shares.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using financing activities to make loans or additional capital contributions to the PRC operating entities and operating entities, which could harm our liquidity and our ability to fund and expand our business.

As an offshore holding company of the PRC Operating Entities, we may (i) make loans to the PRC Operating Entities, (ii) make additional capital contributions to the PRC Operating Entities, (iii) establish new PRC subsidiaries and make capital contributions to these new PRC subsidiaries, and (iv) acquire offshore entities with business operations in China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- loans by us to our wholly-owned subsidiary in China, which is a foreign-invested enterprise, cannot exceed statutory limits and must be registered with the State Administration of Foreign Exchange of the PRC, or SAFE, or its local counterparts; and
- loans by us to our operating entities, which are domestic PRC entities, over a certain threshold must be approved by the relevant government authorities and must also be registered with SAFE or its local counterparts.

In addition, on August 29, 2008, SAFE promulgated Circular 142, a notice regulating the conversion by a foreign-invested company of its capital contribution in foreign currency into Renminbi. The notice requires that the capital of a foreign-invested company settled in Renminbi converted from foreign currencies shall be used only for purposes within the business scope as approved by the applicable governmental authorities. Such loan may not be used for equity investments within the PRC unless such activity is set forth in the business scope or is otherwise permissible under PRC laws or regulations. In addition, SAFE strengthened its oversight of the flow and use of such capital of a foreign-invested company settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without SAFE's approval, and may not in any case be used to repay Renminbi loans if the proceeds of such loans have not otherwise been used. Violations of Circular 142 will result in severe penalties including heavy fines. In order to further reform the foreign exchange administration system, SAFE issued the Circular on Reform of Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises on March 30, 2015, or Circular 19, which took effect from June 1, 2015 and replaced the SAFE Circular 142. Circular 19 allows foreign invested enterprises to settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations and provides procedures by which a foreign-invested company may convert and use equity investments made in foreign currencies. Circular 19 also reiterates, however, the principle that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company may not be used, either directly or indirectly, for purposes beyond its business scope.

Furthermore, SAFE has promulgated Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account, on June 9, 2016, hereinafter referred to as Circular 16, which emphasizes the unified policies for discretionary settlement of foreign exchange receipts under the capital account by domestic institutions. Circular 16 also reiterated the principle that Renminbi converted from the foreign currency-denominated capital of a foreign-invested company may not be used, either directly or indirectly, for purposes beyond the company's business scope. Circular 16 requires SAFE's local counterparts to unify and regulate the control over discretionary settlement and payment of foreign exchange receipts under the capital account, with the purpose of better serving and facilitating domestic enterprises' needs in business and capital operations. Circular 16 stipulates that a domestic enterprise, when using its capital account foreign exchange income and Renminbi funds obtained from foreign exchange settlements, shall abide by the principle of truthfulness and only apply such funds for use in its own operations, and will comply with the following: (1) such receipts and funds shall not, directly or indirectly, be used for the expenditures beyond the business scope of domestic institutions or the expenditures prohibited by laws and regulations of the State; (2) unless otherwise provided, such receipts and funds shall not, directly or indirectly, be used for investment in securities or other investments than banks' principal-secured products; (3) such receipts and funds shall not be used for the granting of loans to non-affiliated enterprises, with the exception that such granting is expressly permitted in the business license; and (4) such receipts and funds shall not be used for construction or purchase of real estate for purpose other than self-use (subject to certain exceptions for real estate enterprises).

We expect that PRC laws and regulations may continue to limit our use of proceeds from financing sources. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our entities in China. If we fail to receive such registrations or approvals, our ability to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Risks Related to Our Business and Industries

We have a limited operating history, which makes it difficult to evaluate our future prospects.

Through Sentage Operating Companies, we launched our (i) consumer loan repayment and collection management business in 2015, (ii) loan recommendation business in June 2019, and (iii) prepaid payment network business in August 2019. We only have a limited operating history. Members of our management team have been working together only for a short period of time and are still in the development period. They may still be in the process of exploring approaches to running our company and reaching consensus among themselves, which may affect the efficiency and results of our operation.

We have limited experience in most aspects of our business operation, such as service and product offerings, credit assessment, risk management, and the development of long-term relationships with borrowers, funding partners, and other business partners. As our businesses develop or in response to competition, we may continue to introduce new products and services, adjust our existing product and service profile, or make changes to our business operation in general. Any significant change to our business model may have a material and adverse impact on our financial condition and results of operations. It is therefore difficult to effectively assess our future prospects.

Furthermore, in addition to our existing product services and offerings, we may also from time to time explore other growth opportunities, such as broadening our customer base across all three business lines and seek strategic partnerships to enter new markets that are complementary to our existing business lines. These initiatives may have different impacts on our operation, including cannibalization of existing services. Failure to manage our expansion may have an unexpected material effect on our financial condition and results of operation.

The industries we are in are still evolving, which makes it difficult to effectively assess our future prospects.

The industries in which we operate through Sentage Operating Companies, including the consumer loan repayment and collection management industry, loan recommendation industry, and the third-party payment services industry in the PRC are still in evolving stages. The regulatory framework for these industries remains uncertain for the foreseeable future. Many market players in these industries, including us, are inexperienced in responding to changes of market situations effectively and keeping the growth of business steadily when the industries enter a different stage. We may not be able to sustain our historical growth rate in the future.

You should consider our business and prospects in light of the risks and challenges we encounter or may encounter given the rapidly evolving markets in which we operate and our limited operating history. These risks and challenges include our ability to, among other things:

- offer competitive product and services;
- broaden our prospective customer bases across three business lines;
- increase the utilization of our products and services by existing customers as well as new customers;
- maintain and enhance our relationship and business collaboration with our partners, including, but not limited to, developing cooperative relationships with new funding partners to provide borrowers with sufficient, diversified, and cost-effective funding options and maintaining strategic partnerships with NetsUnion Clearing Corporation, or NetsUnion;

- navigate a complex and evolving regulatory environment in China;
- improve our operational efficiency;
- attract, retain and motivate talented employees to support our business growth;
- enhance our technology infrastructure to support the growth of our business, maintain the security of our systems, and safeguard the confidentiality of the information provided and utilized across our systems;
- navigate economic conditions and fluctuation; and/or
- defend ourselves against legal and regulatory actions, such as actions involving intellectual property or privacy claims.

The financial sector in China is subject to changes in regulations. Non-compliance with new financial regulations or new licensing requirements may materially affect our business operations and financial results.

The Company's operations are subject to evolving regulatory oversight by the Chinese governmental and local regulatory authorities. As the Chinese financial sector grows, applicable laws, rules, and regulations are evolving. Any changes in laws and regulations applicable to our operations may increase our cost of compliance or may force us to revise our business plan or cease some aspects of our operations. If we fail to continuously comply with applicable rules and regulations, we may face fines or restrictions on our business activities, or even a suspension of all or part of our business operations. Furthermore, the Chinese governmental and local authorities may institute new licensing requirements applicable to our current or future operations. If such licensing requirements were introduced, we cannot assure you that we would be able to obtain any newly required license promptly, or at all, which could materially and adversely affect our business.

The wind-down of our past engagements in the consumer loan repayment and collection management business affected our business operation and financial performance, and we may not be able to expand our customer base by collaborating with third-party financial institutions as we have planned.

Our existing loan repayment and collection management engagements were completed by the end of 2021, and no related revenue was generated in fiscal years 2022 and 2023. The Company plans to continue its consumer loan repayment and collection management business, with a team of experienced loan management professionals, by expanding its client base and collaborating with third-party financial institutions. Although we believe that we can engage new clients and continue our consumer loan repayment and collection management business successfully, there can be no assurance that such will be the case and we have not been able to execute our plan as of the date of this annual report.

We operate a socially sensitive business. Public complaints against the consumer loan repayment and collection management industry generally or against us in particular may materially and adversely affect our business, financial condition and results of operations.

The general public may have certain misconceptions about the consumer loan repayment and collection management industry, such as the perceived use of unlawful means to collect debts. Given the growth of collection service providers in China, the contentious nature associated with debt collection, the unpredictability of borrower behavior, and the inflow of small-scale market participants with weak compliance protocols, the consumer loan repayment and collection management industry is subject to potentially higher and unpredictable government scrutiny. Such development could subject our operations to regulatory restrictions, government investigations, administrative fines, and increased compliance requirements. As a result, our business and our ability to generate revenue could be materially and adversely affected.

Furthermore, negative publicity about our industry and business creates the possibility of heightened attention from the public, the media and government regulators. From time to time, complaints or allegations against us, regardless of their veracity, may result in negative publicity, which in turn could result in government inquiry or reputational harm. There is no assurance that we would not become a target for public scrutiny in the future or such scrutiny and public exposure would not severely damage our reputation, business, and prospects. Furthermore, we rely heavily on our reputation to develop and maintain client relationships. Our prospective clients, including commercial banks, may refuse to work with us if we suffer from a tarnished reputation, since any perceived or actual violation of laws and regulations by service providers could increase our clients' regulatory risks. As such, our business is particularly vulnerable to negative media coverage and negative publicity.

In addition, our directors and management may become subject to scrutiny by the media and the public regarding our business, which may result in unverified, inaccurate or misleading information about our directors and management being reported by the press. Negative publicity about our directors or management, even if untrue or inaccurate, may harm our reputation.

If the scale and growth of our loan recommendation business are restrained by PRC laws and regulations, our business, financial condition, and prospects would be materially and adversely affected.

As part of our business model, we provide recommendation services to funding partners under our loan recommendation business, which allow funding partners to access borrowers who have passed our risk assessment. The funding partners make the final credit decision based on their own credit assessment and are also in charge of funding and servicing the loans. See “Business—Loan Recommendation” for details.

Under the current PRC regulatory regime, the legal definition and regulatory principles of loan recommendation services and specific regulatory requirements regarding the services have not been clarified in any relevant promulgated laws or regulations. However, in light of the evolving and developing nature of the regulatory regime regarding loan recommendation services in China, it is probable that the Chinese government will adopt regulations and policies that may temporarily restrain the scale and growth of our loan recommendation services in the future. For more details, see “Regulations—Regulations on Loan Recommendation Services.”

Conditions that negatively impact the real estate market in China may affect the loan amount borrowers may receive from funding partners, reduce demand for the operating entities’ loan recommendation business, and adversely impact their business, results of operations, and financial condition.

We only recommend borrowers who are able to collateralize properties evaluated and approved by our dedicated team of experienced professionals. The borrowers who have used our loan recommendation services are primarily owners of residential properties in Shanghai City, China. Accordingly, the success of our business is closely tied to the conditions of the real estate market segment in which these borrowers are located. Various changes in real estate conditions may impact this market segment. Any negative trends in such real estate conditions may affect the loan amount borrowers may receive from funding partners, the demand for our recommendation services, the accuracy of our property valuation and, as a result, adversely affect our results of operations. These conditions include:

- oversupply of, or a reduction in demand for, residential properties;
- zoning, rent control or stabilization laws, or other laws regulating the real estate market segment;
- changes in the national and local tax code related to real estate;
- increased operating costs, including increased real property taxes, maintenance, insurance, and utilities costs; and
- potential liability under environmental and other laws.

Any or all of these factors could negatively impact the real estate market segment and, as a result, reduce the demand for loans provided by our funding partners or the terms on which they are able to make loans and, as a result, materially and adversely affect us.

Fraudulent activity could negatively impact our operating results, brand, and reputation, and cause the use of our loan recommendation services to decrease.

We are subject to the risk of fraudulent activity associated with borrowers and parties handling borrower or funding partner information. Our resources, technologies and fraud detection tools may be insufficient to accurately detect and prevent fraud. Even if we identify a fraudulent borrower and reject her loan recommendation application, such borrower may re-apply by using fraudulent information. We may fail to identify such behavior, despite our measures to verify personal identification information provided by borrowers. Furthermore, we may not be able to recoup funds underlying transactions made in connection with fraudulent activities. A significant increase in fraudulent activities could negatively impact our brands and reputation, discourage funding partners from collaborating with us, reduce the total amount of loans originated by funding partners, and lead us to take additional steps to reduce fraud risk, which could increase our costs. High profile fraudulent activity could even lead to regulatory intervention and may divert our management’s attention and cause us to incur additional expenses and costs. Although we have not experienced any material business or reputational harm as a result of fraudulent activities in the past, we cannot rule out the possibility that fraudulent activities may materially and adversely affect our business, financial condition, and results of operations in the future.

We rely on our risk management model in assessing the creditworthiness of borrowers, the value of collateralized property, and risks associated with loans. If our risk management approach is ineffective, or if we otherwise fail or are perceived to fail to manage the impact of default, our reputation and market share would be materially and adversely affected, which would severely impact our business and results of operations.

Our ability to attract borrowers and funding partners to, and build trust in, our loan recommendation business is significantly dependent on our ability to effectively evaluate borrowers' credit profiles, the likelihood of default, and the value of borrowers' collateralized properties. We have devised and implemented a systematic credit assessment model and an asset-driven, disciplined risk management approach to minimize a borrower's default risk and mitigate the impact of default. Specifically, our assessment model and risk management capabilities not only enable us to select high-quality borrowers whose financial conditions and personal background are satisfactory to us, but also protect our funding partners against lending more than they might be able to recover in the case of default. For details on our credit assessment and risk management approach, see "Business—Loan Recommendation—Credit Assessment and Risk Management."

During the risk management process, appraisals are obtained on the collateral underlying each prospective mortgage. Although we have adopted internal measures to guide the appraisal process and conducted internal review for each appraisal opinion, the quality of these appraisals may vary widely in accuracy and consistency. The appraiser may feel pressure to provide an appraisal in the amount necessary to enable funding partners to make the loan, whether or not the value of the property justifies such an appraised value. Inaccurate or inflated appraisals may result in an increase in the severity of losses on the mortgage loans, which could have a material and adverse effect on our reputation, business, and results of operations.

There can be no assurance that our risk management measures will allow us to identify or appropriately assess whether the interest and principal payments due on a loan will be repaid when due, or at all, or whether the value of the mortgaged property will be sufficient to otherwise provide for recovery of such amounts. Our risk management measures are narrower than some of our competitors because we give primary consideration to the adequacy of the property as collateral rather than focusing on the personal income of the borrower. For example, while we have adopted a multifactor selection process, there is no minimum credit score that a potential borrower must have in order to obtain a recommendation from us. Although we believe that this asset-driven approach is one of our competitive advantages, it may result in higher delinquency and default rates than those experienced by our competitors with broader risk management measures and/or those who require minimum credit scores. Furthermore, if we are unable to identify delinquency, default, and other fraud risks of the borrower through our risk management measures, although we are not legally responsible for such risks, they may still expose us to reputational harm, reduce our industry credibility, and adversely affect our business.

On a case by case basis, our in-house credit assessment team may determine that a prospective borrower that does not strictly qualify under our internal guidelines warrants a recommendation exception, based upon compensating factors. Compensating factors may include, but are not limited to, higher borrower net worth or liquidity, stable employment, longer length of time in business and length of time owning the property. If our funding partners lend loans to these borrowers recommended by us, it may result in a higher number of delinquencies and defaults.

We also rely on analytical models (both models developed by us and those supplied by third parties) and information and data (both generated by us and supplied by third parties). Models and data will be used to make projections on borrowers' ability to repay loans and estimate value of collateralized properties. When models and data prove to be incorrect, misleading or incomplete, any decisions made in reliance thereon expose us to potential risks. Some of the analytical models we use, such as mortgage default models, are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to volatility in results. In addition, the predictive models used by us may differ substantially from those models used by our competitors.

If any of the foregoing were to occur in the future, our funding partners may try to rescind their affected investments or decide not to invest in loans, or borrowers may seek to revise the terms of their loans or reduce the use of our services, and our reputation and market share would be materially and adversely affected, which would severely impact our business and results of operations.

We rely on our risk management team to establish and execute our risk management policies. If our risk management team or key members of such team were unable or unwilling to continue in their present positions, our business may be severely disrupted.

We rely on our risk management team to continuously adjust our property valuation method, which is the center of our risk management policies. We rely on our risk management team to spot and fix potential errors and flaws in our property valuation method. Meanwhile, the primary mortgage market in China changes fast and we may need to adjust our risk management principles from time to time to minimize borrowers' default rate while securing a stable increase in the number of borrowers and satisfying returns for our funding partners. We rely on our risk management team to closely monitor the change in the market and our business and update our risk management principles accordingly. If our risk management team or key members of such team were unable or unwilling to continue in their present positions, we may have to incur additional time and monetary cost to find a replacement to our risk management team that fits us, and our result of business operation and financial conditions may be adversely and severely impacted.

Credit and other information we receive from third parties about borrowers may be inaccurate or may not accurately reflect the borrower's creditworthiness, which may compromise the accuracy of our credit assessment.

For credit assessment purposes, we obtain certain information of the prospective borrowers from prospective borrowers directly and some information from third parties. For more details on our information collection measures, see "Business—Loan Recommendation—Credit Assessment and Risk Management—Information Collection, Verification, and Fraud Detection." Such information may not be complete, accurate, or reliable. Our credit assessment may not reflect that particular borrower's actual creditworthiness because the assessment may be based on outdated, incomplete, or inaccurate borrower information. We currently cannot accurately determine whether borrowers have outstanding loans at the time they apply for loans through the use of recommendation services even though we have adopted compliance processes. This creates the risk that a borrower may borrow money through our services in order to pay off loans they have obtained through other funding sources and vice versa. If a borrower incurs additional debt before fully repaying any loan such borrower takes out with our funding partner, the additional debt may impair the ability of that borrower to make repayments on her loan with the funding partner. In addition, the additional debt may adversely affect the borrower's creditworthiness generally and could result in the financial distress or insolvency of the borrower. As a result, we may incur reputational harm and lose potential or existing business opportunities with our funding partners.

Meanwhile, if the price of the quality data increases, we may not get access to the quality information at the same cost in the future. We may be forced to conduct credit assessment with less quality data or pay more for quality information in the future, which could adversely affect our business, financial conditions, and result of the operation.

Some borrowers may use our loan recommendation services through business contacts, which could expose us to risks associated with such third parties.

Some borrowers are referred to us after receiving and reviewing the information provided by a third party. We do not verify, validate or modify any information provided by third-party websites and, while we do not believe we would have liability for such information, it is possible that an unsatisfied borrower could bring claims against us based on such information. Such claims could be costly and time-consuming to defend and would distract management's attention from the operation of our business and create negative publicity, which could harm our business and affect our reputation. In addition, if the business operation of such third parties deteriorate, the unsatisfied borrowers may associate our company with such third parties, which could harm our business and negatively affect our reputation.

If we fail to maintain collaboration with our funding partners, our reputation, results of operations, and financial condition may be materially and adversely affected.

Our funding partners typically agree to provide funding to borrowers who meet their predetermined criteria, subject to their credit approval process. While borrowers' loan requests are usually approved if they fall within the parameters set and agreed upon by us and our funding partners, our funding partners may implement additional requirements in their approval process outside of our capacity to monitor and control. Thus, there is no assurance that our funding partners could provide reliable, sustainable and adequate funding, either because they could decline to fund borrowers recommended by us or decline to continue consider qualified borrowers recommended by us.

In addition, if PRC laws and regulations impose more restrictions on our collaboration with funding partners, these funding partners will become more selective in choosing business partners for recommendation services, which may drive up the competition among loan recommendation service providers. If our funding partners, which mainly consist of national and regional banks, are restricted from funding loans to borrowers recommended by us in any sense, it may adversely affect our results of operations. Furthermore, if the PRC government issues any laws and regulations that restrict or prohibit our collaboration with our funding partners, our collaboration with our funding partners may have to be terminated or suspended, which may materially and adversely affect our business, financial condition and results of operations.

If our loan recommendation services do not achieve sufficient market acceptance, our financial results and competitive position will be harmed.

To achieve market acceptance of our recommendation services, it is essential for us to maintain and enhance our ability to match and recommend suitable mortgage products for our borrowers and the effectiveness of our credit assessment and property valuation process. If we are unable to respond to changes in borrower preference and deliver satisfactory and distinguishable borrower experience, existing borrowers and prospective borrowers may prefer services provided by competitors or obtain mortgage products directly from funding providers. As a result, loan recommendation applications will decrease, and our services and solutions will be less attractive to funding partners, and our business, financial performance, and prospects will be materially and adversely affected.

Our loan recommendation services could fail to attain sufficient market acceptance for many reasons, including:

- borrowers may not find the features of available mortgage loan products, such as the prices and credit limits, competitive or appealing;
- we may fail to predict market demand accurately and recommend mortgage products that meet this demand in a timely fashion;
- borrowers and funding partners using our services may not like, find useful, or agree with the changes we make;
- there may be defects, errors, or failures in our credit assessment and risk management process;
- there may be negative publicity about our recommendation services;
- regulatory authorities may take the view that our existing and new recommendation services do not comply with PRC laws, regulations or rules applicable to us; and
- there may be competing products or services introduced or anticipated to be introduced by our competitors.

If our loan recommendation services do not maintain or achieve adequate acceptance in the market, our competitive position, results of operations and financial condition could be materially and adversely affected.

Fluctuations in interest rates could negatively affect our loan origination volume.

Most of the mortgages provided by our funding partners are issued with fixed interest rates. Fluctuations in the interest rate environment may discourage funding partners to provide loans for borrowers recommended by us, which may adversely affect our business. Meanwhile, if our funding partners fail to respond to the fluctuations in interest rates in a timely manner, the available mortgage products may become less attractive to borrowers.

Our success depends on the ability to develop products and services to address the rapidly evolving market for third-party payment services, which include prepaid payment network services.

As we offer prepaid payment network services, which is a subcategory of third-party payment services, we expect that new products, services and technologies applicable to the third-party payment services industry in which we operate will continue to emerge and evolve. Rapid and significant technological changes continue to shape such industry, including developments in ecommerce, mobile commerce, and proximity payment devices. Other potential changes, such as developments in big data analytics and artificial intelligence, are on the horizon as well. Similarly, there is rapid innovation in the products and services to facilitate business operations, including technology-enabled business services. These new products, services and technologies may be superior to, impair, or render obsolete the payment services we currently offer, or the technologies we currently use to provide them.

Incorporating new technologies into our payment services may require substantial expenditures and considerable time, and we may not be successful in realizing a return on these development efforts in a timely manner or at all. There can be no assurance that any new products or services we develop and offer to our customers will achieve significant commercial acceptance. Our ability to develop new products and services may be inhibited by industry-wide standards, laws and regulations, payment networks, resistance to change from customers, or third parties' intellectual property rights. The planned timing for introduction of new products and services is subject to risks and uncertainties. We cannot assure you that any of our new payment products and services will achieve widespread market acceptance and generate incremental revenue. Moreover, actual timing may differ materially from original plans. Unexpected technical, distribution or other problems could delay or prevent the introduction of our new products and services. If we are unable to provide enhancements and new features for our prepaid payment network services or keep pace with rapid technological developments and evolving industry standards, our business, results of operations, and financial condition would be materially and adversely affected.

Market, economic and other conditions in China may adversely affect the demand for our products and services.

Payment services depend upon the overall level of economic conditions and consumer spending in China. A sustained deterioration in the general economic conditions in China, including any turmoil in the economy, reductions in household disposable income, distresses in financial markets, or reduced market liquidity, as well as increased government intervention, may reduce the number of our customers. Small-to-medium size business owners, in particular, are more susceptible to adverse changes in market, economic and regulatory conditions and the level of consumption in China. As a result, the demand for our existing and new payment services could decrease, and our financial performance could be adversely affected.

Adverse market trends may affect our financial performance. Such trends may include, but are not limited to, the following:

- fluctuations in consumer demand, which reflect the prevailing economic and demographic conditions;
- low levels of consumer and business confidence associated with recessionary environments which may in turn reduce consumer spending;
- financial institutions restricting credit lines to cardholders or limiting the issuance of new cards to mitigate cardholder defaults; and
- government intervention and regulation, and/or reduction in government investments in our customers, and that may reduce their desire to use our products and services.

We are subject to extensive regulations in the third-party payment services industry. Non-compliance with or changes to the regulations or licensing regimes may materially affect our business operations and financial results.

As prepaid payment network services is a subcategory third-party payment services, we are subject to the regulations applicable to the third-party payment services industry, which is implemented and monitored by several regulatory authorities, such as the PBOC, the China Securities Regulatory Commission ("CSRC"), the State Administration of Foreign Exchange ("SAFE"), the National Development and Reform Commission ("NDRC") and the China Banking and Insurance Regulatory Commission ("CBIRC"). There are laws and regulations that cover different aspects of the industry including entry into such businesses, scope of permitted activities, licenses and permits for various operations and pricing. Major laws and regulations that govern our prepaid payment network business include or may in the future include those relating to payment services, such as payment processing and settlement, money transfer, foreign exchange, anti-money laundering and financial consumer protection, insurance and financial services. See "Regulations—Regulations on Prepaid Payment Network Services."

As the third-party payment services industry in China is emerging and evolving, the applicable laws, rules, and regulations are continually developing and evolving. Any changes in the relevant rules and regulations may result in an increase in our cost of compliance or might restrict our business activities. If we fail to continuously comply with the applicable rules, regulations, we may face fines or restrictions on our business activities, or even a suspension or revocation of some or all of our licenses that allow us to carry on our business activities. Furthermore, the PRC government may institute new licensing regimes covering our current and future services offerings. If such a licensing regime were introduced, we cannot assure you that we would be able to obtain any newly required license in a timely manner, or at all, which could materially and adversely affect our business and impede our ability to continue our operations.

If we are unable to provide customers with satisfactory experience, or otherwise fail to maintain or enlarge our customer base, the volume of transactions processed via our prepaid payment network services may decline and our results of operations may be adversely affected.

We believe that customer base is the core building block of our prepaid payment network business, and our ability to provide customers with satisfactory experience is critical to our success and continuous growth in revenue and customer base. If we fail to deliver satisfactory and distinct user experience, we may lose our customers and business partners, resulting in a decrease in the volume of transactions processed via our payment services, and our results of operations may be adversely affected. Our ability to provide customers with satisfactory experience is subject to a number of factors, including our ability to provide effective services, our ability to continuously innovate and improve our services to meet customer needs, and our access to and cooperation with our business partners. We may lose customers and revenue, and our results of operations could be materially and adversely affected if we fail to provide satisfactory experience to our customers.

We are dependent on NetsUnion Clearing Corporation, and any changes to its rules or practices could harm our prepaid payment network business.

According to the People's Bank of China, or the PBOC, after June 30, 2018, third-party payment service providers, which include prepaid payment network service providers, are required to channel internet payments via NetsUnion, rather than banks' payment gateways. As a result, we rely on NetsUnion to process transactions on our behalf. However, NetsUnion may fail or refuse to process transactions adequately, may breach its agreement with us, or may refuse to renew the agreement on commercially reasonable terms. It may also take actions that downgrade the functionality of our services, impose additional costs or requirements on us, or give preferential treatment to competitive services, including those of its own. If we are unsuccessful in establishing or maintaining mutually beneficial relationship with NetsUnion, our business may be harmed, as there is no alternative to NetsUnion to furnish the same services.

NetsUnion requires us to comply with its network operating rules, including special operating rules that apply to us as a provider of payment services to customers. These rules are set by NetsUnion, which has the discretion as to interpretation and alteration. If there is any interpretation of, or alteration to the network rules that are inconsistent with the way we currently operate, we may be required to make changes to our business operation. This could be costly or difficult to implement. If we fail to make such changes or otherwise resolve the issue with NetsUnion, we could be fined or prohibited from processing prepaid cards. In addition, violations of the network rules or failure to maintain good relationships with NetsUnion could increase our costs or otherwise harm our prepaid payment network business.

Our current risk management system and internal control policies and procedures may not be able to exhaustively address or mitigate all risks to which we are exposed through our prepaid payment network business.

We are subject to various kinds of risks, including business risks, operational risks and financial risks. Currently, we rely on our data driven risk management system, and internal control policies and procedures to address and mitigate these risks. See "Business—Prepaid Payment Network Services — Risk Management and Internal Control." Our limited experience in providing prepaid payment network services may render risk management less effective in addressing some of the risks, exacerbating our risk exposure. Additionally, our data-driven risk management system and internal control policies and procedures may not be able to exhaustively mitigate our exposure to these risks. We cannot assure you that our assessment and monitoring of risks will always be sufficient. Any insufficiency in our risk management system and internal control policies and procedures may have a material adverse effect on our business, results of operations, and financial condition.

Fraudulent and fictitious transactions, and misconduct committed by our employees, customers, and other third parties may pose challenges to our risk management capabilities, and failure to manage the related risks may adversely affect our business, financial condition, and results of operations.

As our prepaid payment network business grows and we diversify our service offerings, we may be subject to liability for fraudulent payment transactions by customers, in particular, fraudulent chargeback and use of counterfeit cards. Fraud or other misconduct committed by our employees, customers, or other third parties may be difficult to detect or prevent. Such fraud or misconduct could subject us to financial losses and regulatory sanctions as well as seriously damage our reputation. We cannot assure you that all of our employees and customers and other third parties will fully comply with our risk management policies, measures and procedures for preventing fraud and other misconduct. We cannot assure that we will always be able to identify and prevent all fraud and other misconduct by our employees and customers and other third parties. Future fraud or other misconduct by our employees and customers and other third parties could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and prospects. Fraudulent activities have become increasingly sophisticated. Incidents of frauds could increase in the future. Our measures to detect and reduce the risk of fraud need to be continually improved to effectively guard against new and evolving forms of fraud, or frauds in connection with our new products and services. Substantial costs may be incurred in improving such security measures. Failure to effectively identify and address these risks could lead to losses, regulatory penalties, or even regulatory restrictions to our business operations, which will adversely affect our business, financial condition, and results of operations. See “Business—Prepaid Payment Network Services—Risk Management and Internal Control—Fraud.”

We face increasing competition, and if we do not compete effectively, our operating results could be harmed.

The industries in which we are operating are competitive and evolving. With respect to loan repayment and collection management and loan recommendation, we compete with market players such as traditional financial institutions, small loan companies, e-commerce driven installment platforms, and other consumer finance platforms. For repayment and collection management, our major competitors include China Data Group (Suzhou) Limited, M&Y Global Services, and Promisechina (Shanghai) Investment Co., Ltd. For loan recommendation, we primarily compete with institutions such as Shanghai Qingpu Real Estate Investment Property Co., Ltd, Shanghai Hongkou Real Estate Service Co., Ltd. and Shanghai Yangpu Public Housing Asset Management Co., Ltd. With respect to prepaid payment network services, we primarily compete with other third-party payment service providers in China, including Shandong Chenglian Card Payment Co., Ltd., Qingdao Baisentong Payment Co., Ltd. and Shandong Feiyin Intelligent Technology Co., Ltd.

Our competitors may operate with different business models, have different cost structures or participate selectively in different market segments. They may ultimately prove to be more successful or more adaptable to new regulatory, technological and other developments. Some of our current and potential competitors have significantly more financial, technical, marketing and other resources than we do, and may be able to devote greater resources to the development, promotion, sale and support of their platforms. Our competitors may also have longer operating histories, a more extensive pool of borrowers, larger amounts of data, greater brand recognition and customer loyalty, and broader partner relationships than we do. For example, traditional financial institutions may offer loan recommendation services. Experienced enterprises in financial product development and risk management that are able to devote greater resources to the development, promotion, sale and technical support of their platforms, may gain an edge in the competition against us. Additionally, a current or potential competitor may acquire one or more of our existing competitors or form a strategic alliance with one or more of our competitors. Any of the foregoing could adversely affect our business, results of operations, financial condition and future growth.

Our competitors may be better at developing new services and products, responding to new technologies, charging lower fees on products and services and undertaking more extensive marketing campaigns. When new competitors seek to enter our targeted markets, or when existing market participants seek to increase their market share, they sometimes undercut product and service pricing and/or terms prevalent in the markets, which could adversely affect our market share or ability to capture new market opportunities. Our pricing and terms could deteriorate if we fail to act to meet these competitive challenges.

Any harm to our brand or reputation may materially and adversely affect our business and results of operations.

Enhancing the recognition and reputation of our brand is critical to our business and competitiveness. Factors that are vital to this objective include, but are not limited to, our ability to:

- maintain the quality and reliability of our products and services;
- provide our customers with a satisfactory and distinguished customer experience;
- enhance and improve our credit assessment model, risk management system, and IT infrastructure;
- effectively manage and resolve customer complaints; and
- effectively protect personal information and privacy of customers and business partners.

Any malicious or innocent negative allegations made by the media or other parties about our company, including, but not limited to our management, business, compliance with law, financial condition or prospects, whether with merit or not, could severely hurt our reputation and harm our business and operating results. As the industries in which we operate are still evolving, negative publicity may arise from time to time. Negative publicity about China's financial industry in general may also have a negative impact on our reputation, regardless of whether we have engaged in any inappropriate activities.

In addition, certain factors that may adversely affect our reputation are beyond our control. Negative publicity about the operating entities' partners, outsourced service providers or other counterparties, such as negative publicity about their business practices and any failure by them to adequately protect confidential information, to comply with applicable laws and regulations or to otherwise meet required quality and service standards could harm our reputation. Furthermore, any negative development in the financial industry in China, such as bankruptcies or failures of finance platforms, or negative perception of the industry as a whole, even if factually incorrect or based on isolated incidents, could compromise our image, undermine the trust and credibility we have established and impose a negative impact on our ability to acquire new customers and establish new strategic partnerships.

Misconduct, errors and failure to function by the Sentage Operating Companies' employees and third-party service providers could harm our business and reputation.

The operating entities are exposed to many types of operational risks, including the risk of misconduct and errors by the Sentage Operating Companies' employees and third-party service providers. Our business depends on the Sentage Operating Companies' employees and third-party service providers for a variety of business activities, which including, but are not limited to interacting with potential and existing customers, processing large numbers of transactions, and supporting the loan repayment and collection management process, all of which involve the use and disclosure of personal information. We could be materially adversely affected if transactions were redirected, misappropriated or otherwise improperly executed, if personal information was disclosed to unintended recipients or if an operational breakdown or failure in the processing of transactions occurred, whether as a result of human error, purposeful sabotage or fraudulent manipulation of our operations or systems. In addition, the manner in which we store and use certain personal information and interact with customers is governed by various PRC laws. It is not always possible to identify and deter misconduct or errors by employees or third-party service providers, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses. If any of the Sentage Operating Companies' employees or third-party service providers take, convert or misuse funds, documents or data or fail to follow protocol when interacting with the customers, we could be liable for damages and subject to regulatory actions and penalties. We could also be perceived to have originated or participated in the illegal misappropriation of funds, documents or data, or the failure to follow protocol, and therefore be subject to civil or criminal liability.

Furthermore, we rely on certain third-party service providers, such as borrower acquisition partners, data providers, and third-party collection agencies, to conduct our business. If these service providers fail to function properly, we cannot assure you that we would be able to find an alternative in a timely and cost-efficient manner or at all. Even though the third-party services we engage are usually subject to pay-per-use schedules, we do maintain a few fixed-term contracts, and we cannot assure you that we can renew them once they expire, or we can renew them with the term we desire. Such service providers may also be demanded by their customers not to work with us, or form alliances to seek better terms dealing with us. Even though our business does not substantially depend on any particular third-party service providers, the above-mentioned occurrences may result in our diminished ability to operate our business, potential liability to borrowers, inability to attract borrowers, reputational damage, regulatory intervention, and financial harm. Such occurrences could negatively impact our business, financial condition, and results of operations.

Our ability to protect the confidential information of various parties, including borrowers, funding partners, and merchants, may be adversely affected by cyberattacks, computer viruses, physical or electronic break-ins or similar disruptions.

We collect, store, and process certain personal and other sensitive data from various parties, including, but not limited to borrowers, funding partners, and merchants, which makes us an attractive target and potentially vulnerable to cyberattacks, computer viruses, physical or electronic break-ins or similar disruptions. While we have taken steps to protect the confidential information that we have access to, our security measures could be breached. Because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our systems could cause confidential information to be stolen and used for criminal purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our relationships with our customers, including borrowers, funding partners, and merchants, could be severely damaged, we could incur significant liability, and our business and operations could be adversely affected.

Meanwhile, if we fail to protect confidential information, we may be involved in various claims and litigation for privacy breaches or other damages. Such claims and litigation may require a lot of time and resources to defend and we cannot assure you that any such claims or litigation will result in a favorable outcome.

We may be liable for improper use or appropriation of personal information provided by the customers and any failure to comply with PRC laws and regulations over data security could result in materially adverse impact on our business, results of operations, and our continued listing on Nasdaq.

The Sentage Operating Companies' business involves collecting and retaining certain internal data and customer information. The integrity and protection of student information and company data is crucial to the operating entities. The customers expect that we will adequately protect their personal information. The operating entities are required by applicable laws to keep strictly confidential the personal information that they collect, and to take adequate security measures to safeguard such information.

The PRC Criminal Law, as amended by its Amendment 7 (effective on February 28, 2009) and Amendment 9 (effective on November 1, 2015), prohibits institutions, companies and their employees from selling or otherwise illegally disclosing a citizen's personal information obtained in performing duties or providing services or obtaining such information through theft or other illegal ways.

On November 7, 2016, the Standing Committee of the PRC National People's Congress issued the Cyber Security Law of the PRC, or Cyber Security Law, which became effective on June 1, 2017. Pursuant to the Cyber Security Law, network operators must not, without users' consent, collect their personal information, and may only collect users' personal information necessary to provide their services. Providers are also obliged to provide security maintenance for their products and services and shall comply with provisions regarding the protection of personal information as stipulated under the relevant laws and regulations.

The Civil Code of the PRC (issued by the PRC National People's Congress on May 28, 2020 and effective from January 1, 2021) provides legal basis for privacy and personal information infringement claims under the Chinese civil laws. PRC regulators, including the Cyberspace Administration of China (the "CAC"), the Ministry of Industry and Information Technology, and the Ministry of Public Security, have been increasingly focused on regulation in data security and data protection.

On June 10, 2021, the Standing Committee of the National People's Congress of China, or the SCNPC, promulgated the PRC Data Security Law (《中华人民共和国数据安全法》), which became effective in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information.

The Personal Information Protection Law of the PRC (《中华人民共和国个人信息保护法》), (issued by Standing Committee of the National People's Congress Standing Committee of the National People's Congress and became effective on November 1, 2021) provides that critical information infrastructure operators ("CIIOs") and personal information processors whose quantity of processing of personal information reaches that as prescribed by the CAC must store personal information collected and generated within the territory of the People's Republic of China. Where it is necessary to provide such information and data to an overseas party, such provision are required to pass the security evaluation organized by the CAC, unless otherwise waived by laws or administrative regulations.

On December 28, 2021, the CAC, together with 12 other governmental departments of the PRC, jointly promulgated the Cybersecurity Review Measures (《网络安全审查办法》), which became effective on February 15, 2022. The Cybersecurity Review Measures provide that, in addition to CIIOs that intend to purchase Internet products and services, data processing operators engaging in data processing activities that affect or may affect national security must be subject to cybersecurity review by the Cybersecurity Review Office of the PRC. According to the Cybersecurity Review Measures, a cybersecurity review assesses potential national security risks that may be brought about by any procurement, data processing, or overseas listing. The Cybersecurity Review Measures further require that CIIOs and data processing operators that possess personal data of at least one million users must apply for a review by the Cybersecurity Review Office of the PRC before conducting listings in foreign countries.

On November 14, 2021, the CAC published the Draft Regulations on the Network Data Security Administration (Draft for Comments) (the "Security Administration Draft") (《网络数据安全条例 (征求意见稿)》), which provides that data processing operators engaging in data processing activities that affect or may affect national security must be subject to cybersecurity review by the relevant Cyberspace Administration of the PRC. According to the Cybersecurity Review Measures, which provides that data processing operators who possess personal data of at least one million users conducting listings in foreign countries or process data that affects or may affect national security must be subject to cybersecurity review by the relevant Cyberspace Administration of the PRC. The deadline for public comments on the Security Administration Draft was December 13, 2021.

On July 7, 2022, the CAC published the Measures for the Security Assessment of Outbound Data Transfer (《数据出境安全评估办法》), which were effected on September 1, 2022. The measures apply to the security assessment of important data and personal information collected and generated during operation within the territory of the People's Republic of China and transferred abroad by a data handler. According to the Measures, if a data handler transfers data abroad under any of the following circumstances, it shall file with the State Cyberspace Administration for security assessment via the Province Cyberspace Administration: (i) a data handler who transfers important data abroad; (ii) a critical information infrastructure operator, or a data handler processing the personal information of more than one million individuals transfers personal information to abroad; (iii) since January 1 of the previous year, a data handler cumulatively transferred abroad the personal information of more than 100,000 individuals, or the sensitive personal information of more than 10,000 individuals, or; (iv) other circumstances where the security assessment for the outbound data transfer is required by the State Cyberspace Administration.

As of the date of this annual report, our PRC operating entities have not received any notice from any authorities identifying the operating entities as a CIIO or requiring the operating entities to go through cybersecurity review or network data security review by the CAC. Nor our PRC operating entities have been involved in any investigations on cybersecurity review initiated by the CAC or related governmental regulatory authorities. Our operating entities have not received any inquiry, notice, warning, or sanction in such respect. We believe that our PRC operating entities are in compliance with the aforementioned regulations and policies that have been issued by the CAC. However, as uncertainties remain regarding the interpretation and enforcement of relevant PRC cybersecurity laws and regulations, the operating entities could be subject to cybersecurity review, and if so, the operating entities may not be able to pass such review. In addition, our PRC operating entities could become subject to enhanced cybersecurity review or investigations launched by PRC regulators in the future. Any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with the related laws and regulations may result in fines or other penalties, including suspension of business, website closure, removal of the operating entities' app from the relevant app stores, and revocation of prerequisite licenses, as well as reputational damage or legal proceedings or actions against the operating entities, which may have material adverse effect on the operating entities' business, financial condition or results of operations.

Our operations depend on the performance of the internet infrastructure and fixed telecommunications networks in China, which we do not control.

Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology. We primarily rely on a limited number of telecommunications service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the fixed telecommunications networks provided by telecommunications service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure by relevant regulatory authorities. We cannot assure you that the internet infrastructure and the fixed telecommunications networks in China will be able to support the demands associated with the continued growth in internet usage we anticipate.

In addition, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly, our financial performance may be adversely affected. Furthermore, if internet access fees or other charges to internet users increase, our business may be harmed.

We are highly dependent on telecommunications and IT systems, and an interruption or error in those systems could have an adverse effect on our business and results of operations.

Our business is materially dependent on our proprietary operating portal and IT systems. Development and maintenance of our proprietary operating portal and IT systems are time-consuming, expensive and complex, and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our operating portal and IT systems from functioning properly and consequently adversely affect our information infrastructure and our business. If our IT systems cease to work, become unavailable, or experience significant interruption, we may be prevented from operating business normally.

Our business also depends on the efficient and uninterrupted operation of our computer systems. All our computer hardware and our computing services are currently located in China. Although we have prepared for contingencies through redundancy measures and disaster recovery plans, such preparation may not be sufficient, and we currently do not carry business interruption insurance. Despite any precautions we may take, the occurrence of a natural disaster, such as an earthquake, flood or fire, or other unanticipated problems at our offices in China, including power outages, telecommunications delays or failures, break-ins to our systems or computer viruses, could result in delays or interruptions to our business and loss of data for us. Any of these events could damage our reputation, significantly disrupt our operations, and subject us to liability, which could materially and adversely affect our business, financial condition, and results of operations.

Our internal systems rely on software that is highly technical, and if it contains undetected errors, our business could be adversely affected.

Our internal systems rely on software that is highly technical and complex. In addition, our internal systems depend on the ability of such software to store, retrieve, process and manage immense amounts of data. The software on which we rely has contained, and may now or in the future contain, undetected errors or bugs. Some errors may only be discovered after the code has been released for external or internal use. Errors or other design defects within the software on which we rely may result in a negative experience for borrowers and funding partners, delay introductions of new features or enhancements, result in errors or compromise our ability to protect borrower data or our intellectual property. Any errors, bugs or defects discovered in the software on which we rely could result in harm to our reputation, loss of customers or business partners, loss of revenue, or liability for damages, any of which could adversely affect our business and financial results.

If we are not able to respond to technological advances in a timely manner, we may not remain competitive.

Our success depends in a large part on our technology and IT infrastructure. We use these systems to identify, locate and contact borrowers and record the results of our collection efforts, manage merchant accounts and behavior and transaction data, and store and analyze borrower information to establish a comprehensive borrower profile for prospective borrowers who submitted their loan recommendation applications. If we are not able to respond to advances in telecommunications and computer technologies in a timely manner, we may not be able to remain competitive. We have made significant investments in technology to remain competitive and we anticipate that it will be necessary to continue to do so in the future. Although we will continue to devote significant resources to enhance and develop our technologies, we cannot assure you that we will have the capital resources available to invest in new technologies, and we may not be able to implement technology updates on a timely basis, or at all. In addition, new technologies may not succeed or integrate well with our existing systems and infrastructure, and even if integrated, may not function as expected. As telecommunications and computer technologies are changing rapidly and are characterized by short product life cycles, we may not be successful in anticipating new technology trends or adopt technological changes on a timely basis. If any of the foregoing were to occur in the future, our business and results of operation could be materially adversely affected.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our intellectual property as critical to our success, and we rely on trademark and trade secret law and confidentiality, invention assignment and non-compete agreements with our employees and others to protect our proprietary rights. See “Business— Intellectual Property.” However, we cannot assure you that any of our intellectual property rights would not be challenged, invalidated or circumvented, or such intellectual property will be sufficient for providing us with competitive advantages. In addition, other parties may misappropriate our intellectual property rights, which would cause us to suffer economic or reputational damages. Because of the rapid pace of technological change, we cannot assure you that all of our proprietary technologies and similar intellectual property will be patented in a timely or cost-effective manner, or at all. Furthermore, parts of our business rely on technologies developed or licensed by other parties, or co-developed with other parties, and we may not be able to obtain or continue to obtain licenses and technologies from these other parties on reasonable terms, or at all.

It is often difficult to register, maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment, and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China. Preventing any unauthorized use of our intellectual property is difficult and costly, and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and in a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. To the extent that our employees or authorized third-party service providers use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition, and results of operations.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights, know-how, proprietary technologies or other intellectual property rights held by other parties. We may be from time to time in the future subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other parties' trademarks, copyrights, know-how, proprietary technologies or other intellectual property rights that are infringed by our products and services or other aspects of our business without our awareness. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in China, the United States or other jurisdictions. If any infringement claims are brought against us, we may be forced to divert management's time and other resources from our business and operations to defend against these claims, regardless of their merits.

Additionally, the application and interpretation of China's intellectual property right laws and the procedures and standards for granting trademarks, copyrights, know-how, proprietary technologies or other intellectual property rights in China are still evolving and are uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business and results of operations may be materially and adversely affected.

The operating entities' business depends on the continued efforts of their management. If one or more of their key executives were unable or unwilling to continue in their present positions, our business may be severely disrupted.

Our business operations depend on the continued services of our management, particularly the executive officers named in this annual report, and teams in charge of our risk management, research and development, customer relationship management, and collaboration with business partners, such as NetsUnion, and funding partners. While we have provided different incentives to our management, we cannot assure you that we can continue to retain their services. If one or more members of our management team were unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, our future growth may be constrained, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected, and we may incur additional expenses to recruit, train and retain qualified personnel. In addition, although we have entered into confidentiality and non-competition agreements with members of our management team, there is no assurance that any member of our management team will not join our competitors, form a competing business, or disclose confidential information to the public. If any dispute arises between our current or former officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements in China or we may be unable to enforce them at all.

From time to time we may evaluate and potentially consummate strategic investments or acquisitions, which could require significant management attention, disrupt our business and adversely affect our financial results.

We may evaluate and consider strategic investments, combinations, acquisitions or alliances to further increase the value of our business. These transactions could be material to our financial condition and results of operations if consummated. If we are able to identify an appropriate business opportunity, we may not be able to successfully consummate the transaction, and even if we do consummate such a transaction, we may be unable to obtain the benefits or avoid the difficulties and risks of such transaction.

Strategic investments or acquisitions will involve risks commonly encountered in business relationships, including:

- difficulties in assimilating and integrating the operations, personnel, systems, data, technologies, rights, platforms, products and services of the acquired business;
- the inability of the acquired technologies, products or businesses to achieve expected levels of revenue, profitability, productivity or other benefits;
- difficulties in retaining, training, motivating and integrating key personnel;
- the diversion of managements' time and resources from our daily operations;
- difficulties in maintaining uniform standards, controls, procedures and policies within the combined organizations;
- difficulties in retaining relationships with borrowers, employees and suppliers of the acquired business;
- risks of entering markets in which we have limited or no prior experience;
- regulatory risks, including remaining in good standing with existing regulatory bodies or receiving any necessary pre-closing or post-closing approvals, as well as being subject to new regulators with oversight over an acquired business;
- the assumption of contractual obligations that contain terms that are not beneficial to us, require us to license or waive intellectual property rights or increase our risk of liability;
- the failure to successfully further develop the acquired technology;
- liability for activities of the acquired business before the acquisition, including intellectual property infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities;
- potential disruptions to our ongoing businesses; and
- unexpected costs and unknown risks and liabilities associated with strategic investments or acquisitions.

We may not make any investments or acquisitions, or any future investments or acquisitions may not be successful, may not benefit our business strategy, may not generate sufficient revenue to offset the associated acquisition costs or may not otherwise result in the intended benefits. In addition, we cannot assure you that any future investment in or acquisition of new businesses or technology will lead to the successful development of new or enhanced products and services or that any new or enhanced loan products and services, if developed, will achieve market acceptance or prove to be profitable.

Competition for employees is intense, and we may not be able to attract and retain the qualified and skilled employees needed to support our business.

We believe our success depends on the efforts and talent of our employees, including risk management, technology infrastructure and IT system maintenance and upgrade, financial and marketing personnel. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. Competition for highly skilled technical, risk management and financial personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment.

In addition, we invest significant time and expenses in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and our operational efficiency could diminish, resulting in a material adverse effect to our business.

Failure to maintain the quality of customer services could harm our reputation and our ability to retain existing customers and attract new customers, which may materially and adversely affect our business, financial condition, and results of operations.

We depend on our customer service representatives to provide assistance to clients using our services. As such, the quality of customer services is critical to retaining our existing customers and attracting new customers. If our customer service representatives fail to satisfy our customers' individual needs, we may incur reputational harm and lose potential or existing business opportunities with our existing clients, which could have a material adverse effect on our business, financial condition, and results of operations.

We face risks related to natural disasters, health epidemics, and other circumstances beyond our control, which could significantly disrupt our operations.

Our business may be adversely affected by instability, disruption or destruction in a geographic region of China in which it operates, regardless of cause, including war, terrorism, riot, economic boycott, civil insurrection or social unrest, and natural or manmade disasters, including famine, flood, fire, earthquake, storm or pandemic events and spread of disease, including the new coronavirus commonly referred to as "COVID-19". The COVID-19 pandemic, first found in mainland China, then in Asia, and eventually throughout the world, significantly affected our overall business, results of operation, and financial conditions. Specifically, the COVID-19 pandemic gave rise to economic downturns and other significant changes in regional and global economic conditions. As a result, borrowers' default and delinquency risks increased as they experienced unemployment or generated less income. Subsequently, higher default and delinquency risks required us to dedicate more resources to maintain our current collection rate for the loan repayment and collection management business and posed risk-management challenges for our loan recommendation business, increasing our operating costs. As the majority of our merchant customers are retailers whose businesses were adversely affected by the COVID-19 pandemic, the pandemic caused our merchant customers to stop or delay using our prepaid payment network services, adversely impacting our revenue from the prepaid payment network business.

Any significant disruption to communications and travel, including travel restrictions and other potential protective quarantine measures by governmental agencies, also increase the difficulty and could make it impossible for us to conduct on-site inspection of collateralized properties, which is a necessary step of our credit assessment and risk management process. Accordingly, travel restrictions and protective measures caused the Company to incur additional unexpected labor costs and expenses and restrained our ability to retain the highly skilled personnel we needed for our operations, adversely affecting our business and results of operation. In addition, any health epidemic such as the COVID-19 pandemic could have an adverse impact on the real estate market in the Shanghai area and other first-tier cities we target, subsequently decreasing the total loan amount borrowers are able to obtain through our services, reducing our service fee, which is based on specific loan amount, and adversely impacting our revenue from the loan recommendation business.

In the beginning of February 2020, we had to temporarily suspend our prepaid payment network services due to government restrictions. We managed to promptly implement a series of response measures to the COVID-19 pandemic, including having our full work force resume work remotely by the end of February 2020. We fully resumed our operation on March 10, 2020 and our business was fully operational in 2021. However, our business facilities in Shanghai, China were temporarily closed again, starting from April 2022 to June 2022, as a result of local government's efforts to contain the resurgence of the COVID-19 pandemic. The COVID-19 pandemic negatively affected our operations in fiscal years 2022 and 2023 and could cause the Company's revenue and cash flows to underperform in the next 12 months.

For the consumer loan repayment and collection management business, due to the uncertainties caused by COVID-19, our prospective business partners were not able to start new cooperations with us and we were not able to generate any revenue for fiscal years 2022 and 2023.

For the loan recommendation services, which requires face-to-face interaction with potential customers, the temporary lock down from April 2022 to June 2022 severely impacted our ability to generate new business. Even after June 2022, due to the uncertainties caused by COVID-19, the demand from customers decreased sharply and we were not able to generate any revenue for fiscal years 2022 and 2023.

For the prepaid payment network services, the revenue in fiscal years 2022 and 2023 declined sharply because of decreased demand from customers due to the uncertainties caused by COVID-19.

Although China relaxed the COVID-19 restrictions at the end of 2022, because the COVID-19 pandemic has deeply affected businesses and the economy in China from 2020 to 2023, the extent of any future impact of COVID-19 on our operations remains highly uncertain and unpredictable.

We may from time to time be subject to claims, controversies, lawsuits and legal proceedings, which could have a material adverse effect on our financial condition, results of operations, cash flows and reputation.

We may from time to time become subject to or involved in various claims, controversies, lawsuits, and legal proceedings. However, claims, lawsuits, and litigation are subject to inherent uncertainties, and we are uncertain whether any of these claims would develop into a lawsuit. Lawsuits and litigation may cause us to incur defense costs, utilize a significant portion of our resources and divert management's attention from our day-to-day operations, any of which could harm our business. Any settlements or judgments against us could have a material adverse impact on our financial condition, results of operations and cash flows. In addition, negative publicity regarding claims or judgments made against us may damage our reputation and may result in material adverse impact on us.

Our current insurance policies may not provide adequate levels of coverage against all claims and we may incur losses that are not covered by our insurance.

We believe we maintain insurance coverage that is customary for businesses of our size and type. However, we may be unable to insure against certain types of losses or claims, or the cost of such insurance may be prohibitive. Uninsured losses or claims, if they occur, could have a material adverse effect on our reputation, business, results of operations, financial condition, or prospects.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report the results of operations or prevent fraud, and investor confidence and the market price of our securities may be materially and adversely affected.

Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In the course of auditing our consolidated financial statements for the fiscal year ended December 31, 2023, our independent registered public accounting firm identified two material weaknesses and other control deficiencies in our internal control over financial reporting.

The material weaknesses identified relate to (i) our lack of a sufficient number of finance and accounting personnel or sufficiently trained finance and accounting personnel, as well as comprehensive accounting policies in accordance with U.S. GAAP financial reporting; and (ii) a lack of formal policies and procedures to establish risk assessment process and internal control framework. We plan to implement a number of measures to remedy these material weaknesses. To remedy the identified material weakness and the other control deficiencies, we have implemented and will continue to implement initiatives to improve our internal control over financial reporting to address the material weaknesses that have been identified, including: (i) obtain additional resources, including experienced staff with U.S. GAAP and U.S. Securities and Exchange Commission (the "SEC") reporting knowledge, to strengthen the financial reporting function and to set up financial and system control framework; (ii) conducting regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel, including sending our financial staff to attend external U.S. GAAP training courses. We cannot assure you, however, that these measures will fully address these material weaknesses and other deficiencies in our internal control over financial reporting or that we will be able to conclude that they have been fully remedied.

If we fail to establish and maintain adequate internal controls, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could limit our access to capital markets, adversely affect our results of operations and lead to a decline in the trading price of our securities. Additionally, ineffective internal controls could expose us to an increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list our Class A Ordinary Shares or to other regulatory investigations and civil or criminal sanctions.

As a public company, we are subject to Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act. Since we qualify as an “emerging growth company” pursuant to the JOBS Act with less than US\$1.235 billion in revenue for our last fiscal year. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company’s internal control over financial reporting. Moreover, even if management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified, if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us.

During the course of documenting and testing our internal control procedures, we may identify other weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. Generally speaking, if we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations, and lead to a decline in the trading price of our securities. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions.

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act, and as a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

We are an emerging growth company and have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies, and as a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

Risks Related to Doing Business in China

There are uncertainties under the Foreign Investment Law relating to the status of businesses in China controlled by foreign invested projects primarily through contractual arrangements, such as our business.

The Administrative Measures of People’s Bank of China on Payment Services Provided by Non-financial Institutions (Order of the People’s Bank of China (2010) No. 2, “Order No. 2”) (中国人民银行令[2010]第2号《非金融机构支付服务管理办法》) was promulgated by the PBOC on June 14, 2010. According to Order No. 2, the business scope of a foreign-invested payment institutions, the qualification conditions, and the allowed ratio of contribution of the payment institution’s foreign investors shall be stipulated by the PBOC and submitted to the State Council for approval. According to “Announcement No. 7 of the People’s Bank of China (2018) (《中国人民银行公告(2018)第7号》)” (“No. 7 Announcement”), which was issued by the PBOC and became effective on March 19, 2018, upon approval by the State Council, pursuant to the Law of the People’s Republic of China on the People’s Bank of China and Order No. 2, foreign-invested payment institutions should satisfy regulatory requirements relevant to foreign-invested payment institutions. According to Order No. 2 and the No. 7 Announcement, the VIE entity, Qingdao Buytop, is considered a payment institution, as it provides prepaid payment network services. To comply with PRC laws and regulations on foreign ownership and investment in companies that engage in certain businesses including third-party payment services, we rely on the VIE Agreements with the Qingdao Buytop to operate such business in China and Qingdao Buytop has obtained all requisite licenses.

The Ministry of Commerce of the People’s Republic of China, or MOFCOM, published a discussion draft of the proposed Foreign Investment Law in January 2015, or the “2015 FIL Draft,” which expanded the definition of foreign investment and introduced the principle of “actual control” in determining whether a company is considered a foreign-invested enterprise. Under the 2015 FIL Draft, VIEs that are controlled via contractual arrangement would also be deemed as foreign-invested enterprises if they are ultimately “controlled” by foreign investors. On March 15, 2019, the National People’s Congress approved the Foreign Investment Law of the PRC, which came into effect on January 1, 2020, repealing simultaneously the Law of the PRC on Sino-foreign Equity Joint Ventures, the Law of the PRC on Wholly Foreign-owned Enterprises, and the Law of the PRC on Sino-foreign Cooperative Joint Ventures, together with their implementation rules and ancillary regulations. Pursuant to the Foreign Investment Law, foreign investment refers to any investment activity directly or indirectly carried out by foreign natural persons, enterprises, or other organizations, including investment in new construction project, establishment of foreign funded enterprise or increase of investment, merger and acquisition, and investment in any other way stipulated under laws, administrative regulations, or provisions of the State Council. Although the Foreign Investment Law has deleted the particular reference to the concept of “actual control” and contractual arrangements from the 2015 FIL Draft, there is still uncertainty regarding whether the VIEs would be identified as a foreign-invested enterprise in the future. As a result, we cannot assure you that the Foreign Investment Law will not have a material and adverse effect on our ability to conduct our business through the VIE Agreements.

Changes in China's economic, political, or social conditions or government policies could have a material adverse effect on our business and operations.

Substantially all of our assets and operations are currently located in China. Accordingly, our business, financial condition, results of operations, and prospects may be influenced to a significant degree by political, economic, and social conditions in China generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, including the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in China, in the policies of the Chinese government, or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, reduce demand for our products, and weaken our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustments, to control the pace of economic growth. These measures may cause decreased economic activities in China, which may adversely affect our business and operating results.

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

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The legislation over the past three decades has significantly increased the protection afforded to various forms of foreign or private-sector investment in China. Our PRC operating entities are subject to various PRC laws and regulations generally applicable to companies in China. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, however, the interpretations of many laws, regulations, and rules are not always uniform and enforcement of these laws, regulations, and rules involve uncertainties.

On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly issued a document to crack down on illegal activities in the securities market and promote the high-quality development of the capital market, which, among other things, requires the relevant governmental authorities to strengthen cross-border oversight of law-enforcement and judicial cooperation, to enhance supervision over China-based companies listed overseas, and to establish and improve the system of extraterritorial application of the PRC securities laws. Since this document is relatively new, uncertainties still exist in relation to how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on companies like us.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, however, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy in the PRC legal system than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainties over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

There are uncertainties regarding the enforcement of laws and rules and regulations in mainland China, which can change quickly with little advance notice, and there is a risk that the Chinese government may exert more oversight and control over offerings that are conducted overseas, which could materially and adversely affect our business and hinder our ability to offer our securities or continue our operations, and cause the value of our securities to significantly decline or become worthless.

The legal system of mainland China is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. There are uncertainties regarding the enforcement of PRC laws and regulations which can change quickly with little advance notice. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas could materially and adversely affect our business and hinder our ability to offer or continue our operations and cause the value of our securities to significantly decline or become worthless. For example, the Chinese cybersecurity regulator announced on July 2, 2021 that it had begun an investigation of Didi Global Inc. (NYSE: DIDI) and two days later ordered that company's app be removed from smartphone app stores. In December 2021, DIDI announced that it would delist from the New York Stock Exchange less than six months after its initial public offering.

On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly issued an announcement to crack down on illegal activities in the securities market and promote the high-quality development of the capital market, which, among other things, requires the relevant governmental authorities to strengthen cross-border oversight of law-enforcement and judicial cooperation, to enhance supervision over China-based companies listed overseas, and to establish and improve the system of extraterritorial application of the PRC securities laws. Since this announcement is relatively new, uncertainties still exist in relation to how soon legislative or administrative regulation making bodies will respond and what existing or new laws or regulations or detailed implementations and interpretations will be modified or promulgated, if any, and the potential impact such modified or new laws and regulations will have on companies like us and our Ordinary Shares.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Since mainland China administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, however, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy in mainland China legal system than in more developed legal systems. Furthermore, the legal system of mainland China is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainties over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations, and cause the value of our securities to significantly decline or become worthless.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments, or bringing actions in China against us or our management named in the reporting based on foreign laws.

As a company incorporated under the laws of the Cayman Islands, we conduct a majority of our operations in China and a majority of our assets are located in China. In addition, almost all our senior executive officers reside within China for a significant portion of the time and are PRC nationals. As a result, it may be difficult for you to effect service of process upon those persons inside mainland China. It may be difficult for you to enforce judgements obtained in U.S. courts based on civil liability provisions of the U.S. federal securities laws against us and our officers and directors, as none of them currently resides in the U.S. or has substantial assets in the U.S. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the U.S. or any state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security, or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States. See "Enforceability of Civil Liabilities."

U.S. regulatory bodies may be limited in their ability to conduct investigations or inspections of our operations in China.

The SEC, the U.S. Department of Justice and other U.S. authorities may also have difficulties in bringing and enforcing actions against us or our directors or executive officers in the PRC. The SEC has stated that there are significant legal and other obstacles to obtaining information needed for investigations or litigation in China. China has recently adopted a revised securities law that became effective on March 1, 2020, Article 177 of which provides, among other things, that no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without governmental approval in China, no entity or individual in China may provide documents and information relating to securities business activities to overseas regulators when it is under direct investigation or evidence discovery conducted by overseas regulators, which could present significant legal and other obstacles to obtaining information needed for investigations and litigation conducted outside of China.

Increases in labor costs in the PRC may adversely affect our business and our profitability.

China's economy has experienced increases in labor costs in recent years. China's overall economy and the average wage in China are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers by increasing prices for our services, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law that became effective in January 2008 and its amendments that became effective in July 2013 and its implementing rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation, and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practice does not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

PRC regulations relating to offshore investment activities by PRC residents may subject our PRC resident beneficial owners or the PRC operating entities to liability or penalties, limit our ability to inject capital into the PRC Operating Entities, limit the PRC Operating Entities' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

On July 4, 2014, State Administration of Foreign Exchange ("SAFE") issued the Circular on Issues Concerning Foreign Exchange Control over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles, or "SAFE Circular 37." According to SAFE Circular 37, prior registration with the local SAFE branch is required for PRC residents, (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed PRC residents for foreign exchange administration purpose), in connection with their direct or indirect contribution of domestic assets or interests to offshore special purpose vehicles, or "SPVs." SAFE Circular 37 further requires amendments to the SAFE registrations in the event of any changes with respect to the basic information of the offshore SPV, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore SPV, such as an increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. In February 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or "SAFE Notice 13," effective in June 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

In addition to SAFE Circular 37 and SAFE Notice 13, our ability to conduct foreign exchange activities in China may be subject to the interpretation and enforcement of the Implementation Rules of the Administrative Measures for Individual Foreign Exchange promulgated by SAFE in January 2007 (as amended and supplemented, the “Individual Foreign Exchange Rules”). Under the Individual Foreign Exchange Rules, any PRC individual seeking to make a direct investment overseas or engage in the issuance or trading of negotiable securities or derivatives overseas must make the appropriate registrations in accordance with SAFE provisions, the failure of which may subject such PRC individual to warnings, fines, or other liabilities.

We may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we have no control over any of our future beneficial owners. Thus, we cannot provide any assurance that our current or future PRC resident beneficial owners will comply with our request to make or obtain any applicable registrations or continuously comply with all registration procedures set forth in these SAFE regulations. Such failure or inability of our PRC residents beneficial owners to comply with these SAFE regulations may subject us or our PRC resident beneficial owners to fines and legal sanctions, restrict our cross-border investment activities, or limit the PRC Operating Entities’ ability to distribute dividends to or obtain foreign-exchange-dominated loans from us, or prevent us from being able to make distributions or pay dividends, as a result of which our business operations and our ability to distribute profits to you could be materially and adversely affected.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China’s foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar, and the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. Since we sell a majority of the products of our brand partners in the U.S., the fluctuations in exchange rates would have a negative effect on our business and results of operations and financial condition.

Our business is conducted in the PRC, and our books and records are maintained in RMB, which is the currency of the PRC. The financial statements that we file with the SEC and provide to our shareholders are presented in U.S. dollars. Changes in the exchange rates between the RMB and U.S. dollar affect the value of our assets and the results of our operations, when presented in U.S. dollars. The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC’s political and economic conditions and perceived changes in the economy of the PRC and the United States. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenue, and financial condition. Changes in the conversion rate among the U.S. dollar and the RMB will affect the amount of proceeds we will have available for our business.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into more hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Under the PRC Enterprise Income Tax Law, we may be classified as a PRC “resident enterprise” for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the PRC Enterprise Income Tax Law, or the “EIT Law,” that became effective in January 2008, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the implementation rules to the EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances, and properties of an enterprise. In addition, a circular, known as SAT Circular 82, issued in April 2009 by the State Administration of Taxation, or the “SAT,” specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights. Further to SAT Circular 82, the SAT issued a bulletin, known as SAT Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of SAT Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” SAT Bulletin 45 provides procedures and administrative details for the determination of resident status and administration on post-determination matters. Although both SAT Circular 82 and SAT Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, the determining criteria set forth in SAT Circular 82 and SAT Bulletin 45 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, PRC enterprise groups, or by PRC or foreign individuals.

If the PRC tax authorities determine that the actual management organ of Sentage Holdings is within the territory of China, Sentage Holdings may be deemed to be a PRC resident enterprise for PRC enterprise income tax purposes and a number of unfavorable PRC tax consequences could follow. First, we will be subject to the uniform 25% enterprise income tax on our worldwide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Finally, dividends payable by us to our investors and gains on the sale of our shares may become subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our shares. As of the date of this annual report, Sentage Holdings has not been notified or informed by the PRC tax authorities that it has been deemed to be a resident enterprise for the purpose of the EIT Law, however we cannot assure you that it will not be deemed to be a resident enterprise in the future.

Our PRC operating entities are subject to restrictions on paying dividends or making other payments to us, which may have a material adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands. We may need dividends and other distributions on equity from our PRC operating entities to satisfy our liquidity requirements. Current PRC regulations permit our PRC operating entities to pay dividends to us only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC operating entities are required to set aside at least 10% of its respective accumulated profits each year, if any, to fund certain statutory reserves until the total amount set aside reaches 50% of their respective registered capital. Our PRC operating entities may also allocate a portion of its respective after-tax profits based on PRC accounting standards to employee welfare and bonus funds at its discretion. These reserves are not distributable as cash dividends. These limitation on the ability of our PRC operating entities to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments, or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

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

In February 2015, SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or “SAT Circular 7.” SAT Circular 7 provides comprehensive guidelines relating to indirect transfers of PRC taxable assets (including equity interests and real properties of a PRC resident enterprise) by a non-resident enterprise. In addition, in October 2017, SAT issued an Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or “SAT Circular 37,” effective in December 2017 and amended in June 2018, which, among others, amended certain provisions in SAT Circular 7 and further clarify the tax payable declaration obligation by non-resident enterprise. Indirect transfer of equity interest and/or real properties in a PRC resident enterprise by their non-PRC holding companies are subject to SAT Circular 7 and SAT Circular 37.

SAT Circular 7 provides clear criteria for an assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. As stipulated in SAT Circular 7, indirect transfers of PRC taxable assets are considered as reasonable commercial purposes if the shareholding structure of both transaction parties falls within the following situations: i) the transferor directly or indirectly owns 80% or above equity interest of the transferee, or vice versa; ii) the transferor and the transferee are both 80% or above directly or indirectly owned by the same party; iii) the percentage in bullet point i) and ii) shall be 100% if over 50% the share value of a foreign enterprise is directly or indirectly derived from PRC real properties. Furthermore, SAT Circular 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers PRC taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an indirect transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such indirect transfer to the relevant tax authority and the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding, or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

According to SAT Circular 37, where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the EIT Law, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority. If the non-resident enterprise, however, voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

We face uncertainties as to the reporting and assessment of reasonable commercial purposes and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries, and investments. In the event of being assessed as having no reasonable commercial purposes in an indirect transfer transaction, we may be subject to filing obligations or taxed if we are a transferor in such transactions, and may be subject to withholding obligations (to be specific, a 10% withholding tax for the transfer of equity interests) if we are a transferee in such transactions, under SAT Circular 7 and SAT Circular 37. For transfer of shares by investors who are non-PRC resident enterprises, the PRC operating entities may be requested to assist in the filing under the SAT circulars. As a result, we may be required to expend valuable resources to comply with the SAT circulars or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that we should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

Governmental control of currency conversion may affect the value of your investment and our payment of dividends.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in the RMB. Under our current corporate structure, Sentage Holdings may rely on dividend payments from our PRC subsidiary, Sentage WFOE, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, Sentage WFOE is able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. Approval from or registration with appropriate government authorities is, however, required where the RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demand, we may not be able to pay dividends in foreign currencies to our shareholders.

There are significant uncertainties under the PRC Enterprise Income Tax Law relating to the withholding tax liabilities of the PRC Operating Entities, and dividends payable by the PRC operating entities to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.

Under the EIT Law and its implementation rules, the profits of a foreign invested enterprise generated through operations, which are distributed to its immediate holding company outside the PRC, will be subject to a withholding tax rate of 10%. Pursuant to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, or the “Double Tax Avoidance Arrangement,” a withholding tax rate of 10% may be lowered to 5% if the PRC enterprise is at least 25% held by a Hong Kong enterprise for at least 12 consecutive months prior to distribution of the dividends and is determined by the relevant PRC tax authority to have satisfied other conditions and requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws.

However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or the “SAT Circular 81,” which became effective on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to Circular on Several Issues regarding the “Beneficial Owner” in Tax Treaties, which became effective as of April 1, 2018, when determining an applicant’s status as the “beneficial owner” regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors will be taken into account. Such factors include whether the business operated by the applicant constitutes actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax, grant tax exemption on relevant incomes, or levy tax at an extremely low rate. This circular further requires any applicant who intends to be proved of being the “beneficial owner” to file relevant documents with the relevant tax authorities. Our PRC subsidiary is wholly owned by our Hong Kong subsidiary. However, we cannot assure you that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant PRC tax authority or we will be able to complete the necessary filings with the relevant PRC tax authority and enjoy the preferential withholding tax rate of 5% under the Double Tax Avoidance Arrangement with respect to dividends to be paid by Sentage WFOE to our Hong Kong subsidiary, in which case, we would be subject to the higher withdrawing tax rate of 10% on dividends received.

The “Opinions on Severely Cracking Down on Illegal Securities Activities According to Law,” or the “Opinions,” recently issued by the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council may subject us to additional compliance requirement in the future.

Recently, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions, which were made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. The Opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. The aforementioned policies and any related implementation rules to be enacted may subject us to additional compliance requirement in the future. As the Opinions were recently issued, official guidance and interpretation of the Opinions remain unclear in several respects at this time. Therefore, we cannot assure you that we will remain fully compliant with all new regulatory requirements of the Opinions or any future implementation rules on a timely basis, or at all.

Recent greater oversight by the Cyberspace Administration of China (“CAC”) over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business.

On June 10, 2021, the Standing Committee of the National People’s Congress of China, or the SCNPC, promulgated the PRC Data Security Law (《中华人民共和国数据安全法》), which became effective in September 2021. The PRC Data Security Law imposes data security and privacy obligations on entities and individuals carrying out data activities, and introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, illegally acquired or used. The PRC Data Security Law also provides for a national security review procedure for data activities that may affect national security and imposes export restrictions on certain data and information.

On July 10, 2021, the CAC issued the Circular on Seeking Comments on Cybersecurity Review Measures (Revised Draft for Comments) (the “Review Measures Draft”) (《网络安全审查办法 (修订草案征求意见稿)》), which required, among others, in addition to any “critical information infrastructure operators (“CIIOs”),” any “data processor” controlling personal information of no less than one million users which seeks to list in a foreign stock exchange should also be subject to cybersecurity review.

On August 20, 2021, the Standing Committee of the National People’s Congress Standing Committee of the National People’s Congress issued The Personal Information Protection Law of the PRC (《中华人民共和国个人信息保护法》), effective on November 1, 2021. It provides that critical information infrastructure operators (“CIIOs”) and personal information processors whose quantity of processing of personal information reaches that as prescribed by the CAC must store personal information collected and generated within the territory of the People’s Republic of China. Where it is necessary to provide such information and data to an overseas party, such provision are required to pass the security evaluation organized by the CAC, unless otherwise waived by laws or administrative regulations.

On November 14, 2021, the CAC published the Network Internet Data Protection Draft Regulations (draft for comments), (《网络数据安全条例 (征求意见稿)》), and accepted public comments until December 13, 2021. The Network Internet Data Protection Draft Regulations provides that data processors refer to individuals or organizations that autonomously determine the purpose and the manner of processing data. If a data processor that processes the personal data of more than one million users intends to list overseas, it shall apply for a cybersecurity review. In addition, data processors that process important data or are listed overseas shall carry out an annual data security assessment on their own or by engaging a data security services institution, and the data security assessment report for the prior year should be submitted to the local cyberspace affairs administration department before January 31 of each year.

Later on, December 28, 2021, the CAC and other relevant PRC governmental authorities jointly promulgated the Cybersecurity Review Measures Transfer (《网络安全审查办法》), which took effect on February 15, 2022. The Cybersecurity Review Measures provide that, in addition to CIIOs that intend to purchase Internet products and services, net platform operators engaging in data processing activities that affect or may affect national security must be subject to cybersecurity review by the Cybersecurity Review Office of the PRC. According to the Cybersecurity Review Measures, a cybersecurity review assesses potential national security risks that may be brought about by any procurement, data processing, or overseas listing. The Cybersecurity Review Measures require that an online platform operator which possesses the personal information of at least one million users must apply for a cybersecurity review by the CAC if it intends to be listed in foreign countries.

On July 7, 2022, the CAC published the Measures for the Security Assessment of Outbound Data Transfer (《数据出境安全评估办法》), which effected on September 1, 2022. The measures apply to the security assessment of important data and personal information collected and generated during operation within the territory of the People’s Republic of China and transferred abroad by a data handler. According to the Measures, if a data handler transfers data abroad under any of the following circumstances, it shall file to the State Cyberspace Administration for security assessment via the Province Cyberspace Administration: (i) a data handler who transfers important data abroad; (ii) a critical information infrastructure operator, or a data handler processing the personal information of more than one million individuals transfers personal information abroad ; (iii) since January 1 of the previous year, a data handler cumulatively transferred abroad the personal information of more than 100,000 individuals, or the sensitive personal information of more than 10,000 individuals, or ; (iv) other circumstances where the security assessment for the outbound data transfer is required by the State Cyberspace Administration.

As advised by our PRC counsel, Dacheng, the operations of the PRC operating entities and our continued listing will not be affected and that we will not be subject to cybersecurity review by the CAC, given that the PRC operating entities (i) possess personal data of fewer than one million individual clients; (ii) do not collect data that affects or may affect national security in their business operations, as of the date of this annual report; and (iii) do not anticipate that they will be collecting over one million users’ personal information or data that affects or may affect national security in the near future. However, as uncertainties remain regarding the interpretation and implementation of these laws and regulations, we cannot assure you that we will comply with such regulations in all respects, and we may be ordered to rectify or terminate any actions that are deemed illegal by regulatory authorities. We may also become subject to fines and/or other sanctions and the costs of compliance with, and other burdens imposed by such laws and regulations may limit the use and adoption of our products, which may have material adverse effects on our business, operations, and financial condition.

The VIE, Qingdao Buytop, may be subject to the Law on Combatting Telecom and Online Fraud

On September 2, 2022, the Standing Committee of the China National People's Congress published the Law on Combatting Telecom and Online Fraud (the "LCTOF"), which came into effect on December 1, 2022. According to the LCTOF, "telecom and online fraud" refers to the act of swindling public or private property by means of telecom networks and Internet technologies in remote or non-contact ways for the purpose of illegal possession. It is directed at online behavior that relies on telecommunications or the internet. To combat this type of online fraud, the LCTOF requires non-bank payment institutions to assume risk prevention and control responsibilities, and establish internal control mechanisms to combat telecom and online fraud. The LCTOF also requires non-bank payment institutions to establish a due diligence system to lawfully identify the beneficial owners of payment accounts, and to take appropriate risk management measures to prevent payment accounts from being used in telecom or online fraud. Non-bank payment institutions shall also establish risk prevention and control mechanisms to monitor account abnormalities and suspicious transactions that meet the characteristics of telecom or online fraud. We operate our payments business through the VIE entity, Qingdao Buytop. The payment business is limited to offline prepaid card issuance and acceptance, but does not involve online payment service, nor does it involve opening payment accounts or providing settlement services for customers. Therefore, we believe that the LCTOF does not apply to Qingdao Buytop's business operations. As of the date hereof, Qingdao Buytop has not received any inquiry, notice, warning, or sanction from the People's Bank of China, the banking regulatory authority of the State Council, or any other PRC governmental authority requiring or recommending that Qingdao Buytop comply with any specific provisions in the LCTOF. However, if the competent authorities determine to the contrary that Qingdao Buytop's business operation is subject to the LCTOF, or if Qingdao Buytop develops online payment services in the future, then Qingdao Buytop will be required to establish relevant prevention and control mechanisms according to the LCTOF. Furthermore, if the relevant authorities determine that Qingdao Buytop is in violation of the LCTOF or its operations falls within any of the following circumstances: (i) failure to establish the internal control mechanisms against telecom or online fraud, (ii) failure to perform the obligation of due diligence and relevant risk management measures, (iii) failure to perform the obligation of risk monitoring and management of abnormal accounts and suspicious transactions, or (iv) failure to transmit relevant transaction information in a complete and accurate manner in accordance with the LCTOF provisions, then Qingdao Buytop's relevant business permit and license may be revoked, and Qingdao Buytop may be fined up to RMB 5 million, be ordered to stop any new businesses expansions, reduce its existing business scope, or suspend its relevant business operations for rectification.

If we become directly subject to the scrutiny, criticism, and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business operations, stock price, and reputation.

U.S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny, criticism, and negative publicity by investors, financial commentators, and regulatory agencies, such as the SEC. Much of the scrutiny, criticism, and negative publicity has centered on financial and accounting irregularities and mistakes, a lack of effective internal controls over financial accounting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result of the scrutiny, criticism, and negative publicity, the publicly traded stock of many U.S. listed Chinese companies sharply decreased in value and, in some cases, has become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. It is not clear what effect this sector-wide scrutiny, criticism, and negative publicity will have on us, our business, and the price of our Ordinary Shares. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and/or defend our company. This situation will be costly and time consuming and distract our management from developing our business. If such allegations are not proven to be groundless, we and our business operations will be severely affected and you could sustain a significant decline in the value of our Ordinary Shares.

The disclosures in our reports and other filings with the SEC and our other public pronouncements may be subject to the scrutiny of regulatory bodies in the PRC.

Our reports and other filings with the SEC are subject to SEC review in accordance with the rules and regulations promulgated by the SEC under the Securities Act and the Exchange Act. Our SEC reports and other disclosures and public pronouncements are currently not subject to the review or scrutiny of any PRC regulatory authority, except as described hereinbelow. For example, the disclosure in our SEC reports and other filings are not subject to the review by the CSRC, a PRC regulator that is responsible for oversight of the capital markets in China. On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, domestic PRC companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedures and submit relevant documents, including the prospectus and other listing documents submitted to overseas regulatory authorities, to the CSRC. PRC domestic companies that were already listed overseas before the effective date of the Trial Measures are deemed to be "Existing Issuers", who are not required to complete the filing procedures with the CSRC immediately, but shall be required to file with the CSRC for any subsequent offerings within three business days after the completion of such offerings. Based on the foregoing, we are an Existing Issuer, and if we complete any subsequent overseas offerings, then we will be required to file with the CSRC within three working days following the completion of such subsequent offerings. However, because rules and regulations in China can change quickly, and the Chinese government may exert more oversight and control over foreign investment in China-based issuers, our listing or SEC reports may be subject to the scrutiny of regulatory bodies in the PRC with little advance notice.

The recent joint statement by the SEC and the PCAOB, rule changes by Nasdaq, and the Holding Foreign Companies Accountable Act and related regulations, all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our continued listing or future offerings of our securities in the U.S.

On April 21, 2020, SEC Chairman Jay Clayton and PCAOB Chairman William D. Duhnke III, along with other senior SEC staff, released a joint statement highlighting the risks associated with investing in companies based in or have substantial operations in emerging markets including China. The joint statement emphasized the risks associated with lack of access for the PCAOB to inspect auditors and audit work papers in China and higher risks of fraud in emerging markets.

On May 18, 2020, Nasdaq filed three proposals with the SEC to (i) apply a minimum offering size requirement for companies primarily operating in a “Restrictive Market,” (ii) adopt a new requirement relating to the qualification of management or the board of directors for Restrictive Market companies, and (iii) apply additional and more stringent criteria to an applicant or listed company based on the qualifications of the company’s auditor. On October 4, 2021, the SEC approved Nasdaq’s revised proposal for the rule changes.

On May 20, 2020, the U.S. Senate passed the Holding Foreign Companies Accountable Act requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a national exchange. On December 2, 2020, the U.S. House of Representatives approved the Holding Foreign Companies Accountable Act. On December 18, 2020, the Holding Foreign Companies Accountable Act was signed into law.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the Holding Foreign Companies Accountable Act.

On September 22, 2021, the PCAOB adopted a final rule implementing the Holding Foreign Companies Accountable Act, which provides a framework for the PCAOB to use when determining, as contemplated under the Holding Foreign Companies Accountable Act, whether the board of directors of a company is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction.

On December 2, 2021, the SEC adopted amendments to finalize rules implementing the submission and disclosure requirements in the Holding Foreign Companies Accountable Act.

On December 16, 2021, the PCAOB issued a Determination Report on December 16, 2021 which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People’s Republic of China because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region and dependency of the PRC, because of a position taken by one or more authorities in Hong Kong. In addition, the PCAOB’s report identified the specific registered public accounting firms which are subject to these determinations.

On August 26, 2022, the China Securities Regulatory Commission (the “CSRC”), the Ministry of Finance of the PRC (the “MOF”), and the PCAOB signed a Statement of Protocol (the “Protocol”) governing inspections and investigations of audit firms based in mainland China and Hong Kong, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC.

On December 15, 2022, the PCAOB determined that it was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and vacated its previous determinations to the contrary. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB's access in the future, the PCAOB may consider the need to issue a new determination.

On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, the Consolidated Appropriations Act 2023 was signed into law, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act, which reduces the number of consecutive non-inspection years required for triggering the prohibitions under the Holding Foreign Companies Accountable Act from three years to two years.

Our auditor, Enrome LLP, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report, as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards and was not identified in the Determination Report as a firm subject to the PCAOB's Determination. Enrome LLP is headquartered in Singapore, and can be inspected by the PCAOB.

However, we cannot assure you whether the national securities exchange we are listed on or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach, or experience as it relates to our audit. In addition, our Class A Ordinary Shares may be delisted in the future if the PCAOB is unable to inspect our accounting firm within two years.

The Chinese government exerts substantial influence over the manner in which we must conduct our business, and may intervene or influence our operations at any time, which could result in a material change in our operations, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, and cause the value of our Ordinary Shares to significantly decline or be worthless.

The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. Our ability to operate in China may be harmed by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, property and other matters. The central or local governments of these jurisdictions may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our compliance with such regulations or interpretations. Accordingly, government actions in the future, including any decision not to continue to support recent economic reforms and to return to a more centrally planned economy or regional or local variations in the implementation of economic policies, could have a significant effect on economic conditions in China or particular regions thereof, and could require us to divest ourselves of any interest we then hold in Chinese properties.

Recent statements made by the Chinese government have indicated an intent to increase the government's oversight and control over offerings of companies with significant operations in the PRC that are to be conducted in foreign markets, as well as foreign investment in China-based issuers. On February 17, 2023, the China Securities Regulatory Commission (the "CSRC") released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the "Trial Measures"), (《境内企业境外发行证券和上市管理试行办法》) and five supporting guidelines, which has taken effect on March 31, 2023.

Notwithstanding the above, our PRC counsel has further advised us that uncertainties exist as to whether we, our subsidiaries, the VIEs, or any of their subsidiaries are required to obtain permissions from the CAC, the CSRC, or any other governmental agency that is required to approve our operations and/or subsequent offerings. We have been closely monitoring the development in the regulatory landscape in the PRC, particularly regarding the requirement of approvals, including on a retrospective basis, from the CAC, the CSRC, or other PRC authorities, as well as other procedures that may be imposed on us. In the event that we, our subsidiaries, the VIEs, or any of their subsidiaries are subject to any compliance requirements, we cannot assure you that any of these entities will be able to receive clearance of such compliance requirements in a timely manner, or at all. Any failure of our Company, our subsidiaries, and the VIEs, or any of their subsidiaries to fully comply with new regulatory requirements may subject us to regulatory actions, such as fines, relevant businesses or operations suspension for rectification, revocation of relevant business permits or operational license, or other sanctions, which may significantly limit or completely hinder our ability to offer or continue to offer our securities and cause significant disruption to our business operations, severely damage our reputation, materially and adversely affect our financial condition and results of operations and cause our securities to significantly decline in value or become worthless.

The Trial Measures and other relevant rules promulgated by the CSRC may subject us to additional compliance requirements in the future.

On February 17, 2023, the CSRC promulgated the Trial Measures and five (5) supporting guidelines, which came into effect on March 31, 2023. The Trial Measures regulate both direct and indirect overseas offering and listing by PRC domestic companies by adopting a filing-based regulatory regime. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, whether directly or indirectly, should fulfill the filing procedures and report relevant information to the CSRC within three working days after submitting listing applications and subsequent amendments. According to the Notice on the Administrative Arrangements for the Filing of the Overseas Securities Offering and Listing by Domestic Companies from the CSRC, or the CSRC Notice, the domestic companies that have already been listed overseas before the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) shall be deemed to be existing issuers (the “Existing Issuers”). Existing Issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC for any subsequent offerings. If any PRC domestic company fails to complete required filing procedures or conceals any material fact or falsifies any major content in its filing documents, such PRC domestic company may be subject to administrative penalties, such as an order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

On February 24, 2023, the CSRC, together with the Ministry of Finance, the National Administration of State Secrets Protection and National Archives Administration of China, revised the Provisions on Strengthening Confidentiality and Archives Administration for Overseas Securities Offering and Listing, which were issued by the CSRC and National Administration of State Secrets Protection and National Archives Administration of China in 2009, or the Provisions. The revised Provisions were issued under the title the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies,” and came into effect on March 31, 2023, together with the Trial Measures. One of the major revisions to the revised Provisions is expanding their application to cover indirect overseas offering and listing, as is consistent with the Trial Measures. The revised Provisions require that, among other things, (a) a PRC domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals or entities, including securities companies, securities service providers, and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to the PRC law and regulations, and file with the secrecy administrative department at the same level; and (b) a PRC domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals and entities, including securities companies, securities service providers, and overseas regulators, any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. Any failure or perceived failure by our Company and the Sentage Operating Companies to comply with the above confidentiality and archives administration requirements under the revised Provisions and other PRC laws and regulations may result in the relevant entities being held legally liable by competent authorities and referred to the judicial organ to be investigated for criminal liability if suspected of committing a crime.

The Trial Measures and the revised Provisions recently issued by the PRC authorities may subject us to additional compliance requirements. As there are still uncertainties regarding the interpretation and implementation of such regulatory guidance, we cannot assure you that we will be able to comply with all the new regulatory requirements of the Trial Measures, the revised Provisions, or any future implementing rules on a timely basis, or at all. Any failure by us to fully comply with the new regulatory requirements, including, but not limited to the failure to complete the filing procedures with the CSRC if required, may significantly limit or completely hinder our ability to offer or continue to offer our Class A Ordinary Shares, cause significant disruption to our business operations, and severely damage our reputation, which would materially and adversely affect our financial condition and results of operations and cause our Class A Ordinary Shares to significantly decline in value or become worthless.

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

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, purport to require offshore special purpose vehicles that are controlled by PRC companies or individuals and that have been formed for the purpose of seeking a public listing on an overseas stock exchange through acquisitions of PRC domestic companies or assets to obtain CSRC approval prior to publicly listing their securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear. If a governmental approval of our continued listing is required, it is uncertain how long it will take for us to obtain such approval, and, even if we obtain such approval, the approval could be rescinded. Any failure to obtain, or a delay in obtaining, the requisite governmental approval for our continued listing, or a rescission of such CSRC approval if it is obtained by us, may subject us to sanctions imposed by the relevant PRC regulatory authority, which could include fines and penalties on the operations of the VIEs and their subsidiaries in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

Our PRC counsel, Dacheng, has advised us that, based on its understanding of the current PRC laws and regulations, we are not subject to the CSRC's approval under the M&A Rules for our continued listing, because (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether any continued listings are subject to this regulation; (ii) we currently control Sentage WFOE by virtue of Sentage HK acquiring 100% of the equity interest of Sentage WFOE, which is not regulated by the M&A Rules. Sentage WFOE was established by means of direct investment rather than by a merger with or an acquisition of any PRC domestic companies as defined under the M&A Rules. CSRC approval only applies to overseas listings of SPVs that have used their existing or newly issued equity interest to acquire existing or newly issued equity interest in PRC domestic companies (iii) no provision in the M&A Rules classifies the contractual arrangements under the VIE Agreements as a type of acquisition transaction falling under the M&A Rules.

Our PRC counsel, Dacheng, has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas listing, and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC governmental authorities, including the CSRC, would reach the same conclusion as our PRC counsel, and hence, we may face regulatory actions or other sanctions from them.

To the extent cash or assets of our business, or of the PRC Operating Entities, is in the PRC or Hong Kong, such cash or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong, due to interventions in or the imposition of restrictions and limitations by the PRC government to the transfer of cash or assets.

The transfer of funds and assets among Sentage Holdings, its Hong Kong and PRC subsidiaries, and the VIEs is subject to restrictions. The PRC government imposes controls on the conversion of the RMB into foreign currencies and the remittance of currencies out of the PRC. In addition, the PRC Enterprise Income Tax Law and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises, unless reduced under treaties or arrangements between the PRC central government and the governments of other countries or regions where the non-PRC resident enterprises are tax resident.

As of the date of this annual report, there are no restrictions or limitations imposed by the Hong Kong government on the transfer of capital within, into and out of Hong Kong (including funds from Hong Kong to the PRC), except for the transfer of funds involving money laundering and criminal activities. However, there is no guarantee that the Hong Kong government will not promulgate new laws or regulations that may impose such restrictions in the future.

As a result of the above, to the extent cash or assets of our business, or of the PRC Operating Entities, is in the PRC or Hong Kong, such funds or assets may not be available to fund operations or for other use outside of the PRC or Hong Kong, due to interventions in or the imposition of restrictions and limitations by the PRC government to the transfer of cash or assets.

Risks Related to Our Ordinary Shares

We may issue additional Ordinary Shares or other equity securities without your approval, which would dilute your ownership interests and may depress the market price of our Ordinary Shares.

We may issue additional Ordinary Shares or other equity securities of equal or senior rank in the future for any reason or in connection with, among other things, future acquisitions or repayment of outstanding indebtedness, without shareholder approval.

Our issuance of additional Ordinary Shares or other equity securities of equal or senior rank would have the following effects:

- our existing shareholders' proportionate ownership interest in us will decrease;
- the amount of cash available per share, including for payment of dividends in the future, may decrease;
- the relative voting strength of each previously outstanding share may be diminished; and
- the market price of our Ordinary Shares may decline.

The dual-class structure of our Ordinary Shares may adversely affect the trading market for our Class A Ordinary Shares.

We have a dual-class voting structure consisting of Class A Ordinary Shares and Class B Ordinary Shares. Under this structure, holders of Class A Ordinary Shares are entitled to one vote per one Class A Ordinary Share, and holders of Class B Ordinary Shares are entitled to 20 votes per one Class B Ordinary Share, which may cause the holders of Class B Ordinary Shares to have an unbalanced, higher concentration of voting power.

While we have not issued any Class B Ordinary Shares as of the date of this report, we might do so in the future. If we were to issue Class B Ordinary Shares, it would dilute your voting rights, ownership interests and may depress the market price of our Class A Ordinary Shares. Depending on the circumstances in which we issue the Class B Ordinary Shares, such issuance may also concentrate voting control with an individual or group of individuals.

Several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our Ordinary Shares may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A Ordinary Shares.

We are not expected to pay dividends on our Ordinary Shares in the foreseeable future.

We are not expected to pay dividends on our Ordinary Shares in the foreseeable future. Instead, for the foreseeable future, it is expected that we will continue to retain any earnings to finance the development and expansion of its business, and not to pay any cash dividends on our Ordinary Shares. Consequently, you should not rely on an investment in the Company as a source for any future dividend income.

Subject to the provisions of the Companies Act and any rights attaching to any class or classes of shares under and in accordance with the Articles, (a) the directors may declare dividends or distributions out of our funds which are lawfully available for that purpose; and (b) our shareholders may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Ordinary Shares will likely depend entirely upon any future price appreciation of our Ordinary Shares. We cannot guarantee that our Ordinary Shares will appreciate in value or even maintain the price at which you purchased the Ordinary Shares. You may not realize a return on your investment in our Ordinary Shares and you may even lose your entire investment in our Ordinary Shares.

We may become a passive foreign investment company, which could result in adverse United States federal income tax consequences to United States investors.

Based on the projected composition of our income and valuation of our assets, we are not expected to be a passive foreign investment company ("PFIC") for its current taxable year, and we do not expect to become one in the future, although there can be no assurance in this regard. Although we do not expect to be a PFIC, it is not entirely clear how the contractual arrangements between our Company and the VIEs will be treated for purposes of the PFIC rules. If it were determined that we do not own the stock of the VIEs for U.S. federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we may be treated as a PFIC. See "Item 10. Additional Information—E. Taxation—U.S. Holders—Passive Foreign Investment Company." If we are or were to become a PFIC, such characterization could result in adverse United States federal income tax consequences to you if you are a U.S. investor. For example, if we are a PFIC, its U.S. investors will become subject to increased tax liabilities under U.S. federal income tax laws and regulations and will become subject to burdensome reporting requirements. We cannot assure you that we will not be a PFIC for our current taxable year or any future taxable year.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we were formed under Cayman Islands law.

We are an exempted company with limited liability incorporated and registered under the laws of the Cayman Islands. Our corporate affairs are governed by our amended and restated memorandum and articles of association, the Companies Act and the common law of the Cayman Islands. The rights of our shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands as well as from the common law of England. Appeals from the Cayman Islands Courts to the privy Council (which is the final Court of Appeal for British overseas territories such as the Cayman Islands) are binding on the courts of the Cayman Islands. Decisions of the English courts, and particularly the Supreme Court and the Court of Appeal are generally of persuasive authority but are not binding in the courts of the Cayman Islands. Decisions of courts in other Commonwealth jurisdictions are similarly of persuasive but not binding authority. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies have no general rights under the Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Pursuant to our articles of association, shareholders will not have any right to inspect any account or book or document of the Company except as conferred by Companies Act or as authorized by our directors or by ordinary resolution of our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

Certain corporate governance practices in the Cayman Islands differ significantly from requirements for companies incorporated in other jurisdictions such as the U.S. To the extent we choose to follow home country practice, shareholders may be afforded less protection than they otherwise would have under rules and regulations applicable to U.S. domestic issuers.

We have been advised by our Cayman Islands legal counsel, Ogier (Cayman) LLP, that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us, judgments of courts of the United States obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is currently no statutory enforcement or treaty between the United States and the Cayman Islands providing for enforcement of judgments obtained in the United States. The courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive, given by a court of competent jurisdiction (the courts of the Cayman Islands will apply the rules of Cayman Islands private international law to determine whether the foreign court is a court of competent jurisdiction), and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands. Furthermore, it is uncertain that Cayman Islands courts would enforce: (1) judgments of U.S. courts obtained in actions against us or other persons that are predicated upon the civil liability provisions of the U.S. federal securities laws; or (2) original actions brought against us or other persons predicated upon the Securities Act. Ogier has informed us that there is uncertainty with regard to Cayman Islands law relating to whether a judgment obtained from the U.S. courts under civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal, punitive in nature. A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

As a result of all of the above, our shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of our board of directors or shareholders than they would as shareholders of a company incorporated in the United States.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands company and all of our assets are located outside of the United States. All of our current operations are conducted in the PRC. In addition, the majority of our officers and directors are nationals and residents of countries other than the United States and all of their assets are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of the PRC may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant laws of the Cayman Islands and the PRC.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to United States domestic public companies.

Because we are a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing of quarterly reports on Form 10-Q or current reports on Form 8-K with the SEC;
- the sections of the Exchange Act regulating the solicitation of proxies, consents, or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We are required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a half-yearly basis through press releases, distributed pursuant to the rules and regulations of the Nasdaq. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information, which would be made available to you, were you investing in a U.S. domestic issuer.

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with Nasdaq corporate governance listing standards.

As a Cayman Islands company listed on the Nasdaq, we are subject to Nasdaq corporate governance listing standards. However, the Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from Nasdaq corporate governance listing standards. A Cayman Islands company is not required to have annual general meetings. Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest. To the extent we choose to follow home country practice with respect to corporate governance matters, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers. For details as to the corporate governance matters for which we have elected to follow our home country practices, rather than Nasdaq listing standards, please see “Item 16.G—Corporate Governance.”

We have incurred and will continue to incur increased costs as a result of being a public company.

We are a public company and we incur significant accounting, legal and other expenses. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and the Nasdaq, have detailed requirements concerning corporate governance practices of public companies, including Section 404 of the Sarbanes-Oxley Act of 2002 relating to internal controls over financial reporting. These rules and regulations applicable to public companies have increased our accounting, legal and financial compliance costs and made certain corporate activities more time-consuming and costly. Our management is required to devote substantial time and attention to our public company reporting obligations and other compliance matters. Our reporting and other compliance obligations as a public company may place a strain on our management, operational and financial resources and systems for the foreseeable future.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company’s securities. If we were involved in a class action suit, it could divert a significant amount of our management’s attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Sentage Holdings Inc. (“Sentage Holdings”) was incorporated on September 16, 2019, as an exempted company with with limited liability under the laws of the Cayman Islands. Sentage Hongkong Limited (“Sentage HK”) was incorporated on September 25, 2019 in Hong Kong as a wholly owned subsidiary of Sentage Holdings.

On December 17, 2019, Shanghai Santeng Technology Co., Ltd. (“Sentage WFOE”) was incorporated pursuant to PRC laws as a wholly foreign owned enterprise. Sentage HK holds 100% of the equity interests in Sentage WFOE. Due to PRC laws and regulations on foreign ownership and investment in companies that engage in certain businesses including third-party payment services, we conduct our businesses in China through a VIE structure.

We currently operate three lines of business in loan repayment and collection management, loan recommendation, and prepaid payment network through three of the Sentage Operating Companies, Daxin Wealth, Daxin Zhuohui, and Qingdao Buytop, pursuant to a series of contractual arrangements, also known as VIE Agreements. As of the date of this annual report, Zhenyi, another VIE and Sentage Operating Company, is not engaged in active business operation but is expected to provide us with technical and system development and support in the future. All the Sentage Operating Companies were incorporated as limited companies pursuant to PRC laws. Specifically, Daxin Wealth and Daxin Zhuohui are engaged in the loan repayment and collection management business, Daxin Zhuohui provides loan recommendation services, and Qingdao Buytop provides prepaid payment network services.

On July 9, 2021, our Ordinary Shares started trading on the Nasdaq Capital Market under the symbol “SNTG.”

On July 13, 2021, we closed our initial public offering (“IPO”), pursuant to the registration statement on Form F-1 (File No.333-254558).

On December 7, 2023, at our annual shareholders meeting, the shareholders approved a share capital reorganization to re-designate and re-classify our Ordinary Shares into Class A Ordinary Shares and Class B Ordinary Shares.

As of the date of this annual report, the Company has not yet issued any Class B Ordinary Shares.

The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC using its EDGAR system. Investors may also find more information about us on our website at www.sentageholdings.com.

B. Business Overview

Sentage Holdings is not an operating company but a Cayman Islands holding company. The Company's operations are conducted through Sentage Operating Companies, or the VIEs, based in China, pursuant to the VIE Agreements. The VIE structure is not used to provide contractual exposure to foreign investment in China-based companies where Chinese law prohibits direct foreign investment in the operating companies, rather we use the VIE structure because the Chinese laws and regulations affecting Sentage Operating Companies' businesses are vague and unclear. Sentage Operating Companies engage in (i) consumer loan repayment and collection management service, (ii) loan recommendation service, and (iii) prepaid payment network service. According to "Administrative Measures of People's Bank of China on Payment Services Provided by Non-financial Institutions" ("Order 2") and "People's Bank of China Announcement [2018] No. 7 — Announcement on Matters Relating to Foreign-funded Payment Organizations" ("Announcement No. 7"), those who engage in prepaid network services business within China need to go through a special legal approval procedure to obtain third-party payment licenses. Although the People's Bank of China has loosened the requirements for foreign-invested enterprises to hold third-party payment licenses, the review procedure is still very strict in practice. At the same time, Chinese authorities have not yet made it clear whether to permit or prohibit foreign-invested enterprises to engage in prepaid network services, loan collection management and loan recommendation services, and there is a risk that Chinese authorities may prohibit direct foreign investment of such businesses.

We do not have any equity interests in the Sentage Operating Companies, whose financial results have been consolidated by us in accordance with U.S. GAAP because we are deemed to have effective control over and be the primary beneficiary of these companies, for accounting purposes only, via the VIE Agreements. However, the VIE Agreements have not been tested in a court of law in China as of the date of this annual report. Investors of our Ordinary Shares, thus, do not own any equity interest in the Sentage Operating Companies, or the VIEs, in China, but instead own equity interest in a Cayman Islands holding company. For details of the VIE Agreements, see "Introduction – The VIE Agreements"; and for the risks associated with the VIE Agreements and the VIE structure, see "ITEM 3D. Risk Factors – Risks Related to Our Corporate Structure".

Selected Condensed Consolidated Financial Schedule of Sentage Holdings Inc., its subsidiaries, and the VIEs

The following tables present selected condensed consolidated financial data of Sentage Holdings Inc. and its subsidiaries and VIEs for the fiscal years ended December 31, 2023, 2022, and 2021, and balance sheet data as of December 31, 2023, 2022 and 2022, which have been derived from our audited consolidated financial statements for those years.

SELECTED CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE LOSS

	For the year ended December 31, 2021				
<i>USD</i>	Sentage Holdings Inc.	Subsidiaries	VIE and its Subsidiaries	Eliminations	Consolidated Total
Revenue	-	-	2,262,449	-	2,262,449
Net Income (loss)	(1,748,643)	(37,372)	692,774	-	(1,093,241)
Comprehensive Income (loss)	(1,748,643)	(36,409)	844,511	-	(940,541)

	For the year ended December 31, 2022				
<i>USD</i>	Sentage Holdings Inc.	Subsidiaries	VIE and its Subsidiaries	Eliminations	Consolidated Total
Revenue	-	-	161,372	-	161,372
Net loss	(1,470,635)	(130,766)	(960,506)	-	(2,561,907)
Comprehensive loss	(1,470,635)	(183,036)	(994,319)	-	(2,647,990)

	For the year ended December 31, 2023				
<i>USD</i>	Sentage Holdings Inc.	Subsidiaries	VIE and its Subsidiaries	Eliminations	Consolidated Total
Revenue	-	-	146,554	-	146,554
Net loss	(959,981)	(146,073)	(797,223)	-	(1,903,277)
Comprehensive loss	(959,981)	(198,768)	(786,321)	-	(1,945,070)

SELECTED CONDENSED CONSOLIDATED BALANCE SHEETS

As of December 31, 2022

<i>USD</i>	Sentage Holdings Inc.	Subsidiaries	VIE and its Subsidiaries	Eliminations	Consolidated Total
Cash	-	3,785,115	20,020	-	3,805,135
Total current assets	12,740,447	6,873,303	1,442,879	(6,715,249)	14,341,380
Total assets	12,740,447	7,035,573	1,598,063	(6,715,249)	14,658,834
Total liabilities	1,466,983	3,826,962	1,905,174	(6,715,249)	483,870
Total shareholders' equity	11,273,464	3,208,611	(307,111)	-	14,174,964
Total liabilities and shareholders' equity	12,740,447	7,035,573	1,598,063	(6,715,249)	14,658,834

As of December 31, 2023

<i>USD</i>	Sentage Holdings Inc.	Subsidiaries	VIE and its Subsidiaries	Eliminations	Consolidated Total
Cash	-	2,199,879	63,002	-	2,262,881
Total current assets	10,274,640	5,250,465	1,381,679	(5,214,239)	11,692,545
Total assets	11,274,640	5,323,404	1,525,334	(5,214,239)	12,909,139
Total liabilities	962,703	2,312,015	2,618,766	(5,214,239)	679,245
Total shareholders' equity	10,311,937	3,011,389	(1,093,432)	-	12,229,894
Total liabilities and shareholders' equity	11,274,640	5,323,404	1,525,334	(5,214,239)	12,909,139

SELECTED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2021

<i>USD</i>	Sentage Holdings Inc.	Subsidiaries	VIE and its Subsidiaries	Eliminations	Consolidated Total
Net cash provided by (used in) operating activities	-	(1,815,919)	1,433,255		(382,664)
Net cash used in investing activities	-	(5,500,000)	(19,977)		(5,519,977)
Net cash provided by (used in) financing activities	(16,851)	17,360,717	(959,420)		16,401,297

For the year ended December 31, 2022

<i>USD</i>	Sentage Holdings Inc.	Subsidiaries	VIE and its Subsidiaries	Eliminations	Consolidated Total
Net cash used in operating activities	-	(6,308,455)	(371,005)	-	(6,679,460)
Net cash used in investing activities	-	-	(34,346)	-	(34,346)
Net cash used in financing activities	-	-	(156,311)	-	(156,311)

For the year ended December 31, 2023

<i>USD</i>	Sentage Holdings Inc.	Subsidiaries	VIE and its Subsidiaries	Eliminations	Consolidated Total
Net cash used in operating activities	-	(1,572,682)	(254,262)	-	(1,826,944)
Net cash used in investing activities	-	-	(23,433)	-	(23,433)
Net cash provided by financing activities	-	40,141	299,385	-	339,526

Business

Through the Sentage Operating Companies, we are a financial service provider that offers a range of financial services across consumer loan repayment and collection management, loan recommendation, and prepaid payment network services in China. Leveraging a deep understanding of the client base, strategic partner relationships, and valuation models and technologies, the Sentage Operating Companies are committed to working with the clients to understand their financial needs and challenges and offering customized services to help them meet their respective objectives.

We currently report our operating revenue from three main revenue streams, namely, (i) consumer loan repayment and collection management service, (ii) loan recommendation service, and (iii) prepaid payment network service.

For fiscal years 2023, 2022 and 2021, our revenue was \$146,554, \$161,372, and \$2,262,449, respectively, and our net loss was \$1,903,277, \$2,561,907, and \$1,093,241, respectively. The reason for the decrease in revenues and the net losses is that, due to the ongoing impact of COVID-19, we did not generate any revenue from the consumer loan repayment and collection management service, and loan recommendation service in fiscal years 2022 and 2023, and the demand for our prepaid payment network service declined sharply in fiscal years 2022 and 2023.

Revenue from the consumer loan repayment and collection management accounted for 6.9%, nil, and nil of the total revenue for the fiscal year ended December 31, 2021, 2022 and 2023, respectively. Revenue from the loan recommendation accounted for 52.1%, nil, and nil of the total revenue for the fiscal year ended December 31, 2021, 2022 and 2023, respectively. Revenue from prepaid payment network service business accounted for, 41%, 100%, and 100% of the total revenue for the fiscal year ended December 31, 2021, 2022 and 2023, respectively.

For the consumer loan repayment and collection management business, due to the uncertainties caused by the COVID-19, our prospective business partners were not able to start new cooperation with us and we were not able to generate any revenue for fiscal years 2023 and 2022. For the loan recommendation services, which requires face-to-face interaction with potential customers, the temporary lock down from April 2022 to June 2022 severely impacted our ability to generate new business. Even after June 2022, due to the uncertainties caused by COVID-19, the demand from customers decreased sharply and we were not able to generate any revenue for fiscal years 2023 and 2022. For the prepaid payment network services, the revenue in fiscal years 2023 and 2022 declined sharply because decreased demand from customers due to the uncertainties caused by COVID-19. Although China relaxed the COVID-19 restrictions at the end of 2022, because the COVID-19 has deeply affected businesses and economy in China from 2020 to 2024, the extent of any future impact of COVID-19 on our operations remains highly uncertain and unpredictable.

Consumer Loan Repayment and Collection Management Service

For the fiscal years 2023, 2022 and 2021, revenue generated from the Sentage Operating Companies' consumer loan repayment and collection management services was nil, nil, and US\$156,062, respectively. Since the end of 2017, the Sentage Operating Companies have not charged any new fees for loan repayment and collection management. All loan repayment and collection management engagements were fully completed by December 31, 2021.

The Sentage Operating Companies devised and implemented a systematic repayment and collection management process adapted to each stage of a loan. Prior to loan delinquency, the Sentage Operating Companies provided customers with services such as repayment record reconciliation and payment reminders and notices. Upon delinquency, the Sentage Operating Companies' experienced in-house team worked on recovering past-due loans during the first three months of delinquency through means that did not require face-to-face interaction. If delinquency exceeded three months, the Sentage Operating Companies outsourced loan collection services to reputable and local licensed third-party loan collection agencies, whose performance was supervised and evaluated by the Sentage Operating Companies under a monitoring system. Specifically, these third-party agencies collected past-due loans through various collection efforts such as professional skip-tracing (i.e. the process of locating a borrower who cannot be found at his or her place of residence or usual hangouts) and on-site visits. After the first six months of delinquency, if all the previous efforts to recover past-due loans remained unsuccessful, and after having received the Sentage Operating Companies' customers' express authorizations, the Sentage Operating Companies then engaged reputable third-party law firms and initiate judicial proceedings against the delinquent borrower on behalf of the customers. As the Sentage Operating Companies exclusively relied upon third-party resources for on-site visits, their in-house team was able to minimize potential physical confrontation with borrowers and effectively controlled compliance-related risks. In addition, the Sentage Operating Companies coordinated and managed all client engagements and collected information centrally through the Shanghai headquarters. Through the internal management system, the Sentage Operating Companies assigned and adjusted repayment and collection tasks to in-house specialists and third-party collection agencies based on a variety of factors. The Sentage Operating Companies believed this centralized management allowed them to streamline and standardize the payment and collection management process, effectively monitor compliance levels, and increase collection efficiency.

For fiscal years 2023, 2022 and 2021, the total amount repaid by borrowers and collected by the Sentage Operating Companies and third-party agencies reached RMB nil, RMB nil, and RMB1.01million (approximately US\$ 0.16million), respectively. While the Sentage Operating Companies offer services nationwide, they strategically focused on strengthening their presence in second-tier and third-tier Chinese cities where they observed a strong demand for consumer loans. The Sentage Operating Companies' loan repayment and collection management engagements were fully completed by December 31, 2021. Those customers paid service fees for loan repayment and collection management as part of the Sentage Operating Companies' service agreements that were entered into at the time of loan facilitation. Such prepayments were recorded as a credit to a liability account for prepayments on the Sentage Operating Companies' balance sheet. As the Sentage Operating Companies provided loan repayment and collection management services to specific customers clients, loan management and collection management fees received from customers in advance were deferred and recognized as revenue over time when designated services were performed.

All loan repayment and collection management engagements were fully completed by December 31, 2021. The Sentage Operating Companies plan to continue the consumer loan repayment and collection management business with a team of experienced loan management professionals by expanding the client base and collaborating with third-party financial institutions. The Sentage Operating Companies have been actively seeking collaboration with third-party financial institutions to further the consumer loan repayment and collection management services. However, as of the date of this annual report, the Sentage Operating Companies have not been successful in their efforts to continue their consumer loan repayment and collection management business.

Loan Recommendation Service

As part of the strategy to diversify and expand product and service offering, the Sentage Operating Companies started the loan recommendation business in June 2019. Leveraging their advanced credit assessment and risk management capabilities, the Sentage Operating Companies carefully evaluate applications and supporting materials submitted by individual borrowers and recommend those borrowers the Sentage Operating Companies deem qualified to funding partners, who in return directly provide funds to borrowers recommended by them. The Sentage Operating Companies endeavor to provide a transparent, seamless, and convenient recommendation process for both borrowers and funding partners, while safeguarding their respective interests.

The Sentage Operating Companies provide services, including processing paperwork related to borrowers' applications, evaluating credentials of borrower applicants, and appraising properties to be collateralized through data analysis and on-site inspection. For borrowers the Sentage Operating Companies acquired through business contacts, the Sentage Operating Companies do not directly charge them any service fee. Instead, referral partners first charge borrowers service fees for their referrals. The Sentage Operating Companies then charge the referral partners a commission pursuant to the service agreement between them and the referral partners.

The Sentage Operating Companies only recommend borrowers who are able to collateralize properties that have been evaluated and approved by a team of experienced in-house appraisers. This asset-driven risk management approach is designed to minimize borrowers' default risk, mitigate the impact of a default, and promote sustainable returns for the funding partners. Specifically, the Sentage Operating Companies require a current real estate appraisal on all properties that borrowers intend to collateralize. Leveraging the appraisal model and technologies, the experienced in-house appraisers first undertake a rigorous due diligence process involving intensive data collection, review, and analysis to ensure that the Sentage Operating Companies understand the state of the market and the risk-reward profile of the property. The Sentage Operating Companies then conduct a complete visual inspection of the interior and exterior of the property, through which they examine conditions that might adversely affect the property's value. After consolidating information collected through various channels, the in-house appraisers compare the property with comparable sales based on a set of factors selected to assess specific features of the property and its market conditions.

For fiscal year 2023, and as of the date of this report, due to the ongoing impact of the COVID-19 pandemic, the Sentage Operating Companies did not do any business with the funding partners. The Sentage Operating Companies provide the funding partners access to a high-quality borrower applicants base, as well as enhanced credit assessment and risk management capabilities. Once borrowers are connected to funding partners through services, funding partners will be able to extend more loans and sell other financial products to such borrowers. The Sentage Operating Companies acquire the funding partners through word-of-mouth referrals and referrals made by the shareholders and management team members, many of whom have established extensive connections in the financial industry based on their respective years of professional experience. While remaining subject to regulations on loan recommendation services, the business model does not subject the Sentage Operating Companies to the relevant local regulatory requirements that are applicable to online lending platforms, since the Sentage Operating Companies do not provide online financing intermediary services.

Borrowers may be drawn to the Sentage Operating Companies because of the convenient access to various mortgage products offered by funding partners, a transparent, easily navigable recommendation process, and a client-centric service approach aiming to understand borrowers' specific financial needs and match them with mortgage products suitable to their current situation.

For fiscal year 2021, the funding partners approved loans to borrowers recommended by the Sentage Operating Companies in the aggregate amount of RMB 256.85million (approximately US\$39.82 million) and the Sentage Operating Companies earned \$1,177,822 in recommendation service revenue. For fiscal year 2022, the Sentage Operating Companies earned nil recommendation service revenue due to that the Sentage Operating Companies were not able to engage new customers, which process required face-to-face interactions with customers, in the first half of 2022 (the peak season for this type of business). After June 2022, the demand from customers decreased sharply due to the continued uncertainties caused by COVID-19, resulting in nil in revenues for fiscal year 2022. For fiscal year 2023, the Sentage Operating Companies earned nil recommendation service revenue; this was due to recent changes in the market environment following the COVID-19 pandemic, prompting the Company to adjust and improve its products and services, which process requires more time to complete.

Prepaid Payment Network Service

The Sentage Operating Companies started providing prepaid payment network services in August 2019, offering seamless, convenient, and reliable payment services to merchants across different industries. Specifically, the Sentage Operating Companies offer prepaid cards to individual consumers who, after purchasing such prepaid cards from the Sentage Operating Companies, will be able to buy goods and services offered by the Sentage Operating Companies' merchant customers with their prepaid cards and recharge such cards online. The proceeds generated from the actual sales of the prepaid card are deposited into an escrow account designated and monitored by the PBOC. Leveraging the partnership with NetsUnion Clearing Corporation ("NetsUnion") (i.e. the only bank card clearing house and the largest card payment organization offering mobile and online payment services in China), the Sentage Operating Companies prepaid payment network services enable qualified merchants selected by the Sentage Operating Companies after rigorous internal review to accept prepaid-card payments using traditional payment terminals. During fiscal year 2021, the revenue generated from the payment services consisted of technology consulting and support fees and amounted to US\$928,565. During fiscal year 2022, the revenue generated from the payment services consisted of technology consulting and support fees and amounted to US\$161,372, which decrease was due to decreased demand due to the uncertainties of COVID-19. During fiscal year 2023, the revenue generated from the payment services consisted of technology consulting and support fees and amounted to US\$146,554, and the slight decrease in the revenue from fiscal year 2022 was due to a slightly reduced provision of technical consulting services in fiscal year 2023.

For merchant customers who need payment-related technical consulting and support, the Sentage Operating Companies charge service fees for designing tailored payment solutions, interfacing their internal systems with the Sentage Operating Companies' prepaid card payment system, and providing their staff with relevant operation training. Depending on the estimated annual transaction amount agreed by the Sentage Operating Companies and the particular merchant customer, the technology consulting and support fee ranges from RMB100,000 (approximately US\$14,474) to RMB500,000 (approximately US\$72,370). For merchant customers who need prepaid card payment services, the Sentage Operating Companies charge fees for services, including, but not limited to, collecting and processing information necessary for prepaid card issuance and authorizing transaction requests after verifying transaction information. The prepaid card payment service fee is equal to either (i) 0.3% to 0.5% of each transaction amount or (ii) 0.2% of the estimated annual transaction amount.

Merchant customers choose the Sentage Operating Companies because they are a licensed prepaid card issuer capable of offering multipurpose prepaid cards and a licensed payment service provider. In order to issue multipurpose prepaid cards, which can be used to purchase goods and services from a diverse group of merchants across industries and regions, and provide related payment services, a service provider must obtain a third-party payment license that allows such activities. As a result of the tightened control imposed by the PBOC over payment licenses in recent years, it has become much harder to obtain such licenses from relevant regulatory bodies in China. A license applicant must undergo a time-consuming application process, be able to pay an expensive application fee, and satisfy stringent standards adopted by the regulatory bodies. In light of the strong entry barriers, the Sentage Operating Companies' payment license is a unique asset. Without such license, a prepaid issuer can issue only single-purpose prepaid cards, which is limited to purchasing goods and services provided by the card issuer or companies related to the card issuer.

The Sentage Operating Companies' proprietary technology systems are critical to the development of the prepaid payment network business, allowing the Operating Companies to process a large volume of transactions, achieve high level of stability, promote workflow automation, and build an easily scalable business model. Supported by a set of integrated databases, the Sentage Operating Companies' information system can efficiently process and analyze a high volume of data, securely store the data on a cloud server, and provide each of the departments with convenient access to data. The Sentage Operating Companies' account management system allows the Sentage Operating Companies to consolidate and manage all the customers' account information and track the balances of customer accounts in an efficient manner, promoting more transparent management of fund movements. The Sentage Operating Companies regularly update the systems to improve their reliability, efficiency and compatibility with the services and evolving regulatory requirements. We believe that the proprietary technology systems will enable the Sentage Operating Companies to build a highly automated platform that is compatible with mainstream payment methods and channels across different industries. As of the date of this annual report, the Sentage Operating Companies' systems have not encountered any major system interruption.

Loan Repayment and Collection Management Service

The Sentage Operating Companies' Repayment and Collection Management Service

The Sentage Operating Companies provided consumer loan repayment and collection management services to customers by leveraging the in-house team's years of industry knowledge, strategic partnerships with third parties, standard and streamlined repayment and collection management process, centralized management, and proprietary IT infrastructure. The Sentage Operating Companies' loan repayment and collection management engagements were completed by the end of 2021. For the fiscal years 2021, 2022, and 2023, revenue generated from the consumer loan repayment and collection management services was US\$156,062, nil, and nil, respectively.

Repayment and Collection Management Process

In general, when a borrower does not make a payment as scheduled, the Sentage Operating Companies consider the loan as being delinquent.

Prior to loan delinquency, the Sentage Operating Companies provide customers with services such as repayment record reconciliation and payment reminders and notices. Specifically, the Sentage Operating Companies assist borrowers to fulfill their loan obligations according to an agreed-upon schedule through daily management and monitoring of loan repayments and provide customers with after-lending services to receive investment returns throughout the life of loan. The Sentage Operating Companies also send repayment reminders through SMSs by their service representatives before the due date for each scheduled loan repayment. Borrowers may elect to make full prepayments prior to the date for the scheduled repayment. Repayments are made directly to customers. The Sentage Operating Companies are not involved in the process of prepayment.

Upon delinquency, the Sentage Operating Companies integrate internal and external resources to implement a systematic repayment and collection management process adapted to each stage of a loan. When a loan becomes delinquent, the service representatives may contact the borrower on the same day to request an immediate payment or negotiate a repayment date. The Sentage Operating Companies utilize the following strategies to collect loans based on the severity of the delinquency:

- Within one to seven days past due, the Sentage Operating Companies will contact the defaulting borrower by phone to understand reasons for the nonpayment and inform them of consequences of past-due repayments.
- If the delinquency exceeds seven days, the borrower cannot be located, has refused to make repayment, or otherwise failed to cooperate with the Sentage Operating Companies, the delinquent loan will be sent to the in-house team for loan collection.
- During the first three months of delinquency, the Sentage Operating Companies utilize the in-house team to recover the delinquent loan using professional skip tracing, phone calls, voice messages, text messages, e-mails, etc.
- After the first three months of delinquency, the Sentage Operating Companies engage professional, licensed third-party reputable collection agencies who will be responsible for collecting the delinquent loan. In addition to the methods utilized by the in-house team, they also pay on-site visits to borrowers.
- After the first six months of delinquency, the Sentage Operating Companies engage reputable third-party law firms and initiate judicial proceedings against the borrower on behalf of the customer after obtaining his or her authorization. The Sentage Operating Companies provide a holistic range of services across all phases of a judicial proceeding to assist the customer with navigating the process, such as serving as an intermediary between the customer and the legal team and explaining legal documents to the customer in a clear and concise manner.
- During any stage as described above, borrowers directly make repayments to customers. The Sentage Operating Companies are not involved in the process of repayment.

Quality Assurance

We believe that quality assurance is critical to the success of our business. To ensure in-house specialists and third-party agencies consistently provide quality services that meet the standards, the Sentage Operating Companies have designed and adopted the following set of policies and procedures to incentive them, help them improve based on their past performance, and manage their workload based on their experience and expertise.

- *Daily inspection.* The department leaders of each team perform daily spot checks on several collection cases for potential compliance violations. The Sentage Operating Companies' operating portal records all telephone conversations between the in-house specialists and borrowers, and the system transcribes some of these recordings into text for the quality assurance team to internally review in accordance with the quality assurance protocol. The Sentage Operating Companies operating portal also conducts daily keyword searches against all the work logs generated that day for potential violations. If a violation is identified, the Sentage Operating Companies issue a disciplinary action against the specialist. The Sentage Operating Companies' disciplinary actions vary from warning to termination, which are issued depending on the seriousness of the violation. Furthermore, the Sentage Operating Companies analyze work logs and telephone recordings collected from daily inspections for performance trend and non-compliant activities and train the Sentage Operating Companies' specialists based on these findings in order to improve their performance.
- *Performance Evaluation and Review.* Sentage Operating Companies have employed a monitoring system that monitors the in-house specialists and third-party agencies' performances at different stages of the loan repayment and collection management process and evaluates them based on a set of key performance indicators, or KPIs. The Sentage Operating Companies use KPIs to assess in-house specialists and third-party agencies' service quality, collection efficiency, and compliance with relevant laws, regulations and internal procedures. The Sentage Operating Companies' quality assurance team continuously monitors the performance and compliance of the in-house specialists and third-party agencies to ensure that they employ appropriate collection methods to achieve better collection performance through KPI tracking, phone call recording assessment, complaint call feedback, and internal training and examination.
- *Performance-based compensation structure.* The Sentage Operating Companies require the in-house specialists and third-party agencies to meet the minimum performance standards predetermined by their management team and tie their performance to compensation structures.
- *Case assignment.* The Sentage Operating Companies' performance monitoring system analyzes the past performance of each in-house specialist to aid the case assignment process. For example, potentially contentious cases that are likely to cause complaints are assigned to more experienced specialists, instead of those with less experience or have a record of compliance violations, as a way for the Sentage Operating Companies to manage and reduce the noncompliant risk.

The Sentage Operating Companies require all the employees to strictly comply with compliance policies and laws and regulations. For example, the in-house specialists are not allowed to contact a borrower for more than five times a day; no contact shall be made before 8 a.m. or after 10 p.m.; and unless authorized by the customers, the in-house specialists are not allowed to make proposal to reduce the loan value as a compromise. If any employee violates such requirements, the Sentage Operating Companies will issue certain penalties that range from warnings to termination of employment.

Furthermore, the Sentage Operating Companies require the in-house specialists to contact borrowers only through the means allowed under standard procedures. The in-house specialists are not allowed to have face-to-face contact with any borrower. When contacting borrowers over phone, in-house specialists are required to make such calls only from operating center landline or encrypted mobile phones issued by the Sentage Operating Companies, which record all of the telephone conversations and are subject to the system's real-time automatic monitoring.

The Sentage Operating Companies carefully select third-party agencies by performing thorough due diligence through which the Sentage Operating Companies review their corporate history, past business activities, professional licenses necessary for their operation, and internal compliance policies and measures, etc. In addition to constantly monitor and evaluate third-party agencies' activities through means described in "Performance Evaluation and Review," the Sentage Operating Companies establish guidelines and limitations on their collection actions and take measures to enforce those guidelines and limitations. Specifically, the Sentage Operating Companies regularly pay on-site visits to ensure that the collection actions of third-party agencies are compliant and the customers' information is properly stored and managed. Furthermore, each third-party law firm with whom the Sentage Operating Companies collaborate is selected from an accredited industry law firm list, has compatible information technology systems, and meet certain other specific criteria.

Compliance

We believe the Sentage Operating Companies' core competence lies in the ability to provide quality customer service and compliance with applicable laws and regulations. The Sentage Operating Companies have undertaken the following measures to ensure compliance.

Compliance Policies

The Sentage Operating Companies have adopted the following compliance policies:

- *Employee Code of Conduct.* The Sentage Operating Companies' efforts to maintain compliant operations starts with the training and continuing education of the employees. The Employee Code of Conduct sets forth the basic code of ethics, proper business conduct and obligations to customers. In particular, the code emphasizes the importance of keeping proprietary information confidential and maintaining a high level of professionalism in the performance of work functions, and have strict guidelines that prohibit certain actions such as selling borrower information, impersonating government officials, threat of violence, and use of vulgar or inappropriate language. In addition, the code specifies the reward and disciplinary actions for employees abiding by or violating this Employee Code of Conduct and other company regulations.
- *Quality Assurance Management Plan.* The goal of implementing the Quality Assurance Management Plan is to standardize the repayment and collection management operations, minimize risks related to repayment and collection management services, and ensure compliance with government and internal regulations. The plan sets forth definitions of violating conduct, including improper management of private and personal information, procedural violations, and fraudulent conduct and violations specific to loan repayment and collection management. The plan also includes corresponding penalties for employee violations and subsequent remediation plans to minimize the damage and prevent future incidents of similar violations. The plan consists of (i) Telephone Record Inspection Regulation; (ii) Compliance Management Regulation; (iii) Information Security Regulation; (iv) Work Log Inspection Regulation; and (v) Trade Secret Protection Regulation.

Compliance Structure

In addition to implementing the Sentage Operating Companies' compliance policies to regulate employee conduct, the Sentage Operating Companies also established an internal committee to monitor employee conduct, investigate possible violations, and ensure policy adherence. The committee is responsible for monitoring employee activities daily to observe and detect possible violations and investigating possible violations after the violations have been reported to the management team of the company. The committee is also in charge of communicating with borrowers who raise disputes or complaints in person, if necessary, in order to explain and appease the situation. The Sentage Operating Companies engage third-party legal counsels, who assist the Sentage Operating Companies with regulation and policy interpretation.

Compliance Management

If borrowers find the Sentage Operating Companies' repayment and collection methods and the conduct of the Sentage Operating Companies' in-house specialists unacceptable and believe that such methods and conduct infringe upon their rights, they may initiate lawsuits against us alleging improper conduct and violations of law. As of the date of the annual report, the Sentage Operating Companies have not been involved in any lawsuit initiated by customers.

If a customer determines that the Sentage Operating Companies failed to comply with the Sentage Operating Companies' quality assurance obligations under the contract between the Sentage Operating Companies and such customer, such customer may penalize the Sentage Operating Companies monetarily or rescind the contract if the breach is severe. As of the date of the annual report, none of the customers to whom the Sentage Operating Companies have provided services has penalized us monetarily or rescinded contracts with the Sentage Operating Companies.

The Sentage Operating Companies take allegations seriously and have developed a systematic approach to avoid potential allegations. If an in-house specialist believes that a borrower is likely to initiate a lawsuit based on his/her interaction with the borrower, he/she is required to report the case to the respective quality assurance team. The quality assurance personnel then contact the borrower directly and seeks to address the borrower's concern in order to reduce the likelihood of a lawsuit. Once notified of the potential lawsuit, the management team will immediately conduct a preliminary investigation to verify the allegations. If the allegations are not substantiated and the customer is notified of the findings, the customer may attempt to communicate with the borrower directly. If the allegations are substantiated, the Sentage Operating Companies and the customers will both attempt to communicate with the borrower. Based on the information the Sentage Operating Companies receive from the borrower, the Sentage Operating Companies may undertake certain actions to rectify the problem, including to compensate the borrower after negotiation with the customers, and/or to demote or terminate the responsible in-house specialist in accordance with the Sentage Operating Companies' compliance policies.

In an effort to avoid potential allegations, the Sentage Operating Companies carefully assign cases to the in-house specialists, monitor employees' conduct according to the compliance policies during the repayment and collection management process, and implement proper training to continuously educate the employees about the Sentage Operating Companies' compliance policies and government rules and regulations. For details on the effects of the in-house specialists' conduct on business, see "Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industries—*Our employees and collection specialists of third-party agencies may violate the Sentage Operating Companies' compliance policies and government rules and regulations during the repayment and collection management process.*"

In-House Team and Third-Party Business Partners

To maximize the effectiveness of the Sentage Operating Companies' loan repayment and collection management efforts, the in-house team, which includes service representatives and collection specialists, is organized based on levels of seniority and specific areas of expertise. The in-house team members are organized by work groups based on client coverage, with each work group under the supervision of a senior team member, who in turn report to a single senior manager responsible for the work group. As the in-house team members are assigned to different stages of the repayment and collection management process, they are able to familiarize with clients' specific needs and requirements, enhance operational efficiency and service quality, and become specialized experts in their signed stages.

If delinquency exceeds three months, the Sentage Operating Companies outsource loan collection services to reputable and local licensed third-party loan collection agencies, whose performance is supervised and evaluated by the Sentage Operating Companies under a monitoring system. Specifically, these third-party agencies collect past-due loans through various collection efforts such as professional skip-tracing and on-site visits based on specific guidelines established by the Sentage Operating Companies' management team and set forth in a third-party service agreement. After the first six months of delinquency, if all the previous efforts to recover past-due loans remain unsuccessful, and after having received the customers' express authorizations, the Sentage Operating Companies then engage reputable third-party law firms and initiate judicial proceedings against the delinquent borrower on behalf of the customers. Once the Sentage Operating Companies start their collaboration with a collection agency or a law firm, their management actively monitors and reviews their performance and service quality on an ongoing basis. The Sentage Operating Companies' management received analyses, including collection activities and litigation progress, from the in-house team to evaluate the results of the efforts of the collection agency or the law firm. Based on their internal guidelines, the Sentage Operating Companies' management may move certain loans from one third-party agency to another if it anticipates that this will result in an increase in collection. For details of their approaches to quality assurance, see "—Quality Assurance."

As of the date of this annual report, the Sentage Operating Companies partnered with 5 third-party collection agencies and 7 law firms. The Sentage Operating Companies entered into standard service agreements with the collection agencies and law firms, pursuant to which the Sentage Operating Companies are obligated to pay service fees to them after they have satisfied their performance obligations. A customer is not responsible for the service fees payable to third-party collection agencies and law firms. The actual loan amount a customer will receive at the end of the repayment and collection process is the entire repaid and collected loan amount.

Customers, Loans, and Services Fee

The existing loan repayment and collection management engagements were completed by the end of 2021.

With a team of experienced loan management professionals, the Company plans to continue its consumer loan repayment and collection management business by expanding its client base and collaborating with third-party financial institutions. As of the date of the annual report, although the Sentage Operating Companies are in active conversation with a number of prospective customers, the Sentage Operating Companies have not secured a new source of revenue to replace the loss of the Sentage Operating Companies' current engagements. The Sentage Operating Companies plan to charge prospective clients on a commission basis. The Sentage Operating Companies believe the Sentage Operating Companies' proven track record, industry reputation, integrated repayment and collection management approach, and centralized management sets solid foundation for the Sentage Operating Companies to develop relationships with prospective clients. However, the Sentage Operating Companies cannot guarantee the success of such business plan.

Loan Recommendation Service

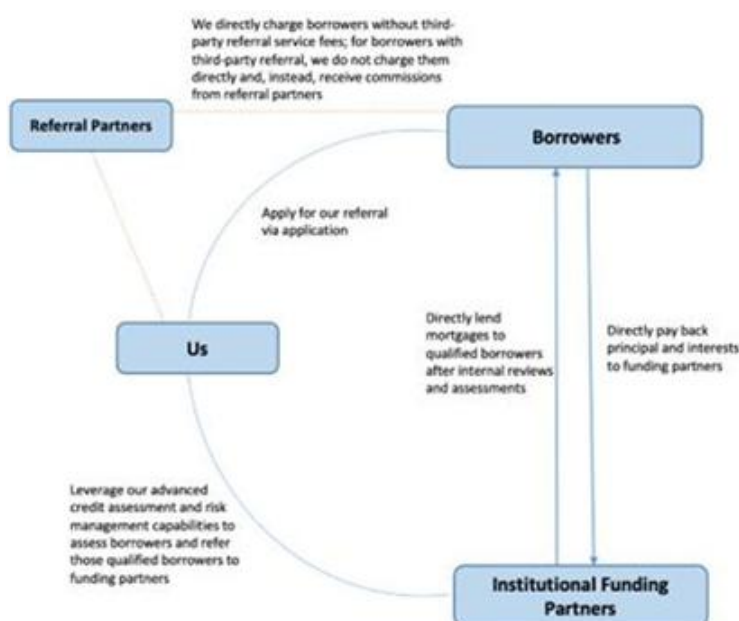
Business Model and Recommendation Process

As part of the strategy to diversify and expand the product and service offerings, the Sentage Operating Companies started the loan recommendation service in June 2019. Leveraging the advanced credit assessment and risk management capabilities, the Sentage Operating Companies carefully evaluate applications and supporting materials submitted by individual borrowers and recommend those borrowers deemed qualified to funding partners, who in return directly provide funds to borrowers recommended by the Sentage Operating Companies. The Sentage Operating Companies endeavor to provide a transparent, seamless, and convenient recommendation process for both borrowers and funding partners, while safeguarding their respective interests. For fiscal year 2021, the Sentage Operating Companies' funding partners had approved loans to borrowers recommended by the Sentage Operating Companies in the aggregate amount of RMB256.85million (approximately US\$39.82million) and the Sentage Operating Companies earned \$1,177,822 recommendation service revenue. For the fiscal years 2022 and 2023, the Sentage Operations Companies did not generate any recommendation service revenue, as it did not refer any borrowers during such years.

The length of the recommendation process from reviewing a borrower application to making a loan recommendation is typically completed within five business days. Once a prospective borrower submits their application to the Sentage Operating Companies, the Sentage Operating Companies adopt a rigorous selection process to assess their qualifications and minimize the borrower's default risk, use an asset-driven, disciplined risk management approach to minimize the borrower's default risk and mitigate the impact of the borrower's default. After completing the Sentage Operating Companies' review, the Sentage Operating Companies recommend qualified borrowers directly to the Sentage Operating Companies' funding partners. For details, refer to “—Step 3: Loan Recommendation” and “—Users and Partners—Financial Institutional Partners.”

The typical borrowing cost payable by borrowers includes (i) interest payable to the funding partners; (ii) service fee charged by us or third-party referral partners, (iii) prepayment fee, if applicable, and (iv) penalty fee for late payment, if applicable. Subject to changes made by the Sentage Operating Companies' funding partners, principal and interests are usually repaid on a monthly basis. Funding partners approve the prepayments and set the rate of repayment fees. Borrowers are subject to penalty fees for late payment. Repayment fees and penalty fees are directly paid to the Sentage Operating Companies' funding partners.

The following diagram illustrates the transaction process through which the Sentage Operating Companies offer loan recommendation services:



Step 1: Screening

Either through business contacts or word-of-mouth referral, a potential borrower applicant with needs for a mortgage may contact us over the phone and through email. A member of the Sentage Operating Companies' credit assessment team will present an overview of mortgage products available, recommendation procedures, and assessment criteria and approval standards, learn about the borrower's background, and briefly discuss whether his or her financing needs can be met with the mortgage products available.

After the initial screening, the credit assessment team will either decline or allow the applicant to apply based on available information. At this stage, approximately 30% of loan recommendation applications are being rejected.

Step 2: Application

Borrower applicants who passed the preliminary screening will need to fill out the application forms at the Sentage Operating Companies' headquarters in Shanghai City, China and provide the Sentage Operating Companies with basic information, including but not limited to identification documents and other requested personal information, such as PRC ID card details, a mobile phone number, educational level, information related to employment status, and bank account details. Because only applicants who are able to collateralize qualified properties are considered, the Sentage Operating Companies require them to submit a copy of ownership certificate at this stage. The prospective borrower will also be guided to authorize the Sentage Operating Companies to gain access to their credit history and other information from external sources. For more details on the information the Sentage Operating Companies collect from potential borrowers, see "*—Credit Assessment and Risk Management—Data Collection and Verification.*"

After reviewing a borrower applicant's materials, the credit assessment team will determine if the borrower applicant qualifies under the internal review guidelines. The Sentage Operating Companies' team will either decline or further process the loan recommendation application. At this stage, the Sentage Operating Companies typically decline approximately 30% of all borrower applications.

Step 3: Credit Assessment and Risk Management

The Sentage Operating Companies conduct credit assessments for those applicants whom the Sentage Operating Companies have selected after the preliminary review. The rigorous, comprehensive review process involves information collection, verification, and analysis through various sources, as well as a multidimensional real estate appraisal. Specifically, the credit assessment team evaluates the applicant's credit history, liquidity, and other criteria to develop a borrower profile that is measured against the internal review guidelines and measures. Additionally, they analyze title reports, credit reports, real estate holdings, disclosures, and legal reviews to ensure that the applicant is deemed credit worthy. The Sentage Operating Companies pay extra attention to evaluating the value, conditions, risks, and the market of the property the applicant is able to collateralize. For an applicant to receive the Sentage Operating Companies' recommendation, the Sentage Operating Companies require that the appointed in-house appraiser and risk-management team both recommend his or her property as qualified collateral in their opinion and report.

After the review, the Sentage Operating Companies' credit assessment team may approve or decline the borrower application. Borrower applicants are notified of the results, and successful applicants proceed to the loan recommendation stage. At this stage, approximately 10% to 15% of all loan recommendation applications submitted were rejected. For details of the credit assessment process, see "*—Credit Assessment and Risk Management.*"

Step 4: Loan Recommendation

The Sentage Operating Companies recommend qualified borrowers directly to funding partners. The funding partners, after completing their internal risk assessment and loan approval procedures, make the final credit decisions and directly fund borrowers with mortgage suitable for borrower's financial situation. For fiscal years 2021, 2022 and 2023, approximately 100%, nil and nil borrowers we recommended were accepted by the funding partners.

Credit Assessment and Risk Management

The Sentage Operating Companies have devised and implemented a systematic credit assessment model and an asset-driven, disciplined risk management approach to minimize a borrower's default risk and mitigate the impact of default. Specifically, the Sentage Operating Companies' assessment model and risk management capabilities not only enable us to select high-quality borrowers whose financial conditions and personal background meet the Sentage Operating Companies selection criteria, but also protect the funding partners against lending more than they might be able to recover in the case of default. The Sentage Operating Companies apply the same disciplined review process to all types of loan recommendation applications. The Sentage Operating Companies' asset-driven risk management philosophy encompasses property-level due diligence, including ownership certificate and related document review, local market liquidity analysis, trend assessment, and a rigorous appraisal process. In addition, the Sentage Operating Companies perform individual borrower due diligence, including personal information review and verification. We believe the ability to access, process, and analyze an extensive amount of public and proprietary information regarding the borrower and their collateral offers the Sentage Operating Companies a differentiated perspective and risk management ability. The Sentage Operating Companies' mission is to provide the best-in-class credit assessment and risk management, all within a streamlined, transparent, and compliant workflow process.

Master Review Policy

The Sentage Operating Companies operate under a documented master review policy, which outlines the standard credit assessment guidelines and risk management procedures. The guidelines and procedures were developed, and are continually reviewed, by the senior management team comprised of individuals with over 15 years of experience managing real estate loans. The Sentage Operating Companies revise these guidelines and procedures from time to time based on mortgage performance feedback provided by the funding partners and as market conditions change. We believe the guidelines and procedures are key differentiators compared to our peers, as they facilitate both speed and consistency of execution.

Information Collection, Verification, and Fraud Detection

The Sentage Operating Companies utilize a proprietary information system to store and process comprehensive information gathered through various sources, including the database, government and Internet sources, and third-party data providers, supplemented by the manual input of data collected through on-site inspections and other means of offline verification.

The Sentage Operating Companies collect information about borrowers, which typically include age, education level, marital status, employment, credit history, and bank transaction history. For information the Sentage Operating Companies collect for real estate appraisal, refer to “—*Real Estate Appraisal and Review*.”

The Sentage Operating Companies make every effort to ensure the accuracy and reliability of the information the Sentage Operating Companies collect, and to safeguard the privacy of such information. For example, the Sentage Operating Companies collaborate with third parties to verify the applicant’s identity by confirming his or her name, ID number and mobile number. The Sentage Operating Companies also cross examine data they collect from different outside sources to verify data provided by applicants. The Sentage Operating Companies require all the applicants to provide us a letter of guaranty which guarantees the authenticity of all the information provided by them. For applicants who intend to use a mortgage to finance their businesses, the Sentage Operating Companies verify their loan purposes by requiring them to submit contracts and supporting documents.

The Sentage Operating Companies combat fraud through advanced analytical methods, based on the information the Sentage Operating Companies collect, as well as working with the third-party data providers to access centralized databases of confirmed fraud cases, which serves as a critical and highly effective cross check of their own analyses. In addition, to effectively combat against fraudulent activities, the Sentage Operating Companies have adopted internal policies that prohibit the employees from facilitating fraudulent activities with borrowers or any other third-party.

Real Estate Appraisal and Review

The foundation of the Sentage Operating Companies’ risk management is real estate appraisal. The Sentage Operating Companies require a current real estate appraisal on all properties that borrowers intend to collateralize. The valuation process is led by the in-house appraisers who have received rigorous training and have years of experience evaluating a wide range of commercial and residential properties in Shanghai City, China. By leveraging their appraisal expertise and extensive knowledge of the local market, the Sentage Operating Companies are able to factor different risks associated with the properties into the appraisal process. Such process enables borrowers to obtain the loan amount that accurately corresponds to the value of their properties and properly reflects the local market liquidity.

The in-house appraisers first undertake a rigorous due diligence process involving intensive data collection, review, and analysis, to ensure that they understand the state of the market and the risk-reward profile of the property. Specifically, they utilize the historical data, as well as verified, reputable third-party data sources to identify market trends, comparable sales, and other relevant real estate data including government regulations and environmental concerns. The in-house appraisers then conduct a complete visual inspection of the interior and exterior of the property, through which they notice and examine conditions that might adversely affect the property’s value, including but not limited to, location, neighborhood, type, facing direction, floor plan and size, needed repair, decoration style, etc. To enhance the quality of the appraisal, the Sentage Operating Companies often order property inspection reports to better understand the property’s physical condition. After consolidating information collected through various channels, the in-house appraisers compare the property with comparable sales based on a set of factors selected to assess specific features of the property and its market conditions. To ensure the reliability of the appraisal result, the Sentage Operating Companies also consult property values estimated by licensed, reputable third-party real estate appraisers. Currently, the Sentage Operating Companies have maintained long-term partnerships with several third-party appraisers, which are recognized as AAA (i.e. the highest level) appraisal institutions by the China Appraisal Society and have consistently provided appraisal-related services to leading banks and other financial institutions across the nation during the last several decades.

For commercial properties, i.e. properties with strong earning ability, the in-house appraisals adopt an income capitalization approach in addition to the original appraisal. Specifically, the in-house appraisers determine an estimate of gross income, expenses, net operating income and appropriate cap rate of the property based on available information. The estimate is then used to adjust the Sentage Operating Companies’ valuation results in the original appraisal.

The Sentage Operating Companies ask the in-house appraisers to provide an opinion for each real estate appraisal, which is submitted to the risk management team to review. The risk management team then analyzes the property based on the appraisal opinion, along with all other relevant data, and concludes their findings in an internal review report. Throughout the appraisal process, the management team constantly monitor the in-house appraisers’ performance and evaluate their performance based on the institutional finding partners’ feedback on the quality of the appraisal opinions.

The Sentage Operating Companies generally avoid lending on properties that are special purpose in nature. Currently the Sentage Operating Companies require properties to be in Shanghai City, China, where the Sentage Operating Companies' headquarters are located. In the future, as the Sentage Operating Companies aim to expand the Sentage Operating Companies' presence into first-tier cities in China, qualified properties in these cities will be acceptable collateral to us.

Mortgage Products Offered by the Funding Partners

The mortgages borrowers obtain through the loan recommendation services typically have the following characteristics:

Mortgage Size and Type

The mortgage loans borrowers obtain through the recommendation services originate in principal amounts ranging from RMB1 million (approximately US\$140,841) to RMB20 million (approximately US\$2.82 million). The Sentage Operating Companies use a number of credit assessment procedures and risk management measures to verify prospective borrowers' loan purposes, including certifications from prospective borrowers, business contract and document review, external information verification sources, and other checks. For more detail on information verification, see "—Credit Assessment and Risk Management—Information Collection, Verification, and Fraud Detection."

Property Types

Mortgages borrowers obtained through the Sentage Operating Companies' loan recommendation services are typically secured by the following property types:

Residential	Traditional apartment buildings, duplexes, condominiums and other properties zoned for living or dwelling
Commercial	Commercial property occupied by professional or business offices and other properties zoned for profit generation

The Sentage Operating Companies generally avoid special-purpose properties such as assisted-living facilities. For fiscal years 2021, 2022 and 2023, residential properties constituted the major collateral type, representing approximately 100%, 0%, and 0%, respectively, of all the mortgages borrowers have obtained through the Sentage Operating Companies' recommendation.

Geography

Currently, the Sentage Operating Companies only consider qualified properties located in Shanghai City, China as acceptable collateral. We believe that the Sentage Operating Companies' strategic choice on the geographical location allows us to provide high-quality appraisal services by leveraging the team's extensive knowledge of the local market and stable business partnerships the Sentage Operating Companies have built with reputable local third-party appraisers and other service providers. Such strategy ensures that borrowers are able to obtain the loan amount that accurately corresponds to the value of their properties and properly reflects the local market liquidity. It also protects the funding partners against lending more than they might be able to recover in the case of default.

Third-Party Guarantee

Depending on funding partners' specific requirements, some of the mortgages are guaranteed by third-party guarantors.

Principal Amount

The Sentage Operating Companies do not determine the principal amount, which is entirely decided by the funding partners. However, the funding partners do rely on credit assessment results, appraisal opinions, and other information provided by us. The principal amount is determined by, among other factors, the borrower's creditworthiness, the value of the property, the strength of the local market, etc. Subject to funding partners' specific requirements and valuation metrics, property value is typically the driving factor determining the principal amount. Among all the mortgages borrowers have obtained through the Sentage Operating Companies' recommendation, the principal amount of mortgages secured by residential properties typically equals 50% to 70% of the estimated property value, whereas the principal amount of mortgages secured by commercial properties typically does not exceed more than 50% of the estimated property value.

Term and Interest Rate

Depending on the types of funding partners, a borrower's specific loan purpose, and the value of the borrower's collateralized property, mortgage term ranges from one year to ten years. The mortgage interest rate is entirely decided by the funding partners.

The typical mortgage in the Sentage Operating Companies' product portfolio provides a fixed-rate, interest-only term. As of the date of this report, all the mortgages borrowers have obtained through the Sentage Operating Companies' recommendation had an initial loan term of 24 to 36 months with an interest rate of 6% to 8%.

Borrowers and Partners

Borrowers

The Sentage Operating Companies aim to serve individual business owners who are able to collateralize qualified properties.

The Sentage Operating Companies' value proposition to individual business owners is convenient access to various mortgage products offered by the Sentage Operating Companies' network of funding partners. Specifically, due to fast-evolving commercial environment, limited planning abilities, and the lack of a nationwide credit rating system in China, these business owners have limited credit access through traditional financial institutions and lack alternative borrowing channels with reasonable cost. The Sentage Operating Companies also strive to provide them a transparent, easily navigable recommendation process through a comprehensive range of customized services. At the initial stage of the Sentage Operating Companies' recommendation process, the Sentage Operating Companies provide clear documentation requirements and recommend different funding sources and mortgage products to borrowers based on their personal background and specific financing needs. The Sentage Operating Companies take time to explain terms and conditions of specific mortgage products in details and assist borrowers in application material preparation. Throughout the recommendation process, the Sentage Operating Companies endeavor to serve as the intermediary between borrowers and funding partners to resolve any confusion or misunderstanding caused by information mismatch.

For prospective borrowers the Sentage Operating Companies acquired through business contacts, the Sentage Operating Companies do not directly charge them any fees. Instead, the Sentage Operating Companies' referral partners first charge borrowers service fees for their referral. The Sentage Operating Companies then charge the referral partners a commission as a percentage of the loan amount pursuant to the service agreements between us and the referral partners. Referral partners typically pay us commission fees within 30 days after funding partners provide loans to borrowers. For the remaining prospective borrowers, we directly charge them service fees pursuant to the Sentage Operating Companies' service agreements with such prospective borrowers. The service fee is charged as a percentage of the loan amount. A borrower pays us the service fee in a lump sum upon receiving the proceeds of the mortgage from a funding partner.

All the borrowers are geographically concentrated in Shanghai City, China. In the future, as the Sentage Operating Companies expand the presence into first-tier cities in China, the Sentage Operating Companies will consider prospective borrowers who are able to collateralize qualified properties in these cities.

Business Partners

Funding Partners

The Sentage Operating Companies provide loan recommendation services to individual borrowers and work with a group of funding partners with whom the Sentage Operating Companies have established long-term business partnerships. The Sentage Operating Companies do not provide funds to each borrower, nor do they get funds from the funding partners. The Sentage Operating Companies only serve as an intermediary between borrowers and the funding partners to facilitate the borrowing process. Funding partners are financial institutions that provide loans to borrowers. Funding partners in China can be commercial banks, small loan companies, pawnshops, trust companies, and asset management companies. The funding partners the Sentage Operating Companies work with are required to be fully compliant and licensed financial institutions with stable financial resources, which are recognized by the Chinese government. The Sentage Operating Companies can match different borrowers with the funding partners according to each borrower's qualifications, such as the value of its collaterals, its business cash flow, financial credit status, and repayment schedules. Currently, the Sentage Operating Companies do not maintain any cooperative contracts with any funding partners. The Sentage Operating Companies are not substantially dependent upon any agreements with any of these funding partners.

Specifically, the Sentage Operating Companies leverage the advanced credit assessment and risk management capabilities to select high-quality borrower applicants whose financial conditions and personal background meet the selection criteria, estimate the value of their property through a rigorous appraisal process, and recommend qualified borrower applicants to the funding institutional partners. After receiving recommendations, the funding partners may elect to underwrite mortgages based on their own risk appetites.

The Sentage Operating Companies all the financial institution funding partners are commercial banks, the majority of which are reputable national and regional banks. In the future, the Sentage Operating Companies plan to expand and diversify the funding partner base by seeking opportunities to collaborate with other kinds of institutions and organizations, including pawnshops, micro-lending companies, etc.

The Sentage Operating Companies establish relationships with the funding partners through word-of-mouth referrals and referrals made by the shareholders and management team members, many of whom have established extensive connections in the financial industry based on their professional experience.

The funding partners choose to partner with the Sentage Operating Companies for access to the Sentage Operating Companies' borrower applicants base, enhanced credit assessment and risk management capabilities, and other services, including borrower and product matching. The Sentage Operating Companies' value proposition is further magnified by the repeat lending and cross-selling opportunities the Sentage Operating Companies provide to them. Once borrowers are connected to funding partners through the Sentage Operating Companies' services, funding partners will be able to extend more loans and sell other financial products to such borrowers. The Sentage Operating Companies do not receive any fees or commissions on such additional loan products. Historically, the Sentage Operating Companies have delivered value in the form of a delinquency rate of zero percent for the funding partners. However, there is no guarantee that the Sentage Operating Companies will maintain a low default rate in the future, as the Sentage Operating Companies only recently started the loan recommendation business and the default rate may change as the mortgage loans granted to borrowers the Sentage Operating Companies recommended become more seasoned. As the Sentage Operating Companies have built their industry credibility and earned trust from funding partners based on the proven track record, they are currently exploring the possibility to provide new services to them, such as post-origination services. Although subject to regulations on loan recommendation services, their business model does not subject us to the relevant local regulatory requirements that are applicable to online lending platforms since the Sentage Operating Companies do not provide online financing intermediary services. We believe that the Sentage Operating Companies' strengthened cooperation with funding partners allows us to sustainably grow their business and mitigate the negative impact brought by the continuing challenging regulatory environment in China.

Other Partners

- *Borrower acquisition.* The Sentage Operating Companies leverage cooperation with referral partners to acquire borrowers. As of the date of this annual report, the Sentage Operating Companies do not maintain any cooperative contracts with any third-party referral partners. A referral partner first charges a borrower service fee for its referral pursuant to their service agreement. The Sentage Operating Companies then charge the referral partner a commission as a percentage of the loan amount pursuant to the service agreement between us and the referral partner. For more details on the Sentage Operating Companies' collaboration with referral partners, see "*—Borrowers.*" Currently, the Company does not maintain any cooperative contracts with any referral partners. The Sentage Operating Companies are not substantially dependent upon any agreements with any of these referral partners.
- *Property Appraisal.* To ensure the reliability of their appraisal result, the Sentage Operating Companies consult property values estimated by licensed and reputable third-party real estate appraisers. The Sentage Operating Companies currently maintain long-term partnerships with several third-party appraisers which are recognized as AAA (i.e. the highest level) appraisal institutions by the China Appraisal Society. Currently, the Sentage Operating Companies do not maintain any cooperative contracts with any third-party appraisers. The Sentage Operating Companies are not substantially dependent upon any agreements with any of these third-party appraisers.
- *Data.* In addition to publicly available sources, the Sentage Operating Companies use services provided by technology companies, such as Tianyancha and Qichacha, to access larger borrower databases. In the future, the Sentage Operating Companies also plan to work with other technology service providers to further expand the database and diversify the verification channels, which allow them to enhance the credit assessment model and optimize the operational efficiency. Currently, the Sentage Operating Companies do not maintain any cooperative contracts with any one of these service providers. The Sentage Operating Companies are not substantially dependent upon any agreements with any of these service providers.

Prepaid Payment Network Services

The Sentage Operating Companies' Business Model

The Sentage Operating Companies started providing prepaid payment network services in August 2019, offering seamless, convenient and reliable payment services to merchants across different industries. Specifically, the Sentage Operating Companies offer prepaid cards to individual consumers who, after purchasing such prepaid cards from us, will be able to buy goods and services offered by the merchant customers with their prepaid cards and recharge such cards online. The proceeds generated from the actual sales of the prepaid card are deposited into an escrow account designated and monitored by the PBOC. Leveraging the partnership with NetsUnion, the Sentage Operating Companies' prepaid card payment services enable qualified merchants selected by us after rigorous internal review to accept prepaid-card payments using traditional payment terminals. The Sentage Operating Companies provide merchant customers with payment-related technology consulting and support services and prepaid card payment services. The Sentage Operating Companies charge merchant customers two separate fees for each kind of services the Sentage Operating Companies provide. For details on services the Sentage Operating Companies provide and fees they charge, see "*—Technology Consulting and Support Services,*" "*—Prepaid Card Payment Services,*" and "*—Our Customers—Pricing.*"

The payment service business enables the Sentage Operating Companies to develop a deep understanding of customers' needs and will allow them to provide merchants with continuously improving services and technologies. For fiscal years 2021, 2022 and 2023, revenue generated from the prepaid payment network services, consisted of technology consulting and support fees, was US\$928,565, US\$ 161,372, and US\$146,554, respectively.

Technology Consulting and Support Services

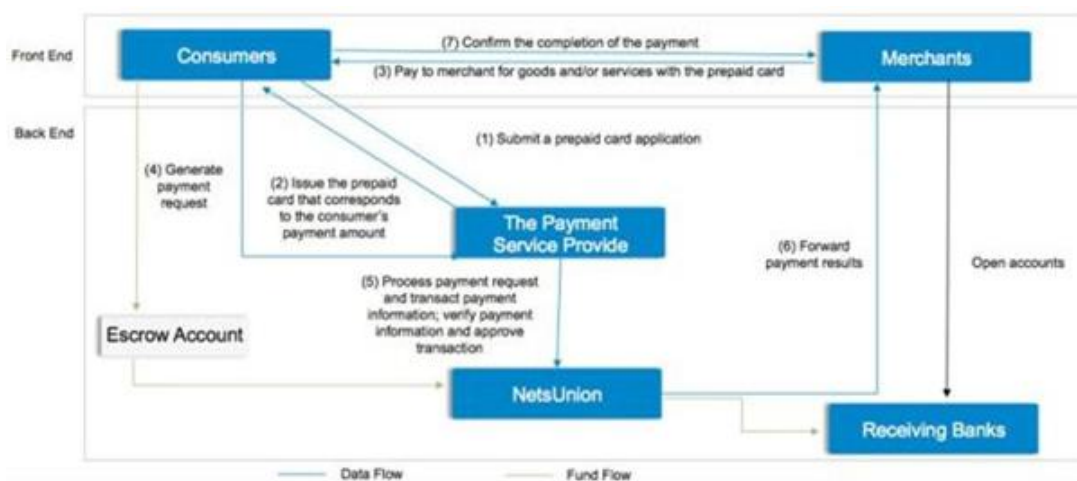
For any merchant customer who need payment-related technical consulting and support, the Sentage Operating Companies provide a tailored payment solution to the merchant customer, interface its internal system with the prepaid card payment system, and offer personnel training to ensure that the merchant's staff know how to properly operate such system. For details on the technology consulting and support services the Sentage Operating Companies charge, see "*—Our Customers—Pricing.*"

Prepaid Card Payment Services

For any merchant customers who need prepaid card payment services, the Sentage Operating Companies collect and process information necessary for prepaid card issuance and authorize transaction requests after verifying transaction information. The Sentage Operating Companies also conduct the necessary know-your-client, or KYC, and other due diligence review of cardholders and merchant customers in order to assess and mitigate fraud risks based on the information the Sentage Operating Companies collect from them. For details on the technology consulting and support services the Sentage Operating Companies charge, see “—Our Customers—Pricing.”

The Sentage Operating Companies' Role in the Prepaid Card Payment Value Chain

From the front end, non-cash transactions involving prepaid cards between merchants and consumers seem simple and direct as consumers pay for the goods and/or services while merchants accept consumers' payment and offer such goods and/or services. However, such transactions are far more complicated when looking from the back end and cannot be completed in the absence of the interactions among different parties involved. The Sentage Operating Companies act as a payment service provider and play an essential role in the prepaid payment network value chain. The diagram below illustrates the payment process for the payment services and the role of each participant involved:



Payment Process:

- (1) A consumer interested in the prepaid cards can submit his or her prepaid card application either online or at the offline operating center.
- (2) The Sentage Operating Companies issue the prepaid card to the consumer after reviewing and approving his or her application. The Sentage Operating Companies accept those consumers whose personal background information and financial conditions meet the selection criteria. For more details on information we review and verify, see “—Risk Management and Internal Control—Prepaid Card Applicants' Information Verification.” The monetary value of the prepaid card is equal to the total amount the consumer paid us along with his or her application. The proceeds generated from the actual sales of the prepaid card are deposited into an escrow account designated and monitored by the PBOC, and funds in the escrow account will only be transferred out of the account when they are used for prepaid card payments.
- (3) The consumer initiates a payment to a merchant to purchase goods and/or services that such merchant offers.
- (4) The consumer generates a payment request by swiping, tapping or inserting his or her prepaid card on a payment terminal.
- (5) The Sentage Operating Companies, as payment service provider, process the consumer's payment request. The Sentage Operating Companies also verify the payment information as the prepaid card issuer. Once the verification of the payment is completed, the Sentage Operating Companies will approve the transaction and send a notification of approval to NetsUnion.
- (6) NetsUnion, after verifying the payment information through its internal procedures, sends the payment result to the merchant and settles the fund in the escrow account to the merchant's account in the receiving bank. If the merchant pays the service fee on a per-transaction basis, NetsUnion settles the fund in the escrow account net of the service fee. If the merchant pays the entire service fee upfront before the Sentage Operating Companies start providing services, NetsUnion settles the original fund in the escrow account. For details on the service fee the Sentage Operating Companies charge, see “—Our Customers—Pricing.” NetsUnion's responsibilities include connecting and switching transactions among payment service providers, issuers, and merchants, and enabling payment authorization. NetsUnion does not charge any fees for payments it processes.
- (7) The merchant confirms receipt of the payment.

Customer Onboarding

First, prospective merchant customers apply to open an account on the Sentage Operating Companies' platform. After reviewing application materials, the Sentage Operating Companies onboard the customers and connect them to NetsUnion. Once connected, customers can enjoy the safe and fast payment services and receive consumers' payments made with prepaid cards issued by us. For details on the transaction process and the Sentage Operating Companies' role in the prepaid payment network value chain, see “—Prepaid Card Payment Services— Our Role in the Prepaid Payment Network Value Chain.”

To ensure the quality of the customer profile and minimize the business risk, the Sentage Operating Companies conduct due diligence to assess prospective customers with the following steps.

- *Merchant assessment.* The Sentage Operating Companies' direct sales force is mainly responsible for sourcing new merchants. They identify and select prospective merchants usually by conducting an on-site inspection to evaluate the merchant's operations, financial condition and credit standing.
- *Collecting application materials.* The Sentage Operating Companies' customers need to submit application materials either online or at the Sentage Operating Companies' offline operating center. The Sentage Operating Companies collect customers' application materials and information according to the internal checklist. For instance, the Sentage Operating Companies collect copies of their business licenses, valid identification documents of legal representatives or the persons-in-charge, bank account opening certificates, pictures of their business premises and other relevant certification documents.
- *Customer approval.* The Sentage Operating Companies adopt a stringent approach and implement know-your-customer internal procedures, including (i) verifying the accuracy of information in application materials; (ii) checking the customer against the Sentage Operating Companies' internal and industry blacklists; (iii) conducting necessary inspections to verify the authenticity of application materials; and (iv) determining the customer's risk rating according to the internal policies and relevant regulations.

Customers

The Sentage Operating Companies connect the corporate customers with their consumers in various industries. As of the date of this annual report, the Sentage Operating Companies have 3 customers, which are Shandong Ciyun Information Technology Co., Ltd., Qingdao Kece Innovation Consulting Service Co. and Qingdao Nuolizhi Enterprise Management Co., Ltd. The Sentage Operating Companies plan to work with midsized supermarkets, shopping malls, and online platforms. The Sentage Operating Companies believe that by reaching corporate customers of various sizes, the Sentage Operating Companies can build a solid foundation to expand the service base and provide more diversified financial solutions that fit into more payment scenarios.

The Value Proposition

The merchant customers choose the Sentage Operating Companies because the Sentage Operating Companies are a licensed prepaid card issuer capable of offering multipurpose prepaid cards and a licensed payment service provider. In order to issue multipurpose prepaid cards, which can be used to purchase goods and services from a diverse group of merchants across industries and regions, and provide related payment services, a service provider must obtain a third-party payment license that allows such activities. As a result of the tightened control imposed by the PBOC over payment licenses, it has become much harder to obtain such licenses from relevant regulatory bodies in China. A license applicant must undergo a time-consuming application process, be able to pay an expensive application fee, and satisfy stringent standards adopted by the regulatory bodies. In light of the strong entry barriers, the payment license is a unique asset that distinguishes us from competitors. Without such license, a prepaid issuer can issue only single-purpose prepaid cards, which are limited to purchasing goods and services provided by the card issuer or companies related to the card issuer.

Contract Terms

The Sentage Operating Companies enter into a standard contract with each merchant customer for the services. The term of the Sentage Operating Companies' agreements with payment service customers is normally one year, which automatically renews at the end of each term. Each party reserves the right to terminate the agreement at any time with 30 days' written notice to the other party.

Pricing

The Sentage Operating Companies charge merchant customers technology consulting and support fees for designing tailored payment solutions, interfacing their internal systems with the prepaid card payment system, and providing their staff with relevant operation training. Depending on the estimated annual transaction amount agreed by us and the particular merchant customer, the technology consulting and support fee ranges from RMB100,000 (approximately US\$14,474) to RMB300,000 (approximately US\$43,423). The merchant pays us the entire technology consulting and support fee upfront after it enters into the service agreement with us and before the Sentage Operating Companies start providing services.

The Sentage Operating Companies charge merchants fees for payment services, including, but not limited to, collecting and processing information necessary for prepaid card issuance and authorizing transaction requests after verifying transaction information. Depending on factors including demand for payment services, market trends and conditions, and the regulatory environment for the third-party payment services industry in China, the payment service fee is equal to either (i) 0.3% to 0.5% of each transaction amount or (ii) 0.2% of the estimated annual transaction amount. Merchant customers may choose which payment method it prefers. If the merchant pays the service fee on a per-transaction basis, for each transaction for which the merchant uses the payment services, NetsUnion settles the fund in the escrow account designated and monitored by the PBOC net of the service fee to the merchant's account in the receiving bank. Alternatively, the merchant pays the entire service fee upfront after it enters into the service agreement with us and before the Sentage Operating Companies start providing services. NetsUnion does not charge any fees for payments it processes.

Customer Services

Leveraging the advanced technologies, the Sentage Operating Companies have established a lean and productive customer service team specialized in handling customer relationships. Customers can reach the customer service team through email, hotlines, social media accounts, and their website.

Each customer request, inquiry or complaint is recorded and assigned a specific case reference. Each of the customer service assistant is responsible for the cases assigned to them and will follow up until the case is closed or resolved to the customers' satisfaction. The Sentage Operating Companies' policy requires that the customer service personnel must respond to each customer complaint within one business day and address the relevant issues within three to four business days. As of the date of this annual report, the Sentage Operating Companies achieved a zero customer-complaint report rate, which is a measure of the dissatisfaction of the services as reported by customers.

Sales and Marketing

The Sentage Operating Companies promote the business through direct marketing. Currently, the business covers Qingdao City, Shandong Province in China. The Sentage Operating Companies' in-house marketing department, which consists of experienced professionals, is responsible for coordinating the direct marketing efforts. To promote the sales, the Sentage Operating Companies are exploring opportunities to develop strategic partnerships with independent third-party sales agents, placing online advertisements with selected high-traffic social media platforms and high-traffic searching engines, and launching referral programs.

Collaboration with NetsUnion

NetsUnion is a clearing platform for internet and other network payments in China. According to the PBOC, after June 30, 2018, third-party payment service providers, including prepaid payment network service providers, are required to channel internet payments via NetsUnion, rather than banks' payment gateways.

In July 2019, the Sentage Operating Companies became a member of NetsUnion, and entered into a network access agreement with it. Under the agreement, NetsUnion is responsible for channeling payment information from us to merchants and providing clearing services regarding the corresponding payment transactions. NetsUnion does not charge any fees for payments it processes. Under the network access agreement, the Sentage Operating Companies are required to comply with NetsUnion's membership rules and fulfil the obligations in deterring money laundering and terrorist financing pursuant to the applicable laws and regulations. The Sentage Operating Companies are obligated to indemnify NetsUnion for any losses caused by fictitious, inaccurate, incomplete, illegal or invalid transactions the Sentage Operating Companies facilitate. NetsUnion is obligated to compensate the direct losses that arise from failures of its system. The Sentage Operating Companies' agreement with NetsUnion does not have a term; instead, as long as the Sentage Operating Companies' third-party payment license is valid and the Sentage Operating Companies conduct business activities related to payment services, the agreement with NetsUnion remains in effect.

Risk Management and Internal Control

The Sentage Operating Companies are subject to various risks in the operations. For details on risks the Sentage Operating Companies are subject to, see “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industries.” The Sentage Operating Companies have established a dynamic, technology-driven risk management system and adopted relevant policies and procedures, which we consider suitable for the business operation. The Sentage Operating Companies also continue to monitor and review the risk management and internal control systems in order to quickly adapt to changes in market conditions, product and service offerings, and the regulatory environment.

The Sentage Operating Companies have an independent risk management committee dedicated to the prepaid payment network business line. Led by the risk management committee, the risk management and internal control team is responsible for verifying information, preventing and detecting any sign of fraud and money laundering, and monitoring the daily implementation of each department’s internal control procedures and measures.

Prepaid Card Applicants’ Information Verification

Prepaid card applicants will need to provide us with basic information, including, but not limited to, identification documents and other requested personal information, such as PRC ID card details, a mobile phone number, educational level, and information related to employment status.

The Sentage Operating Companies make every effort to ensure the accuracy and reliability of the information the Sentage Operating Companies collect, as well as safeguard the privacy of such information. For example, the Sentage Operating Companies collaborate with third parties to verify the applicant’s identity by confirming his or her name, ID number and mobile number. The Sentage Operating Companies also cross-examine data the Sentage Operating Companies collect from different outside sources to verify data provided by applicants.

Fraud

The Sentage Operating Companies have fraud risk management policies and procedures in place to govern the business operation. The Sentage Operating Companies leverage the data analytics capacities to detect fraud risk in the payment services through the real-time transaction risk monitoring and fraud risk analysis systems. The Sentage Operating Companies’ multi-faceted and effective fraud management system automatically aggregates data relating to fraud in the database. Built upon the large database collected via the own platform, the system is able to assess the probability of suspicious activities. The Sentage Operating Companies have established a dedicated fraud detection team. The team regularly tests and refines anti-fraud rules to tackle new developments and trends, which allows us to quickly respond to emerging fraudulent threats and identify unknown fraud patterns. Based on the risk assessment results of the system, the team also conducts onsite investigation, administering a series of tests on suspicious account users.

Money laundering

The Sentage Operating Companies have established internal control policies and procedures to monitor and report any suspected money laundering activities as part of the due diligence and risk assessment procedures. The Sentage Operating Companies have developed a risk management system that facilitates the customer due diligence procedures and is designed to identify and intercept suspicious transactions. The Sentage Operating Companies continuously analyze suspicious patterns and trends of completed transactions, update the list of suspicious recipients, and refine the algorithm. The Sentage Operating Companies also provide education and training to the staff on anti-money laundering and anti-terrorist financing. In addition, the Sentage Operating Companies have an anti-money laundering and anti-terrorist financing committee to monitor compliance with the relevant laws and regulations. The Sentage Operating Companies submit reports to the PBOC on suspicious transactions the Sentage Operating Companies identified and relevant customer identity information in accordance with the relevant regulatory requirements. As of the date of this annual report, the Sentage Operating Companies have not encountered any incident where the Sentage Operating Companies failed to screen and report merchants identified as suspected money launderer to the PBOC.

Infrastructure and Information Technology

The Sentage Operating Companies are currently applying for copyrights in the PRC for the proprietary technology systems, which include the information system and account management system. The Sentage Operating Companies' internal management system is copyrighted and its registration was completed on April 26, 2020. As of the date of this report, the Sentage Operating Companies had a team of 3 full-time employees to monitor and maintain the information technology and infrastructure. To promote the long-term business development, the Sentage Operating Companies' technology team focuses on ensuring that the technology systems, operating centers, financial systems, and security protocols are well established, reviewed, tested and continuously strengthened.

- *IT Infrastructure.* We believe the Sentage Operating Companies have built a secure, efficient, and cost-effective infrastructure to provide strong computing ability in the system. As of the date of this report, the information technology infrastructure included 15 servers, which form a strong server network with speedy processing capability. The infrastructure has been fully integrated with the computer environments and business requirements to serve as a powerful engine for the products and services.
- *Information System.* We believe the ability to access and use data is essential to the operations. The Sentage Operating Companies' centralized computer-based information system supports the core processing and analytics functions of the business lines under a set of integrated databases. It is designed to be both replicable and scalable to accommodate the internal growth. Supported by the set of databases, the information system can efficiently process and analyze high volumes of data, securely store the data on a cloud server, and provide each of the departments with convenient access to data. The information system empowers us to generate comprehensive reports and achieve data visualization from accessible data to support the management's instant decision-making to cope with the evolving competitive landscape.

When used for loan repayment and collection management, the information system screens out outdated borrower information on the record and merges borrower information in order to detect any repeating activity pattern and map potential relationships among borrowers based on the information the Sentage Operating Companies are authorized to use. The information system also strengthens the borrower profiling function by enabling the operating portal to categorize borrowers and facilitate repayment and collection assignment based on non-personally identifiable information such as location, gender, the composition of loans, and past-due period.

To enhance the credit assessment and risk management capabilities in the loan recommendation process, the Sentage Operating Companies have built a comprehensive credit profile in the information system for each borrower and constantly update the profile with new information the Sentage Operating Companies have collected through various internal and external verification resources. Leveraging the behavior analytics capabilities, the Sentage Operating Companies are able to consolidate and analyze information of each profile to estimate borrowers' credit needs and assess delinquency risk.

Through comprehensive merchant profiling, the Sentage Operating Companies are able to quickly and accurately identify risks associated with potential clients, captures fraud signals from a massive amount of data regarding user behaviors, analyze them in real time, and intercepts abnormal transactions at an early stage. These abilities are crucial in reducing the transaction loss rate and gaining valuable insights into the clients' businesses.

- *Internal Management System.* The Sentage Operating Companies aim to leverage the proprietary internal management system, which is currently used for the loan repayment and collection management business, to optimize the operational efficiency and achieve workflow automation. Under the system, the operating portal digitizes and standardizes the repayment and collection management process by consolidating skip tracing tools, borrower profiles, repayment records, and other functions under one platform. The Sentage Operating Companies use the operating portal for, among other things, case assignment, portfolio management, collection activity management, and repayment management. We believe that the system affords the in-house team sufficient operational support to efficiently perform tasks related to loan repayment and collection management.
- *Account Management System.* The Sentage Operating Companies have developed a proprietary account management system, which the Sentage Operating Companies currently use to provide the prepaid payment network services, to facilitate centralized management of customers' accounts and related information. This system consolidates and manages all the customers' account information, including procedures and standards for customers' account opening. It tracks the balances of customer accounts, allowing more transparent management of funds movements. The system is built upon the extensive experience of serving a diverse customer base. The Sentage Operating Companies update the system on a regular basis in order to continuously improve its reliability, efficiency and compatibility with the services and evolving regulatory requirements.
- *Backup System.* The Sentage Operating Companies maintain two independent full capacity network servers in two separate locations. If one server experiences technical difficulties or outage, network operations immediately switches to the other server to ensure uninterrupted network services to the employees.
- *Security System.* To protect the databases from unauthorized access, the Sentage Operating Companies configure the system with multiple layers of security modules. The Sentage Operating Companies' security system monitors and records the entire process of data access, showing us in real-time the identity of users accessing the system and channels through which the users access the system. Furthermore, through periodically reviewing the operation history, examining USB/external hard drives, and implementing security measures for the internal management system, the Sentage Operating Companies are able to manage and restrict employees' access to personal and financial information. In addition, the Sentage Operating Companies have installed a firewall which monitors and controls incoming and outgoing traffic and automatically takes reactive measures against any information security threats.

The Sentage Operating Companies' data security and management capabilities have been certified by various national standards, including (i) the Level 3 Certification of Information System Protection, (ii) the Safety Certification on Payment Facilities for Non-Financial Institution, and (iii) the Account Data Security Standard evaluation.

- *Technology Upgrade.* The Sentage Operating Companies actively develop new software and explore greater use of technology to manage data resources. The Sentage Operating Companies will continue to improve the current information technology and infrastructure, which in turn is expected to enable us to utilize the technology and data resources more efficiently. See "—Our Strategies" for a detailed discussion of the technology upgrades.

Privacy Protection

The Sentage Operating Companies are dedicated to privacy protection of the clients during all phases of the businesses. The Sentage Operating Companies have access to a significant amount of data that could be considered as confidential, including operational data and personal information of the clients and other parties. The Sentage Operating Companies consider the protection of such confidential information to be important. The Sentage Operating Companies adopted a strict internal data policy to protect confidential information at all levels. This policy establishes day-to-day data use requirements, data and information classifications, data encryption requirements, back-up requirements, approval procedures and user rights for confidential information. This policy also specifies the methods in which data must be stored, such as in encrypted format and with backup. The Sentage Operating Companies require each of the employees to agree in writing to abide by the data policy and to protect the confidentiality of the data.

The Sentage Operating Companies use a variety of technologies to protect data with which the Sentage Operating Companies are entrusted and have a team of data security professionals dedicated to the ongoing review and monitoring of data security practices. For example, the Sentage Operating Companies store all collection related data in encrypted format and strictly limit the number of personnel who can access those servers that store such data. The Sentage Operating Companies also utilize firewall to protect against potential attacks or unauthorized access. The Sentage Operating Companies endeavor to deploy security enhancements across all the business lines to ensure data protection. Since the inception, the Sentage Operating Companies have not experienced any material information breach or other system failure which could have led to the loss of confidential information.

Competition

The industries in which the Sentage Operating Companies are operating are competitive and evolving. With respect to loan repayment and collection management and loan recommendation, the Sentage Operating Companies compete with market players such as traditional financial institutions, small loan companies, e-commerce driven installment platforms, and other consumer finance platforms. For repayment and collection management, the Sentage Operating Companies' major competitors include China Data Group (Suzhou) Limited, M&Y Global Services, and Promisecina (Shanghai) Investment Co., Ltd. For loan recommendation, the Sentage Operating Companies primarily compete with institutions such as Shanghai Qingpu Real Estate Investment Property Co., Ltd, Shanghai Hongkou Real Estate Service Co., Ltd. and Shanghai Yangpu Public Housing Asset Management Co., Ltd. With respect to prepaid payment network services, the Sentage Operating Companies primarily compete with other third-party payment service providers in China, including Shandong Chenglian Card Payment Co., Ltd., Qingdao Baisentong Payment Co., Ltd., and Shandong Feiying Intelligent Technology Co., Ltd.

Some of the larger competitors have significantly more financial, technical, marketing and other resources than the Sentage Operating Companies do and may be able to devote greater resources to the development, promotion, sale and support of their development. The competitors may also have more extensive borrower bases, greater brand recognition and brand loyalty and broader partner relationships than us. We believe that the Sentage Operating Companies' ability to compete effectively for borrowers and partners depend on many factors, including the variety of the Sentage Operating Companies' products and services, user experience on the Sentage Operating Companies' platform, effectiveness of the Sentage Operating Companies' risk management, the Sentage Operating Companies' technological capabilities, the risk-adjusted returns offered to customers, the partnership with third parties, the marketing and selling efforts and the strength and reputation of the Sentage Operating Companies' brand.

Intellectual Property

We regard the Sentage Operating Companies' copyrights, domain names, and trademark as critical to our success, and the Sentage Operating Companies rely on trade secret law and confidentiality clauses in employment agreements with their employees and others to protect their proprietary rights. The Sentage Operating Companies are currently applying for copyrights for their proprietary technology systems, which include the information system and account management system. To date, the Sentage Operating Companies have not experienced a material misappropriation of the intellectual property. Despite their efforts to protect the property rights, third parties may attempt to use, copy, obtain, or distribute the proprietary technology. The Sentage Operating Companies cannot be certain that the steps they have taken or will take in the future will prevent misappropriation of the technology and intellectual property rights. For a description of the risks related to the intellectual property rights, see "Item 3. D. Risk Factors—Risks Related to Our Business and Industries— *We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.*"

As of the date of this annual report, Qingdao Buytop owns the trademark Buytop, effective from February 21, 2014 to February 20, 2034, and the domain name www.buytoppay.com, effective from December 16, 2016 to December 16, 2024. Daxin Zhuohui owns the copyrighted internal management system, which became effective on April 26, 2020.

Properties and Facilities

The corporate headquarters is in Shanghai City, China, where we lease two office spaces with an area of approximately 170.59 square meters (approximately 1,836 square feet) and an area of approximately 132 square meters (approximately 1,550 square feet), as of December 31, 2023. The term of the two leases are from November 1, 2022 to October 31, 2024, and from March 24, 2023 to March 31, 2024, respectively. The monthly rental fee is approximately US\$8,185 and US\$1,620, correspondingly. The headquarters serve as the center of management, human resources, and administrative activities, as well as the operation center of the loan repayment and collection management and loan recommendation businesses. In addition to the headquarters in Shanghai, the Sentage Operating Companies also lease office space in Qingdao City, Shandong Province, China for the prepaid payment network operations. The office space of the office in Qingdao City has an area of approximately 143 square meters (approximately 1,540 square feet). The term of the lease is from December 1, 2023 to November 30, 2024, and the monthly rental fee is approximately US\$1,761.

We believe that the Sentage Operating Companies will be able to obtain adequate facilities, principally through leasing, to accommodate the future expansion plans.

Seasonality

The Sentage Operating Companies' businesses are not affected by seasonality.

Insurance

The Sentage Operating Companies provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for the employees. The Sentage Operating Companies do not maintain business interruption insurance or general third-party liability insurance, nor do the Sentage Operating Companies maintain product liability insurance or key-man insurance. The Sentage Operating Companies consider the insurance coverage to be sufficient and in line with market practice for the business operations in China.

PRC REGULATIONS

This section sets forth a summary of the principal PRC laws, regulations, and rules relevant to our business and operations in China.

Regulations on Loan Repayment and Collection Management Services

Currently, the PRC has not adopted any laws or regulations directly regulating independent loan repayment and collection management service providers. As an intermediary service provider, we are subject to the PRC contract law as codified in the PRC Civil Code, discussed in detail as below and its specific provisions regulating contracts for intermediary services.

Regulations on Loan Recommendation Services

Overview

Under the current PRC regulatory regime, the legal definition and regulatory principles of loan recommendation services and specific regulatory requirements regarding the services have not been clarified in any relevant promulgated laws or regulations. However, the following laws and regulations, as well as other new regulatory proposals, may be applicable to governmental authorities' supervision of loan recommendation services and the loan recommendation industry.

Regulations Related to Private Lending and Intermediation

In accordance with the PRC Civil Code, promulgated in May 2020 and effective as of January 1, 2021, a contract for intermediary services is a contract under which the intermediary reports to the client on opportunities for the conclusion of contracts or supplies intermediary services relating to the conclusion of contracts, and the client pays remuneration to the intermediary. The intermediary shall provide the client with a strictly truthful account of all matters relating to the conclusion of any contract. Where the intermediary deliberately conceals important matters relating to the conclusion of contracts or supplies a false account of the situation, to the detriment of the client's interests, the intermediary shall not demand the payment of remuneration and shall also be liable to provide compensation for any losses sustained. In addition, the PRC Civil Code requires that the interest rates charged under a loan agreement must not violate the applicable provisions of the PRC laws and regulations.

In accordance with the Provisions on the Supreme People's Court on Application of Laws to the Hearing of Private Lending Cases (《最高人民法院关于审理民间借贷案件适用法律若干问题的规定》) ("the Private Lending Judicial Interpretations 2015") issued by the Supreme People's Court of the PRC on August 6, 2015, which came into effect on September 1, 2015, private lending is defined as financing between individuals, legal entities and other organizations. Loans funded by financial institutions which are licensed by financial regulatory authorities are not private lending transactions. Besides, the Private Lending Judicial Interpretations 2015 provides that agreements between the lender and borrower on loans with annual interest rates below 24% are valid and enforceable; as to loans with annual interest rates between 24% and 36%, if the interest on the loans has already been paid to the lender, and so long as such payment has not damaged the interest of the state, the community and any third parties, the courts will turn down the borrower's request to demand the return of the interest payment; if the annual interest rate of a private loan is higher than 36%, the excess will be void. When the borrower requests the lender to return such amount above 36% that has been paid, the People's Court should support it.

The Decisions of the Supreme People's Court on Revising the Provisions on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院关于修改《关于审理民间借贷案件适用法律若干问题的规定》的决定) (the Private Lending Judicial Interpretations 2020), promulgated by the Supreme People's Court on August 19, 2020 and came into effect on August 20, 2020, stipulates that if the lender requests the borrower to pay interests at the interest rate specified in the contract, the interest rate shall not exceed the market quote rate for one-year loan announced monthly by the National Inter-bank Funding Center, namely Loan Prime Rate ("LPR"), taking effect from August 20, 2019 as authorized by the People's Bank of China. If a lending activity occurs before August 20, 2019 and a lawsuit is filed after August 20, 2020, its interest rate shall be four times of the quoted market interest rate of one-year loans at the time of the plaintiff's lawsuit to determine the protected interest rate ceiling. While, if a lending activity occurs between August 20, 2019 and August 20, 2020 and the lawsuit is filed after August 20, 2020, its interest rate shall be four times of the quoted interest rate of the one-year loan market at the time of the lending behavior to determine the protected upper limit.

In accordance with the Provisions on the Supreme People's Court on Application of Laws to the Hearing of Private Lending Cases (Revised for the Second Time in 2020) (《最高人民法院关于审理民间借贷案件适用法律若干问题的规定 (2020年第二次修正)》) ("the Private Lending Judicial Interpretations 2020") amended by the Supreme People's Court of the PRC on December 29, 2020, which came into effect on January 1, 2021. If a private lending lawsuit is filed after August 20, 2020, the lending activity is before August 20, 2020, and the interest from the date of the lending act to August 19, 2020 shall be calculated according to the judicial interpretation at the time of the lending act; the interest portion from August 20, 2020 to the date of loan repayment shall be capped at four times the one-year loan market quoted interest rate at the time of the lawsuit.

Our loan recommendation business of connecting borrowers and lenders constitutes an intermediary service, and our contracts with lenders and borrowers are intermediary contracts defined under the PRC Civil Code. Article 1 of the Private Lending Judicial Interpretations 2020 stipulates that private lending is defined as financing between individuals, legal entities and other organizations and such provisions shall not apply to disputes arising from related financial services, such as disbursement of loans, provided by financial institutions and their branches established with the approval of the financial regulatory authorities to engage in loan businesses. Since our funding partners in loan recommendation business are commercial banks in China, the disputes related to loan recommendation arising from funding partners and borrowers shall not be regulated by the Private Lending Judicial Interpretations 2020. However, the disputes arising from the existing loan that we recommended before the end of 2017 shall comply with the Private Lending Judicial Interpretations 2015 and 2020. Even if the individual lenders of the existing loans we recommended before the end of 2017 are required to lower the interest rate of the loans to quadruple one-year LPR by the regulatory authorities or the courts, our business operation will not be affected. Because we have already collected our service fee and there is no explicit provisions that require us to return to borrowers the amount of our service fee that exceeds the quadruple one-year LPR.

Regulations on Illegal Fund-Raising

The Circular on Relevant Issues Concerning the Penalty on Illegal Fund-Raising was issued by the General Office of the State Council in July 2007, and the Regulation on the Prevention and Disposition of Illegal Fund-raising Practices was promulgated by the State Council in December 2020 and became effective on May 1, 2021, explicitly prohibit illegal public fund-raising. In accordance with the aforementioned regulations, the following are the key elements of illegal public fund-raising: (i) the pooling of funds from unspecified objects, (ii) by promise to repay principal and interest or provide other investment returns, (iii) without the permit of the financial administrative department under the State Council in accordance with law or in violation of financial regulations of the State.

In December 2010, the Supreme People’s Court promulgated the Judicial Interpretations to Issues Concerning Applications of Laws for Trial of Criminal Cases on Illegal Fund-Raising, which sets up the criteria, criminal charges and the punishment on illegal fund-raising. On February 23, 2022, the Supreme People’s Court published the “Promulgated Interpretation of the Supreme People’s Court on Several Issues Concerning the Specific Application of Law in the Trial of Criminal Cases of Illegal Fundraising”, which became effective on March 1 2022 as an amendments to the 2010 judicial interpretation.

Through our loan recommendation business, we provide loan recommendation services to connect qualified borrowers with prospective lenders, who are our funding partners. Our services do not involve raising funds from borrowers or the lenders.

Future Regulation Development Related to Loan Recommendation Services

The State Council released the Guiding Opinions on Promoting the Standardized and Healthy Development of the Platform Economy (《关于促进平台经济规范健康发展的指导意见》) on August 1, 2019, which requires the implementation and improvement of comprehensive and prudent supervision of financial platforms, promotes the establishment and improvement of a new regulatory mechanism tailored to specific features of financial platforms, and promotes a fair, competitive market environment for financial platforms. The Research Group of China Institute of Inclusive Finance at Remin University of China believes that the opinions provide a clear regulatory framework for governmental authorities to regulate loan recommendation services.

In accordance with the opinions, the research group believes that the central regulatory authorities, such as CBRC, shall supervise the overall the regulation of loan recommendation services on a macro level, formulating nationwide unified regulatory principles, and provide specific regulatory requirements, which shall be implemented by other governmental authorities at lower level.

As the interpretation of the aforementioned regulation is still being debated and there has not been official promulgation and implementation of any law or regulation specifically addressing regulatory issues surrounding loan recommendation services, the opinions as discussed above do not have an adverse impact our loan recommendation business. However, in light of the evolving and developing nature of the regulatory regime regarding loan recommendation services, it is probable that the Chinese government will adopt regulations and policies that may temporarily restrain the scale and growth of our loan recommendation services in the future.

Regulations on Third-Party Payment Services, which Include Prepaid Payment Network Services

Overview

In China, a payment institution shall be subject to the supervision and management by PBOC in accordance with relevant law and regulations. Non-financial institutions and individuals shall not engage in any kind of third-party payment business without the approval of the PBOC. The PBOC shall, under the supervision of the State Council, implement monetary policies, perform its functions, take precautions against systematic financial risks, and maintain financial stability of the general economic environment in China.

The Payment & Clearing Association of China (“PCAC”), approved by the State Council and Ministry of Civil Affairs of the People’s Republic of China (“Ministry of Civil Affairs”), is a self-disciplined organization of the PRC payment and clearing service industry. The operations of the PCAC are governed by the PBOC. Its purpose is to ensure various payment institutions’ compliance with the industry standards of the payment and clearing service industry.

Payment License

In accordance with the Administrative Measures of People’s Bank of China on Payment Services Provided by Non-financial Institutions (Order of the People’s Bank of China (2010) No. 2, “Order No.2”) (中国人民银行令[2010]第2号《非金融机构支付服务管理办法》) promulgated by the PBOC on June 14, 2010 and amended in 2020, the payment services of non-financial institutions in the PRC refers to all or part of the following transfer services of monetary capital, which are provided by non-financial institutions as an intermediary between payees and payers: (i) online payment; (ii) issuance and acceptance of prepaid card; (iii) bank card acceptance; and (iv) other payment services as specified by the PBOC. Online payment refers to the act of transferring monetary capital between payers and payees through public and private networks, including money transfer, payment via the Internet, payment by mobile phone, payment by fixed-line telephone, digital television payment, etc. Prepaid cards refer to the advanced value issued for the purpose of making profit and used to purchase commodities or services of business entities beyond the issuer, including prepaid cards issued in the form of physical card and digital password. The bank card acceptance refers to the act of collecting monetary capital for business activities involving bank cards through terminals of point-of-sells (POS).

Pursuant to Order No.2, to provide payment services, a non-financial institution shall obtain a “Payment License” to qualify as a paying institution. A paying institution shall conduct operation activities within the business scope approved in the “Payment License” and may not carry out any business beyond the approved scope nor outsource its payment business to other parties. A paying institution may not assign, lease, or lend the “Payment License.”

According to our Payment License and the approved business scope of the Payment License, we are allowed to provide prepaid cards payment services and related business services. Our Payment License was issued by the PBOC on July 20, 2017. The Payment License is valid from July 20, 2017 to July 19, 2022. On June 27, 2022, the PBOC renewed our Payment License, which is valid until July 19, 2027.

Regulations on Foreign Investment in the Payment Services

According to Order No. 2, subject to the State Council’s approval, the PBOC shall stipulate requirements for the business scope of a foreign-invested payment institution and the qualifications and the capital contribution ratio of the payment institution’ foreign investors. According to the Announcement No. 7 of the People’s Bank of China (2018) (中国人民银行公告(2018)第7号《关于外商投资支付机构有关事宜公告》) (“No. 7 Announcement”), which was issued by the PBOC and became effective on March 19, 2018, upon the State Council’s approval, the relevant requirements of the foreign-invested payment institutions include the following: (I) An overseas institution intending to provide electronic payment services for domestic transactions and cross-border transactions of domestic entities in the PRC shall establish a foreign-invested enterprise in the PRC and obtain a Payment License in accordance with the criteria and procedures stipulated in Order No. 2 of the PBOC. (II) A foreign-invested payment institution shall possess a secured and standardized business system and a disaster recovery system in the PRC, so the payment institution is able to independently complete payment transactions; (III) Storage, processing and analysis of personal information and financial information collected and generated in the PRC by a foreign-invested payment institution shall be carried out in China. Where it is necessary to transmit such information overseas for the purpose of processing cross-border transactions, the transmission shall comply with relevant laws and administrative regulations and requirements of relevant regulatory authorities. The foreign-invested payment institution shall require the overseas institution to satisfy its confidentiality obligations and obtain information owners’ consents. (IV) A foreign-invested payment institution must ensure that its corporate governance, routine business operation, risk management, fund processing, deposit of reserves and contingency arrangements comply with the regulatory requirements of the PBOC regarding non-bank payment institutions.

No. 7 Announcement only sets out the general requirements for overseas institutions applying for Payment Licenses, but has not promulgated any detailed requirements and measures for domestic institutions which already obtained Payment Licenses and, through internal reorganization, have become foreign-invested payment institutions. Qingdao Buytop, the VIE, already obtained its Payment License prior to entering into a series of VIE Agreements with Sentage WFOE. Although we believe that No.7 Announcement does not have any material adverse impact on the overall business of Qingdao Buytop, there are uncertainties as to how Announcement No.7 will be interpreted and implemented.

Regulations on Prepaid Cards Business of Payment Institutions

Order No. 2 regulates the prepaid cards (issued by magnetic stripe, chip and other technologies in the form of cards, passwords, etc.) issued by non-financial institutions for profit purpose and used by card owners to purchase goods and(or) services provided by parties other than the card issuer into the regulatory scope of the payment system. Because we issue prepaid cards and provide prepaid card related services, through the VIE entity, Qingdao Buytop, order No.2 applies to us.

In accordance with Implementation Rules for the Administrative Measures on Payment Services Provided by Non-financial Institutions (《非金融机构支付服务管理办法实施细则》) introduced by PBOC on December 1, 2010, and revised on June 2, 2020, January 1, 2021, and September 1, 2021, the prepaid cards stated in Order No. 2 do not include the following types: (i) prepaid cards used for the payment of social security only; (ii) prepaid cards used for public transport only; (iii) prepaid cards used for the payment of telephone and other telecommunication charges only; and (iv) prepaid cards issued to purchase the card issuer's commodities and services.

The Notice on Regulating the Management of Commercial Prepaid Cards, which was issued by the PBOC, the Ministry of Supervision of the People's Republic of China, and Other Departments, and shared by the General Office of the State Council on May 23, 2011, (GBF [2011] No.25, "Notice No.25") (《国务院办公厅转发人民银行监察部等部门关于规范商业预付卡管理意见的通知》), sets forth regulatory bodies' opinions on strengthening the regulatory administration over issuers of commercial prepaid cards, enforcing financial discipline, preventing financial risks, and promoting anti-corruption and promoting transparent governance. Notice No.25 has confirmed the classification of commercial prepaid cards specified in the implementation rules specified above and approved the category-based supervision of prepaid cards. Pursuant to Notice No.25, prepaid cards are further divided into two categories based on the characteristics of non-financial institution issuers, including (i) multi-purpose prepaid cards, which can be used across regions, industries, and legal persons, and (ii) single-purpose prepaid cards, which can be used to purchase goods and services provided by the enterprise acting as the card issuer or other commercial enterprises affiliated with the card issuer. Pursuant to Notice No.25, the PBOC shall strengthen supervision over the opening and use of deposit accounts designated for the provision of multi-purpose prepaid cards. The Ministry of Commerce of the People's Republic of China and relevant commerce administration authorities shall take effective measures to supervise prepayment funds involving single-purpose prepaid cards and prevent relevant risks.

On September 27, 2012, the PBOC promulgated the Administrative Measures for Prepaid Cards Business of Payment Institutions (Announcement of the People's Bank of China [2012] No.12, "Announcement No.12") (《支付机构预付卡业务管理办法》), which fully implemented the real name registration system, non-cash card purchase system, and quota issuance system for prepaid card business of payment institutions in accordance with the requirements of Notice No.25. Pursuant to Announcement No.12, the PBOC and its branches shall carry out off-site supervision and on-site inspection of payment institutions' prepaid card business activities, internal control system, and risk management capabilities in accordance with relevant laws and regulations. A payment institution shall obtain the "Payment License" issued and approved by the PBOC in order to engage in the business of "issuing and(or) accepting prepaid cards." Payment institutions shall strictly implement regulatory provisions pertaining to managing payment institution clients' funds and fulfill their obligations related to anti-money laundering and anti-terrorist financing.

Our Payment License issued by the PBOC satisfies the Payment License requirement of Announcement No. 12. We have obtained qualifications necessary for providing prepaid payment network services, which is a subcategory of third-party payment services, in accordance with existing laws, regulations and regulatory requirements regarding third-party payment services in China. In light of the evolving and changing nature of the payment industry, it is probable that we will still need to obtain other permits or approvals for our prepaid payment network services business in the future.

Regulations on Detection and Authentication Management of Payment Business System

The Regulations on Inspection and Verification of Non-financial Institutions Payment Service Business System (《非金融机构支付服务业务系统检测认证管理规定》) was promulgated by the PBOC on June 16, 2011. The regulations came into effect on the same day. The regulations specified, among other requirements, safety and management requirements for third-party payment institution business system and communication system. Pursuant to the regulations, the PBOC is responsible for approving and managing regulatory activities related to inspecting and verifying the qualifications of payment institutions. Certification institutions, which are approved by relevant regulatory authorities and certified and authorized by the PBOC, are qualified to inspect the business system of third-party payment institutions and issue certifications for those qualified payment institutions after the inspection.

Through the VIE entity, Qingdao Buytop, we own the Technical Certification of Payment Service Facilities of Non-banking Payment Institutions (registration number: CFNR201801370551), which was issued by Beijing Zhongjin Guosheng Authentication Co., Ltd., on May 8, 2018 for three years, which was subsequently renewed to be valid until December 4, 2023. The certification is in progress of being renewed, which is expected to be completed by June 2024.

Regulations on Anti-Money Laundering and Anti-Terrorism Financing

The Anti-Money Laundering Law of the People's Republic of China ("Anti-Money Laundering Law") (《中华人民共和国反洗钱法》) was promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and came into force on January 1, 2007. The Anti-Money Laundering Law stipulates that specific non-financial institutions shall take precautionary and monitoring measures and comply with their anti-money laundering obligations. The Anti-Money Laundering Law includes establishing a sound client identification system, client identification information and transaction record-keeping system, block transaction and suspicious transaction reporting system. According to Order No. 2 of PBOC, a payment institution that has obtained the Payment License, such as the VIE entity, Qingdao Buytop, shall comply with applicable regulations in the Anti-Money Laundering Law and fulfill its anti-money laundering obligations. The PBOC and its branches shall conduct on-site and non-site inspections on the payment institution to periodically review and evaluate anti-money laundering measures the payment institution has taken to comply with the Anti-Money Laundering Law.

Measures for Anti-Money Laundering and Anti-Terrorism Financing of Payment Institutions ("YF Decree No. 54") (银发54号令《支付机构反洗钱和反恐怖融资管理办法》), promulgated by the PBOC on March 5, 2012, came into force on the same day. YF Decree No. 54 stipulates that a payment institution which has obtained the Payment License shall carry out the obligations of anti-money laundering and anti-terrorism financing in accordance with the law. The main aspects include client identification, client identification information, transaction record-keeping, suspicious transaction reports, anti-money laundering and anti-terrorism financing surveys, etc. The Management Measure on Large and Suspicious Transactions "Yin Fa No. 3" (银发3号令《金融机构大额交易和可疑交易报告管理办法》), which was amended in 2018, was promulgated by the PBOC on December 28, 2016 and came into effect on July 1, 2017. Yin Fa No. 3 stipulates that payment institutions shall fulfill their obligations of reporting large transactions and suspicious transactions and formulate internal management systems and operational regulations and procedures for reporting large transactions and suspicious transactions to establish a sound monitoring system for large transactions and suspicious transactions.

The Administrative Measures for the Reporting of Major Events by Non-bank Payment Institutions

On July 20 2021, The People's Bank of China Promulgated "the Administrative Measures for the Reporting of Major Events by Non-bank Payment Institutions", which became effective on September, 1 2021. This measure requires that Branch offices of the PBC shall, in concert with the payment institutions (including branch companies) within their respective jurisdictions, establish a reporting mechanism for major events. This measure requires payment institutions to report each major event in a timely, truthful, accurate, and complete manner, and also defines the situation of the scope of major event risk or emergency occurs. When relative major event happens, the company, as a Non-bank Payment Institution, shall submit a written report to the local branch office of The People's Bank of China within a certain period. If the Non-bank Payment Institution did not report in the manner of this measure, the People's Bank of China or any of its branch offices shall order it to make rectification within a prescribed time limit and may take regulatory measures, such as regulatory notice, and may impose punishments on it in accordance with the Administrative Measures on Payment Services Provided by Non-Financial Institutions, and a warning or a fine of between 10,000 yuan and 30,000 yuan may be given.

Depository Measures for Clients' Provisions of Non-bank Payment Institutions

On January 19, 2021, People's Bank of China promulgated "Depository Measures for Clients' Provisions of Non-bank Payment Institutions", which became effective on March 1, 2021. This measure regulates the centralized depository of customer reserves after the centralized deposit of reserves. The provisions on the storage, use and transfer of reserve funds have been refined by this measure. This measure also clarified the corresponding reserve management responsibilities of the People's Bank of China and its branches, clearing institutions, and reserve banks, set the penalty standards for customer reserve violations, and strengthened the supervision of customer reserve funds. The clients' provisions received by non-bank payment institutions shall be directly deposited in full amount to the People's Bank of China or qualified commercial banks. The clients' provisions received directly by non-bank payment institutions due to the issuance of prepaid cards or the top up of prepaid cards shall be deposited in a unified manner into the accounts for centralized deposit and management of provisions through the dedicated deposit accounts for prepaid cards. The clients' provisions can only be used for the payment service entrusted by clients and other circumstances as prescribed by these Measures.

Notice on Further Preventing and Dealing with Speculation Risks in Virtual Currency Trading

On September 15 2021, the People's Bank of China, and other relevant PRC governmental authorities jointly promulgated "Notice on Further Preventing and Dealing with Speculation Risks in Virtual Currency Trading", which became effective on the same day. According to the measure, the business activities related to virtual currencies are illegal financial activities. Financial institutions and non-banking payment institutions shall not provide account opening, fund transfer or clearing and settlement services for the business activities related to virtual currencies, or include virtual currencies into the scope of collaterals, nor shall they carry out insurance business related to virtual currencies, or include virtual currencies into the scope of insurance liability. Any violation of laws and regulations detected shall be reported to the relevant authorities in a timely manner. The company should not provide any service in accordance with virtual currency.

Data Security Law of the People's Republic of China

Regulations relating to Information Security and Privacy Protection

Internet content in China is regulated and restricted from a state security standpoint. On December 28, 2000, the SCNPC enacted the Decisions on Maintaining Internet Security (《全国人民代表大会常务委员会关于维护互联网安全的决定》), later amended on August 27, 2009, which subject violators to criminal punishment in China for any effort to: (1) use the Internet to market fake and substandard products or carry out false publicity for any commodity or service; (2) use the Internet for the purpose of damaging the commercial goodwill and product reputation of any other person; (3) use the Internet for the purpose of infringing on the intellectual property of any person; (4) use the Internet for the purpose of fabricating and spreading false information that affects the trading of securities and futures or otherwise jeopardizes the financial order; or (5) create any pornographic website or webpage on the Internet, provide links to pornographic websites, or disseminate pornographic books and magazines, movies, audio-visual products, or images. Pursuant to the Administrative Measures for the Security Protection of Computer Information Networks Linked to the Internet (《计算机信息网络国际联网安全保护管理办法》) which was promulgated by the Ministry of Public Security (the "MPS") on December 16, 1997 and later amended and became effective on January 8, 2011, the Internet is prohibited to be used in ways which, among other things, would result in a leakage of state secrets or a spread of socially destabilizing content. On December 13, 2005, the MPS promulgated the Provisions on the Technical Measures for the Protection of the Security of the Internet (《互联网安全保护技术措施规定》) which require internet service providers to take proper measures including anti-virus, data back-up and other related measures, to keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and to detect illegal information, stop transmission of such information, and keep relevant records. If an internet information service provider violates these measures, the MPS and the local public security bureaus may recommend that the original certificate examination, approval and issuing organizations revoke its operating license and shut down its websites. Pursuant to the Circular of the MPS, the State Secrecy Bureau, the State Cipher Code Administration and the Information Office of the State Council on Printing and Distributing the Administrative Measures for the Graded Protection of Information Security (《公安部、国家保密局、国家密码管理局、国务院信息化工作办公室关于印发〈信息安全等级保护管理办法〉的通知》) which was promulgated on June 22, 2007, the state shall, by formulating nationally effective administrative norms and technical standards for the graded protection of information security, organize citizens, legal persons and other organizations to grade information systems and protect their security, and supervise and administer the graded protection work. The security protection grade of an information system may be classified into the five grades. To newly build an information system of Grade II or above, its operator or user shall, within 30 days after it is put into operation, handle the record-filing procedures at the local public security organ at the level of municipality divided into districts or above of its locality.

PRC governmental authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. On December 28, 2012, the SCNPC promulgated the Decision on Strengthening Network Information Protection (《关于加强网络信息保护的决定》), which became effective on the same day, to enhance the legal protection of information security and privacy on the Internet. On July 16, 2013, the Ministry of Industry and Information Technology of the PRC (the "MIIT") promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《电信和互联网用户个人信息保护规定》) to regulate the collection and use of users' personal information in the provision of telecommunication services and internet information services in China. Telecommunication business operators and internet service providers are required to establish its own rules for collecting and use of users' information and cannot collect or use users' information without users' consent. Telecommunication business operators and internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information.

On June 10 2021, Standing Committee of the National People's Congress promulgated the "Data Security Law of the People's Republic of China", (《中华人民共和国个人信息保护法》), which became effective on September 1 2021. The law requires data collection to be carried out in a lawful and proper manner and stipulates that for data protection purposes, data processing activities must be carried out based on a hierarchical protection system of data classification and data security. According to this law, The outbound security management of important data collected and generated by operators of critical information infrastructure during their operations within the territory of the People's Republic of China shall be governed by the provisions of the Cybersecurity Law of the People's Republic of China, which is Conduct security assessments in accordance with the measures formulated by the national cybersecurity and informatization department in conjunction with the relevant departments of the State Council. Measures for the security management of the exit of important data collected and generated by other data processors during their operations within the territory of the People's Republic of China shall be formulated by the national cybersecurity and informatization department in conjunction with the relevant departments of the State Council. Currently, China has not promulgated clear approval rules or assessment requirements for the security management of data export by "other data processors". Therefore, we currently do not need to conduct security assessments or seek approval from relevant authorities under the Data Security Law.

Cybersecurity Review Measures

On November 7, 2016, the SCNPC published the Cyber Security Law of the PRC (《中华人民共和国网络安全法》), or the Cyber Security Law, which took effect on June 1, 2017 and requires network operators to perform certain functions related to cyber security protection and the strengthening of network information management. For instance, under the Cyber Security Law, network operators of key information infrastructure shall store within the territory of the PRC all the personal information and important data collected and produced within the territory of PRC and their purchase of network products and services that may affect national securities shall be subject to national cybersecurity review.

On April 13, 2020, the Cyberspace Administration of China and other departments issued Cybersecurity Review Measures (《网络安全审查办法》), which took effect on June 1, 2020, to provide for more detailed rules regarding cybersecurity review requirements. On July 10, 2021, the CAC issued the Circular on Seeking Comments on Cybersecurity Review Measures (Revised Draft for Comments) (the “Review Measures Draft”).

On July 10, 2021, the CAC issued the Circular on Seeking Comments on Cybersecurity Review Measures (Revised Draft for Comments) (the “Review Measures Draft”) (《网络安全审查办法 (修订草案征求意见稿)》), which required, among others, in addition to any “critical information infrastructure operators (“CIIOs”),” any “data processor” controlling personal information of no less than one million users which seeks to list in a foreign stock exchange should also be subject to cybersecurity review.

On November 14, 2021, the CAC published the Network Internet Data Protection Draft Regulations (draft for comments), (《网络数据安全条例 (征求意见稿)》), and accepted public comments until December 13, 2021. The Network Internet Data Protection Draft Regulations provides that data processors refer to individuals or organizations that autonomously determine the purpose and the manner of processing data. If a data processor that processes the personal data of more than one million users intends to list overseas, it shall apply for a cybersecurity review. In addition, data processors that process important data or are listed overseas shall carry out an annual data security assessment on their own or by engaging a data security services institution, and the data security assessment report for the prior year should be submitted to the local cyberspace affairs administration department before January 31 of each year.

Later on, December 28, 2021, the CAC and other relevant PRC governmental authorities jointly promulgated the Cybersecurity Review Measures (《网络安全审查办法》), which took effect on February 15, 2022. The Cybersecurity Review Measures provide that, in addition to CIIOs that intend to purchase Internet products and services, net platform operators engaging in data processing activities that affect or may affect national security must be subject to cybersecurity review by the Cybersecurity Review Office of the PRC. According to the Cybersecurity Review Measures, a cybersecurity review assesses potential national security risks that may be brought about by any procurement, data processing, or overseas listing. The Cybersecurity Review Measures require that an online platform operator which possesses the personal information of at least one million users must apply for a cybersecurity review by the CAC if it intends to be listed in foreign countries.

On July 7, 2022, the CAC published the Measures for the Security Assessment of Outbound Data Transfer (《数据出境安全评估办法》), which effected on September 1, 2022. The measures apply to the security assessment of important data and personal information collected and generated during operation within the territory of the People’s Republic of China and transferred abroad by a data handler. According to the Measures, if a data handler transfers data abroad under any of the following circumstances, it shall file to the State Cyberspace Administration for security assessment via the Province Cyberspace Administration: (i) a data handler who transfers important data to abroad; (ii) a critical information infrastructure operator, or a data handler processing the personal information of more than 1 million individuals transfers personal information to abroad ; (iii) since January 1 of the previous year, a data handler cumulatively transferred abroad the personal information of more than 100,000 individuals, or the sensitive personal information of more than 10,000 individuals, or ; (iv) other circumstances where the security assessment for the outbound data transfer is required by the State Cyberspace Administration. See “Item 3. Key Information—D. Risk Factor— Risks Related to Doing Business in China—*Recent greater oversight by the Cyberspace Administration of China, or the CAC, over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offering.*”

Our PRC legal counsel, has advised us that, based on its understanding of the Cyber Security Law, we are not a network operator and not subject to the requirements imposed to network operators under the Cyber Security Law. However, as a non-network operator, like any individual or organization, we have an obligation under the Cyber Security Law not to acquire personal information by stealing or through other illegal means, or illegally sell or provide personal information to any other person. As of the date of this annual report, we are in material compliance with the Cyber Security Law, and this law has not had a significant impact on our business operations. However, our PRC legal counsel has further advised us that there are uncertainties as to how the Cyber Security Law will be interpreted or amended by competent authorities in the future.

Regulations Relating to Employment, Social Insurance and Housing Provident Fund

Employment

According to the PRC Labor Law, or the Labor Law, which was promulgated by the Standing Committee of the National People's Congress, or the SCNPC, on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its employees. An employer shall establish and develop labor safety and health systems, stringently implement national protocols and standards on labor safety and health, get employees to receive labor safety and health education, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with the relevant national standards. An employer must provide employees with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, and provide regular health examinations for employees that are engaged in work with occupational hazards. Employees engaged in special operations must receive specialized training and obtain pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations, and vocational training for employees shall be carried out systematically based on the actual conditions of the Company.

The Labor Contract Law of the PRC, which was promulgated by the SCNPC on June 29, 2007, amended on December 28, 2012, and came into effect on July 1, 2013, combined with the Implementation Regulations on Labor Contract Law, which was promulgated and became effective September 18, 2008, regulate the parties to labor contracts, namely employers and employees, and contain specific provisions relating to the terms of labor contracts. Under the Labor Contract Law and the Implementation Regulations on Labor Contract Law, a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with its employees or by fulfilling the statutory conditions. Where a labor relationship has already been established without a written labor contract, the written labor contracts shall be entered into within one month from the date on which the employee commences working.

Social Insurance

The Law on Social Insurance of the PRC, which was promulgated on October 28, 2010, and became effective on July 1, 2011 and was amended on December 29, 2018, has established social insurance systems of basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums, the Regulations on Work Injury Insurance, the Regulations on Unemployment Insurance and the Trial Measures on Employee Maternity Insurance of Enterprises, enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by going through social insurance registration with local social insurance authorities or agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees.

Housing Provident Fund

According to the Administrative Regulations on the Administration of the Housing Provident Fund, which was promulgated and became effective on April 3, 1999, and was amended on March 24, 2002 and March 24, 2019, housing provident fund contributions paid and deposited both by employees and their unit employer shall be owned by the employees.

A unit employer shall undertake registration of payment and deposit of the housing provident fund in the housing provident fund management center and, upon verification by the housing provident fund management center, open a housing provident fund account on behalf of its employees in a commissioned bank. Employers shall timely pay and deposit housing provident fund contributions in the full amount and late or insufficient payments shall be prohibited. With respect to unit employers who violate the regulations hereinabove and fail to complete housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such unit employers shall be ordered by the housing provident fund administration center to complete such procedures within a designated period. Those who fail to complete their registrations within the designated period shall be subject to a fine of between RMB10,000 and RMB50,000. When unit employers are in breach of these regulations and fail to pay deposit housing provident fund contributions in the full amount as they fall due, the housing provident fund administration center shall order such unit employers to pay within a prescribed time limit, failing which an application may be made to a people's court for compulsory enforcement.

Regulations relating to Foreign Investment

On December 27, 2021, the Special Administrative Measures for the Access of Foreign Investment (Negative List) (外商投资准入特别管理措施(负面清单) (2021年版)) (the "Negative List 2021"), which was promulgated by NDRC and MOFCOM and became effective on January 1, 2022, replaced the Negative List 2020. Industries listed in the Negative List 2021 are divided into two categories with respect to foreign investment: restricted and prohibited. Industries not listed in the Negative List are generally deemed as falling under a third "permitted" category and are generally open to foreign investment unless otherwise specifically restricted by other PRC regulations.

Our principal businesses are precluded from the Negative List 2021 and is thus within a permitted industry for foreign investment.

Regulations relating to Foreign-Owned Enterprises

The establishment, operation and management of corporate entities in China are governed by the Company Law of the PRC (《中华人民共和国公司法》) (the "PRC Company Law"), which was promulgated by the SCNPC on December 29, 1993 and last amended on December 29, 2023, which amendment will come into effect on July 1, 2024. Under the PRC Company Law, companies are generally classified into two categories, i.e., limited liability companies and joint stock limited companies. Unless otherwise stipulated in the related laws on foreign investment, foreign invested companies are required to comply with the provisions of the PRC Company Law.

Pursuant to the Law on Wholly Foreign-owned Enterprises of the PRC (《中华人民共和国外资企业法》) (the "Law on Wholly Foreign-owned Enterprises of the PRC"), which was promulgated by the SCNPC on April 12, 1986, last amended on September 3, 2016 and became effective on October 1, 2016, where the establishment of wholly foreign-owned enterprises does not involve the implementation of special access administrative measures prescribed by the state, the establishment, breakup, merger, or any other major change and the operation period of such enterprises are subject to record-filing administration.

The Implementing Rules for the Law on Wholly Foreign-owned Enterprises of the PRC (《中华人民共和国外资企业法实施细则》) (the "Implementing Rules on Wholly Foreign-owned Enterprises") was promulgated by the State Council on December 12, 1990, then was amended on April 12, 2001 and February 19, 2014, and became effective on March 1, 2014. According to the Implementing Rules on Wholly Foreign-owned Enterprises, industries in which the establishment of wholly foreign-owned enterprises is prohibited or restricted shall be regulated in accordance with the provisions of the State about foreign investment orientation and the Catalogue.

The Law on Wholly Foreign-owned Enterprises of the PRC and the Implementing Rules on Wholly Foreign-owned Enterprises have been repealed by the Foreign Investment Law of the PRC (《中华人民共和国外商投资法》 (the “Foreign Investment Law”), which was adopted by the National People’s Congress on March 15, 2019 and came into effect on January 1, 2020. According to the Foreign Investment Law, the State shall implement the management systems of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to the treatment given to foreign investors and their investments during the investment access stage, which is not lower than that given to their domestic counterparts. The negative list refers to special administrative measures for the access of foreign investment in specific fields as stipulated by the State. The State shall give national treatment to foreign investment beyond the negative list. The organization form, institutional framework and standard of conduct of a foreign-funded enterprise shall be subject to the provisions of the PRC Company Law and the Partnership Enterprise Law of the PRC (《中华人民共和国合伙企业法》) and other laws. Foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment. For any field restricted by the negative list, foreign investors shall conform to the investment conditions as required in the negative list, and fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly.

The Law on Sino-Foreign Equity Joint Ventures of the PRC (《中华人民共和国中外合资经营企业法》), the Law on Wholly Foreign-owned Enterprises of the PRC (《中华人民共和国外资企业法》) and the Law on Sino-Foreign Cooperative Joint Ventures of the PRC (《中华人民共和国中外合作经营企业法》) were repealed simultaneously when the Foreign Investment Law came into effect on January 1, 2020, and foreign-funded enterprises which were established in accordance with such laws before the implementation of the Foreign Investment Law may retain their original organization forms and other aspects for five years upon the implementation hereof.

Regulations on Tax

Corporate Income Tax

According to the Corporate Income Tax Law of the People’s Republic of China (《企业所得税法》), corporate income tax shall be payable by a resident enterprise for income derived from or accruing in or outside China, and the tax rate shall be 25%.

In accordance with the Notice of the State Council on Implementation of Transitional Corporate Income Tax Incentives (《关于实施企业所得税过渡优惠政策的通知》) issued on December 26, 2007, enterprises which had benefited from the tax rate preferential policies provided by the former corporate income tax law shall be gradually subject to the new statutory tax rate scheme over a five-year period commencing on the first day of implementing the Corporate Income Tax Law of the People’s Republic of China (the “Corporate Income Tax Law”), which became effective on January 1, 2008. For enterprises which were entitled to regular corporate income tax exemption and reduction incentives shall, following the implementation of the Corporate Income Tax Law, continue to be entitled to such tax incentives until such exemption and incentive periods expire pursuant to previous tax laws and relevant administrative regulations. For enterprises which did not previously enjoy tax reduction incentives due to non-profitability, the tax incentive period specified in the notice shall commence in 2008.

According to the Corporate Income Tax Law of the People’s Republic of China (《企业所得税法》), enterprises lawfully incorporated pursuant to the laws of a foreign country (region) but whose actual management functions are conducted in China will need to pay corporate income tax for income derived from or accruing in or outside China.

In accordance with the regulations on corporate income tax, the 25% corporate income tax rate is applicable to the VIEs, including Daxin Wealth, Daxin Zhuohui, Zhenyi and Qingdao Buytop.

Value-Added Tax (the “VAT”) and Business Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (《中华人民共和国增值税暂行条例》), or the VAT Regulations, which were promulgated by the State Council on December 13, 1993, and amended on November 10, 2008, February 6, 2016, and November 19, 2017, respectively, and the Implementation Rules of the Provisional Regulations on Value Added Tax of the PRC (《中华人民共和国增值税暂行条例实施细则》) promulgated by the Ministry of Finance of the People’s Republic of China (“MOF”) on December 25, 1993 and amended on December 15, 2008 and October 28, 2011, respectively, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the People’s Republic of China are taxpayers of value-added tax.

In accordance with the Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (《财政部、国家税务总局关于全面推开营业税改征增值税试点的通知》), which was released by MOF and State Administration of Taxation of People's Republic of China ("SAT") on March 23, 2016 and became effective on May 1, 2016, the pilot scheme on levying value-added tax in place of business tax shall be launched nation-wide. All business tax taxpayers in the construction industry, real estate industry, financial industry, living service industry, etc., shall be included in the scope of the pilot scheme and subject to value-added tax instead of business tax.

Furthermore, according to The Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (《财政部、国家税务总局关于调整增值税税率的通知》) which was released on April 4, 2018 and became effective on May 1, 2018, and the Announcement on Policies for Deepening the VAT Reform(《关于深化增值税改革有关政策的公告》) promulgated by Ministry of Finance, State Administration of Taxation, General Administration of Customs on March 20, 2019, and became effective on April 1, 2019, the VAT rates range from 6% up to 17% prior to May 1, 2018, up to 16% starting in May 2018, and up to 13% starting in April 2019, depending on the type of products sold or services provided.

In accordance with the applicable regulations on VAT, a 6% VAT rate is applicable to the VIEs, Daxin Wealth, Daxin Zhuohui, Zhenyi and Qingdao Buytop.

Stamp Duty

In accordance with the Stamp Duty Law of the People's Republic of China (《中华人民共和国印花税法》), which was released by Standing Committee of the National People's Congress on June 10, 2022 and became effective on July 1, 2022, any entities and individuals who make taxable documents and conduct securities transactions within the territory of the People's Republic of China are taxpayers of stamp duty and shall pay stamp duty in accordance with the provisions of this law. All entities and individuals who make taxable documents outside the territory of the People's Republic of China to be used within the territory of the People's Republic of China shall pay stamp duty in accordance with the provisions of this law. The term "taxable documents" refers to the contracts, property transfer documents and business account books listed in the Schedule of Stamp Duty Items and Stamp Duty Law of the People's Republic of China.

Our PRC subsidiary and VIEs in the PRC have completed tax registration and timely paid taxes in accordance with applicable taxation laws and regulations in the PRC.

Regulations on Foreign Exchange

General Administration of Foreign Exchange

According to the Regulations on the Control of Foreign Exchange (《中华人民共和国外汇管理条例》), which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and were amended on January 14, 1997, and August 5, 2008, payments for transactions that take place within the PRC must be made in RMB. Unless otherwise approved, PRC companies may not repatriate foreign currency payments received from abroad or retain the same abroad. RMB is convertible into other currencies for current account items, such as trade-related receipts and payments and payment of interest and dividends. The conversion of RMB into other currencies and remittance of the converted foreign currency outside the PRC for of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local office. According to regulations on foreign exchange settlement of FIEs, they may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local office. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaged in settlement and sale of foreign exchange pursuant to relevant SAFE rules and regulations. For foreign exchange proceeds under the capital accounts, approval from the SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

SAFE Circular No. 21

On May 10, 2013, the SAFE promulgated the Circular of the SAFE on Printing and Distributing the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Relevant Supporting Documents (《外国投资者境内直接投资外汇管理规定》) ("SAFE Circular No. 21"), which was amended on December 30, 2019. It provided for and simplified the operational steps and regulations on foreign exchange matters related to direct investment by foreign investors, including foreign exchange registration, account opening and use, receipt and payment of funds, and settlement and sales of foreign exchange.

SAFE Circular No. 59

Pursuant to the Circular of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《国家外汇管理局关于进一步改进和调整直接投资外汇管理政策的通知》), promulgated by SAFE on November 19, 2012, which became effective on December 17, 2012, and was further amended on May 4, 2015, approval is not required for opening a foreign exchange account and depositing foreign exchange into the accounts relating to the direct investments. SAFE Circular No. 59 also simplified foreign exchange-related registration required for the foreign investors to acquire the equity interests of Chinese companies and further improve the administration on foreign exchange settlement for FIEs.

SAFE Circular No. 13

Pursuant to the Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《国家外汇管理局关于进一步简化和改进直接投资外汇管理政策的通知》), effective from June 1, 2015, which cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration, the investors shall register with banks for direct domestic investment and direct overseas investment.

SAFE Circular No. 16

In accordance with the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《国家外汇管理局关于改革和规范资本项目结汇管理政策的通知》), which was released by SAFE on June 9, 2016, and amended on December 4, 2023, except financial institutions, domestic enterprises (including Chinese-funded enterprises and foreign-invested enterprises) may complete foreign exchange settlement for their foreign debts at their discretion. Based on business operation conditions and in light of relevant regulations and policies, domestic institutions may settle their foreign exchange receipts with banks under the capital account entitled to discretionary settlement. Domestic institutions may, at their discretion, settle up to 100% of their foreign exchange receipts under the capital account for the time being. SAFE may adjust the aforesaid proportion in due time in light of the balance of payment.

SAFE Circular No. 19

The Notice of the State Administration of Foreign Exchange on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-Funded Enterprises(《国家外汇管理局关于改革外商投资企业外汇资本金结汇管理方式的通知》), or the SAFE Circular No.19, which was promulgated by the SAFE on March 30, 2015, and became effective on June 1, 2015, partially repealed on December 30, 2019, and last amended on March 23, 2023, provides that a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange administration has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the account). Pursuant to the SAFE Circular No.19, for the time being, FIEs are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange administration or the bank at the place where it is registered.

Based on the foregoing, when setting up a new foreign-invested enterprise, the foreign invested enterprise shall register with the bank located at its registered place after obtaining the business license, and if there is any change in capital or other changes relating to the basic information of the foreign-invested enterprise, including without limitation any increase in its registered capital or total investment, the foreign invested enterprise shall register such changes with the bank located at its registered place after obtaining the approval from or completing the filing with competent authorities. Pursuant to the relevant foreign exchange laws and regulations, the above-mentioned foreign exchange registration with the banks will typically take less than four weeks upon the acceptance of the registration application. If we intend to provide funding to our WFOE through capital injection at or after their establishment, we shall register the establishment of and any follow-on capital increase in our wholly foreign owned subsidiaries, or the VIEs to operate in China, with the State Administration for Industry and Commerce or its local counterparts, file such via the Foreign Investment Comprehensive Management Information System (the "FICMIS") and register such with the local banks for the foreign exchange related matters.

Under the Circular of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《关于境内居民通过特殊目的公司境外投融资及返程投资外汇管理有关问题的通知》), or the SAFE Circular 37, issued by the SAFE and effective on July 4, 2014, PRC residents are required to register with the local SAFE branch prior to the establishment or control of an offshore special purpose vehicle, or SPV, which is defined as offshore enterprises directly established or indirectly controlled by PRC residents for offshore equity financing of the enterprise assets or interests they hold in China. An amendment to registration or subsequent filing with the local SAFE branch by such PRC resident is also required if there is any change in basic information of the offshore company or any material change with respect to the capital of the offshore company. At the same time, the SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment regarding the procedures for SAFE registration under the SAFE Circular 37, which became effective on July 4, 2014, as an attachment of Circular 37.

Under the relevant rules, any failure by any of our shareholders who is a PRC resident, or is controlled by a PRC resident, to comply with relevant requirements under these regulations could subject our SPV to restrictions imposed on foreign exchange activities, including restrictions on its ability to receive registered capital as well as additional capital from PRC resident shareholders, and contribute registered capital as well as additional capital to WFOE. If WFOE fails to obtain necessary registered capital within the approved business time limit, the industries and commercial administrative authorities might revoke its business license. Due to the failure by shareholders to complete the registration, WFOE's ability to pay dividends or make distributions to our SPV is also restricted, and repatriation of profits and dividends derived from SPV by PRC residents to China are illegal. The offshore financing funds are also not allowed to be used in China. In addition, the failure of the PRC resident shareholders to complete the registration may subject the shareholders to fines less than RMB50,000, and the enterprises to fines less than RMB300,000.

These aforementioned regulations apply to our direct and indirect shareholders who are PRC residents and apply to any offshore acquisitions and share transfer that we may make in the future if our Ordinary Shares are issued to PRC residents.

Regulations on Intellectual Property

Regulations on Trademark

The Trademark Law of the People's Republic of China(《中华人民共和国商标法》) promulgated by the Standing Committee of the National People's Congress on August 23, 1982 and respectively revised on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, and the Regulation on the Implementation of the Trademark Law of the People's Republic of China (《中华人民共和国商标法实施条例》) promulgated by the State Council on August 3, 2002 and revised on April 29, 2014, stipulate the application, examination and approval, renewal, alteration, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants.

In accordance with the trademark related regulations, the trademark, Buytop, has been legally registered by Qingdao Buytop in China and Qingdao Buytop has obtained the certificate for this trademark.

Regulations on Domain Names

The Administrative Measures on Internet Domain Names(《互联网域名管理办法》) promulgated by the Ministry of Industry and Information Technology on August 24, 2017, which was implemented on November 1, 2017, stipulate the regulations on Internet domain name services and undertaking related activities such as operation and maintenance.

In accordance with the domain names related regulations, the domain name, www.buytoppay.com, has been legally registered Qingdao Buytop,. Qingdao Buytop has obtained the certificate for its domain name.

Regulations Relating to Overseas Listings and Offerings

On February 17, 2023, the China Securities Regulatory Commission (the “CSRC”) released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “Trial Measures”), (《境内企业境外发行证券和上市管理试行办法》), and five supporting guidelines (collectively, the “Overseas Listings Rules”), which has become effective on March 31, 2023. On the same date of the issuance of the Overseas Listings Rules, the CSRC circulated No.1 to No.5 Supporting Guidance Rules, the Notes on the Overseas Listings Rules, the Notice on Administration Arrangements for the Filing of Overseas Listings by Domestic Enterprises and the relevant CSRC Answers to Reporter Questions on the official website of CSRC, or collectively, the Guidance Rules and Notice. The Overseas Listings Rules, together with the Guidance Rules and Notice, reiterate the basic supervision principles as reflected in the Administration Provisions and Measures by providing substantially the same requirements for filings of overseas offering and listing by domestic companies. Under the Overseas Listings Rules and the Guidance Rules and Notice, domestic companies conducting overseas securities offering and listing activities, either in direct or indirect form, shall complete filing procedures with the CSRC pursuant to the requirements of the Trial Measures within three working days following its submission of initial public offerings or listing application. The companies that have already been listed on overseas stock exchanges or have obtained the approval from overseas supervision administrations or stock exchanges for its offering and listing before March 31, 2023 and will complete their overseas offering and listing prior to September 30, 2023 are not required to make immediate filings for its listing yet need to make filings for subsequent offerings in accordance with the Overseas Listings Rules. The companies that have already submitted an application for an initial public offering to overseas supervision administrations prior to the effective date of the Overseas Listings Rules but have not yet obtained the approval from overseas supervision administrations or stock exchanges for the offering and listing may arrange for the filing within a reasonable time period and should complete the filing procedure before such companies’ overseas issuance and listing.

As of the date of this annual report, we have not received any formal inquiry, notice, warning, sanction, or any regulatory objection from the CSRC with respect to our listing or subsequent offerings. As the Overseas Listings Rules were newly published and there exists uncertainty with respect to the filing requirements and its implementation, if we are required to submit to the CRSC and complete the filing procedure of our subsequent overseas public offerings, we cannot be sure that we will be able to complete such filings in a timely manner. Any failure or perceived failure by us to comply with such filing requirements under the Overseas Listings Rules may result in forced corrections, warnings and fines against us and could materially hinder our ability to offer or continue to offer our securities.

C. Organizational Structure

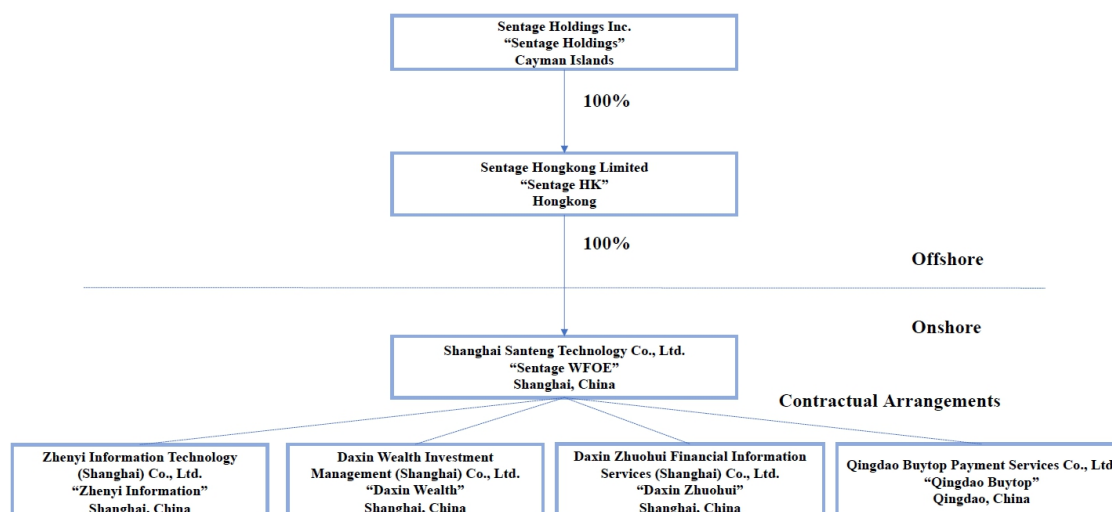
Sentage Holdings was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on September 16, 2019.

Sentage Holdings owns 100% of the equity interests of Sentage Hongkong Limited (“Sentage HK”), a limited liability company formed under the laws of Hong Kong on September 25, 2019.

On December 17, 2019, Shanghai Santeng Technology Co., Ltd. (“Sentage WFOE”) was incorporated pursuant to PRC laws as a wholly foreign owned enterprise of Sentage HK.

Ms. Qiaoling Lu (the chairperson of the board of directors, the chief executive officer, and a major shareholder of the Company), Yiheng Guo (a director and a shareholder of the Company), Hua Wang (a beneficial shareholder of the Company), and Jianxiu Li (a beneficial shareholder of the Company), are the controlling shareholders of the following Sentage Operating Companies: (1) Daxin Wealth Investment Management (Shanghai) Co., Ltd. (“Daxin Wealth”), formed in Shanghai City, China on August 13, 2014; (2) Daxin Zhuohui Financial Information Services (Shanghai) Co., Ltd. (“Daxin Zhuohui”), formed in Shanghai City, China on January 9, 2015; (3) Qingdao Buytop Payment Services Co., Ltd. (“Qingdao Buytop”), formed in Qingdao City, Shandong Province, China on August 4, 2009; and (4) Zhenyi Information Technology (Shanghai) Co. Ltd (“Zhengyi”), formed in Shanghai City, China on August 29, 2017. Daxin Wealth, Daxin Zhuohui, Qingdao Buytop, and Zhenyi were all formed as limited companies pursuant to PRC laws.

The following diagram illustrates our corporate structure, including our subsidiaries and the VIEs, as of the date of this annual report.



The VIE Agreements

Neither we nor our subsidiaries own any equity interest in any of the Sentage Operating Companies. Instead, we control and receive the economic benefits of each of the Sentage Operating Companies’ business operation through a series of VIE Agreements. Sentage WFOE, three of the Sentage Operating Companies (Daxin Wealth, Daxin Zhuohui, and Qingdao Buytop), and their respective shareholders entered into the VIE Agreements on March 9, 2020. Sentage WFOE, Zhenyi, and Zhenyi’s shareholders entered into the VIE Agreements on April 1, 2021.

The VIE structure is not used to provide contractual exposure to foreign investment in China-based companies where Chinese law prohibits direct foreign investment in the operating companies, rather we use the VIE structure because the Chinese laws and regulations affecting Sentage Operating Companies’ businesses are vague and unclear. Sentage Operating Companies engage in (i) consumer loan repayment and collection management service, (ii) loan recommendation service, and (iii) prepaid payment network service. According to “Administrative Measures of People’s Bank of China on Payment Services Provided by Non-financial Institutions” (“Order 2”) and “People’s Bank of China Announcement [2018] No. 7 — Announcement on Matters Relating to Foreign-funded Payment Organizations” (“Announcement No. 7”), those who engage in prepaid network services business within China need to go through a special legal approval procedure to obtain third-party payment licenses. Although the People’s Bank of China has loosened the requirements for foreign-invested enterprises to hold third-party payment licenses, the review procedure is still very strict in practice. At the same time, Chinese authorities have not yet made it clear whether to permit or prohibit foreign-invested enterprises to engage in prepaid network services, loan collection management and loan recommendation services, and there is a risk that Chinese authorities may prohibit direct foreign investment of such businesses.

Under U.S. GAAP, we are deemed to have a controlling financial interest in, and be the primary beneficiary of, the VIEs for accounting purposes, because such contractual arrangements are designed so that the operations of the VIE are solely for the benefit of WFOE and, ultimately, the Company. As such, we have consolidated the VIE for accounting purposes. The VIE Agreements have not been tested in a court of law and may not be effective in providing control over the VIE, and we are subject to risks due to the uncertainty of the interpretation and application of the laws and regulations of the PRC, regarding the VIE, and the VIE structure, including, but not limited to, regulatory review of overseas listing of PRC companies through a special purpose vehicle, and the validity and enforcement of the contractual arrangements with the VIE. We are also subject to the risk that the PRC government could disallow the VIE structure, which would likely result in a material change in our operations and, as a result, the value of our Ordinary Shares may depreciate significantly or become worthless. See “ITEM 3.C Risk Factors – Risks Related to Our Corporate Structure.”

For details of each VIE Agreements, please see “Introduction – The VIE Agreements”.

Corporate Information

Our principal executive offices are located at 501, Platinum Tower, 233 Taicang Rd, HuangPu, Shanghai City, the PRC, and our phone number is +86-21 5386 0209.

Our registered office in the Cayman Islands is located at Ogier Global (Cayman) Limited 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands, and the phone number of our registered office is +1 345 949 9876.

Our corporate website is www.sentageholdings.com. The information contained in, or accessible from, our website or any other website does not constitute a part of this annual report.

Our service process agent is Cogency Global Inc.

The SEC maintains a website at www.sec.gov that contains reports, proxy, and information statements, and other information regarding issuers that file electronically with the SEC using its EDGAR system.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

We, through the Sentage Operating Companies, are a financial service provider that offers a range of financial services across consumer loan repayment and collection management services, loan recommendation services, and prepaid payment network services in the PRC. Leveraging our deep understanding of the client base, strategic partner relationships, and proprietary valuation models and technologies, we are committed to working, through the Sentage Operating Companies, with the clients to understand their financial needs and challenges and offering customized services to help them meet their respective needs. We do not have equity interests in the Sentage Operating Companies, but their financial results have been consolidated by Sentage Holdings for accounting purposes in accordance with U.S. GAAP due to us having effective control over, and being the primary beneficiary of, these companies via the VIE Agreements. The VIE Agreements have not been tested in a court of law in China as of the date of this annual report.

We currently report our operating revenue, through the Sentage Operating Companies, from three main revenue streams, namely, (i) consumer loan repayment and collection management service fees, (ii) loan recommendation service fees, and (iii) prepaid payment network service fees.

A. Operating Results

Major Factors Affecting Results of Operations

We believe the following key factors may affect the Sentage Operating Companies' financial condition and results of operations:

Effectiveness of Risk Management

The success of the Sentage Operating Companies' loan recommendation business relies heavily on their ability to effectively evaluate borrowers' credit profiles, the likelihood of default, and the value of borrowers' collateralized properties. The Sentage Operating Companies have devised and implemented a systematic credit assessment model and an asset-driven, disciplined risk management approach to minimize a borrower's default risk and mitigate the impact of default. Specifically, the Sentage Operating Companies' assessment model and risk management capabilities not only enable them to select high-quality borrowers whose financial conditions and personal background meet the selection criteria, but also protect the funding partners against lending more than they might be able to recover in the case of default. There can be no assurance that the risk management measures will allow the Sentage Operating Companies to identify or appropriately assess whether interest and principal payments due on a loan will be repaid when due, or at all, or whether the value of the mortgaged property will be sufficient to otherwise provide for recovery of such amounts. If the risk management approach is ineffective, or if the Sentage Operating Companies otherwise fail or are perceived to fail to manage the impact of default, the Sentage Operating Companies' reputation and market share could be materially and adversely affected, which would severely impact their business and results of operations.

The Sentage Operating Companies' Ability to Provide Consumer Loan Repayment and Collection Management Services Efficiently

The success of the Sentage Operating Companies' consumer loan repayment and collection management business depends on their ability to manage the loan repayment and collection process efficiently.

The existing consumer loan repayment and collection management services were all completed by the end of 2021. We plan to provide loan repayment and collection management services, through the Sentage Operating Companies, to other online consumer finance companies and major commercial banks in China.

As of the date of this annual report, although the Sentage Operating Companies are in active conversation with a number of prospective clients, they have not secured a new source of revenue to replace the loss of our current engagements. If the Sentage Operating Companies are unable to maintain, develop, and expand their business or adapt to changing market needs as well as the current or future competitors are able to, or if the Sentage Operating Companies are unable to acquire a sufficient number of customers who need their services, they may not be able to generate the same amount of revenue and/or profits to sustain the operation of the consumer loan repayment and collection management business. As a result, the Sentage Operating Companies' business and results of operations may be adversely affected.

The following are some of the main factors that may affect the results of our operations.

Ability to Acquire Prospective Borrowers Effectively and Increase Overall Loan Volume

The Sentage Operating Companies started the loan recommendation services in June 2019. The revenue growth in this business largely depends on our ability to acquire prospective borrowers effectively and increase the overall loan volume funded by the funding partners. We intend to continue to dedicate significant resources to the Sentage Operating Companies' borrower acquisition efforts. If there are insufficient qualified loan requests, the funding partners may not want to collaborate with the Sentage Operating Companies further, which may result in borrowers being unable to obtain capital through the loan recommendation services and turning to other sources for their borrowing needs. In addition to the size of the prospective borrower base, the overall loan volume may be affected by several factors, including the Sentage Operating Companies' brand recognition and reputation, the interest rates offered to borrowers relative to the market rates, the efficiency of the credit assessment process, the availability of our funding partners, the macroeconomic environment, and other factors. In connection with the introduction of new services or in response to general economic conditions, the Sentage Operating Companies may also impose more stringent borrower qualifications to ensure the quality of the recommended borrowers, which may negatively affect loan volume. If the Sentage Operating Companies are unable to attract qualified borrowers or if borrowers do not continue to use our loan recommendation services at the current rates and/or the Sentage Operating Companies are unable to increase the overall loan volume as we expect, the Sentage Operating Companies' business and results of operations may be adversely affected.

Ability to Expand the Prepaid Payment Network Services

We started to generate revenue from the Sentage Operating Companies' prepaid payment network services in August 2019. Our revenue growth in this business largely depends on the Sentage Operating Companies' ability to develop and expand the client network. We believe that customer base is the core building block of the prepaid payment network service business, and the Sentage Operating Companies' ability to provide customers with satisfactory experience is critical to the success and continuous growth in the customer base. The Sentage Operating Companies' ability to provide customers with satisfactory experience is subject to a number of factors, including the Sentage Operating Companies' ability to provide effective services, their ability to continuously innovate and improve their services to meet customer needs, and their access to and cooperation with the business partners. If the Sentage Operating Companies experience service disruptions, failures, or other issues, or, if they fail to deliver satisfactory and distinct customer experience, the Sentage Operating Companies may lose the customers and business partners, which could further lead to a decrease in the volume of transactions processed via the prepaid payment network services. As a result, the Sentage Operating Companies' business, results of operations, and financial condition may be adversely affected.

Ability to Improve Operating Efficiency

Our business growth is dependent on the Sentage Operating Companies' ability to improve their operating efficiency, which is determined by the Sentage Operating Companies' abilities to monitor and adjust costs and expenses. Specifically, we consider the Sentage Operating Companies' ability to monitor and adjust staffing costs (including payroll and employee benefit expense), administrative expenses, and third-party cost essential to the success of our business.

As the client base expands and the Sentage Operating Companies enter into more service agreements with clients, which typically results in expanded work volume, the staffing costs are likely to rise. In contrast, other expenses, particularly those relating to administrative functions, are relatively fixed. For the consumer loan repayment and collection management services and loan recommendation services, the Sentage Operating Companies outsource certain tasks to third-party loan collection agencies or law firms and they collaborate with funding partners. As a result, the cost of third-party business partnership is likely to rise as the Sentage Operating Companies grow their business and expand the partnership network. If the staffing costs, administrative expenses, and third-party costs exceed our estimated budget and we are unable to increase our revenue as expected, our operational efficiency might decrease, having an adverse impact on our business, results of operation, and financial condition.

Ability to Compete Effectively

The industries the Sentage Operating Companies are in are highly competitive and evolving in China. With respect to consumer loan repayment and collection management services and loan recommendation services, they compete with market players such as traditional financial institutions, small loan companies, e-commerce driven installment platforms, and other consumer finance platforms. With respect to prepaid payment network services, the Sentage Operating Companies primarily compete with other third-party payment service providers in China. The competitors operate with different business models, have different cost structures or participate selectively in different market segments. They may ultimately prove to be more successful or more adaptable to new regulatory, technological and other developments. Some of the current and potential competitors have significantly more financial, technical, marketing and other resources than the Sentage Operating Companies do, and may be able to devote greater resources to the development, promotion, sale and support of their platforms. The competitors may also have longer operating histories, more extensive pool of borrowers, larger amounts of data, greater brand recognition and loyalty, and broader partner relationships than the Sentage Operating Companies do. The customers and clients make competitive determinations based upon qualifications, experience, performance, reputation, technology, customer relationships and ability to provide the relevant services in a timely, safe and cost-efficient manner. If the Sentage Operating Companies do not compete effectively, our operating results could be harmed.

General Condition of the Global or Chinese Economy

The rapid growth of the Chinese economy has slowed down since 2012 and this slowdown may continue in the future. There is considerable uncertainty over trade conflicts between the United States and China and the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. The withdrawal of these expansionary monetary and fiscal policies could lead to a contraction. There continue to be concerns over unrest and terrorist threats in the Middle East, Europe, and Africa, which have resulted in volatility in oil and other markets. There are also concerns about the relationships between China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes. The eruption of armed conflict could adversely affect global or Chinese discretionary spending, either of which could have a material and adverse effect on our business, results of operation in financial condition. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy would likely materially and adversely affect the Sentage Operating Companies' business, results of operations and financial condition. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs.

Key Components of Results of Operations

Revenues

	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
Consumer loan repayment and collection management fees	156,062	6.9	-	-	-	-
Loan recommendation service fees	1,177,822	52.1	-	-	-	-
Prepaid payment network service fees	928,565	41.0	161,372	100.0	146,554	100.0
Total operating revenue	2,262,449	100.0	161,372	100.0	146,554	100.0

(1). Loan Repayment and Collection Management Services

Revenue from consumer loan repayment and collection management business accounted for 0%, 0% and 6.9% of the total revenue for the fiscal years ended December 31, 2023, 2022 and 2021, respectively. There was no revenue generated in the loan repayment and collection management services in fiscal year 2023, and the Sentage Operating Companies continue to explore new opportunities to engage new customers in 2024. These loans were consumer loan products ranging from 30,000 RMB (approximately \$4,342) to 80,000 RMB (approximately US\$11,579), with terms ranging from one year to four years. All the clients are individual customers who entered into service agreements with the Sentage Operating Companies. All these loans were facilitated through the offline loan recommendation services before November 2017. Since November 2017, the Sentage Operating Companies have not provided any intermediary services for any new customers due to changes in related governing regulations in China. Pursuant to the service agreements entered with individual customers, customers authorized the Sentage Operating Companies to monitor and manage the repayment and collection process of outstanding loans for a fixed service fee, which was paid upfront by customers. The Sentage Operating Companies were required to monitor loans within loan term to ensure timely repayment of loans when they become due. Pursuant to the agreements with customers, loan repayment and collection management services were parts of bundled services offered to customers for a fixed fee and were not capable of being distinct because the Sentage Operating Companies were required to concurrently monitor and manage the repayment and collection process of outstanding loans to be entitled to receive a fixed service fee. As a result, loan management services and collection management services were not separately identifiable in the context of the contract and accordingly were treated as a bundled single performance obligation. There was no variable consideration in the contract. Once a specific loan was repaid on time, the service obligation related to such loan was satisfied. When a loan became delinquent, the Sentage Operating Companies were then required to assist in collection efforts for an extended service period of additional 12 months starting with the day when such loan becomes delinquent. No additional fee could be charged for collection management services provided to delinquent loans beyond the initial fixed fee agreed. If all or a part of the loan was still not repaid after all collection management efforts were exhausted within such required service period, our service obligation related to such loan was satisfied and the Sentage Operating Companies were not responsible for any loss from uncollectible loan.

The service agreements were fully completed in the year ended December 31, 2021. During fiscal year 2022, due to the uncertainties caused by the COVID-19, our prospective business partners were not able to start new cooperations with us, resulting in the loss of revenue, which had an adverse impact on our business, results of operation, and financial condition. In fiscal year 2023, the ongoing impact of COVID-19 led to a decrease in market demand, prompting the Company to adjust and improve its Loan Repayment and Collection Management Services to align with market needs. This adjustment may require more time to implement, thus continuing to affect the company's revenue. It has also had an adverse impact on our business, operational performance, and financial condition in fiscal year 2023.

(2). Loan Recommendation Services

Revenue from the loan recommendation business accounted for 0%, 0% and 52.1% of our total revenue for the fiscal years ended December 31, 2023, 2022 and 2021, respectively. During the fiscal year 2021, the Sentage Operating Companies successfully recommended 23 borrowers to the funding partners. During the year ended December 31, 2022, the Sentage Operating Companies was not able to provide Loan recommendation Services and was not able to generate revenue because the temporary COVID-19 lock down from April 2022 to June 2022 prevented the Sentage Operating Companies from face-to-face interactions with prospective customers during the peak season of this type of business. During the year ended 31 December 2023, due to the diversified needs of the market and customers, the Company is in the process of adapting and improving its products and services to meet the market demand, this adjustment may take more time to implement and has impacted the Company's financial results for fiscal year 2023.

(3). Prepaid Payment Network Services

Revenue from the prepaid payment network service business accounted for 100%, 100% and 41.0% of our total revenue for the fiscal years ended December 31, 2023, 2022 and 2021, respectively. The Sentage Operating Companies started this service in August 2019. During fiscal year 2021, the Sentage Operating Companies provided prepaid payment network consulting services to seven customers. During the year ended December 31, 2022, the Sentage Operating Companies provided prepaid payment network consulting services to four customers. Due to great changes in market orientation and demand, the Sentage Operating Companies' business is also undergoing rapid adjustment along with changes in national policies. During the year ended December 31, 2023, the Sentage Operating Companies provided prepaid payment network consulting services to three customers. Revenue generated from services provided decreased by approximately \$15,000 compared to fiscal year 2022. As of the date of this annual report, we anticipate that all aspects of the market will gradually stabilize. The Sentage Operating Companies plan to find new business directions by adjusting business plan accordingly.

Operating expenses

Our operating expenses primarily consist of the Sentage Operating Companies' selling and marketing expenses and general and administrative expenses. Our selling, general and administrative expenses mainly consisted of professional expenses (including audit expense, legal expense, printer expense, Nasdaq annual fees, etc.), employee compensations, rental expenses, and other expenses such as travel expenses, entertainment expenses, etc.

	2023		2022		Fluctuation	
	Amount	%	Amount	%	Amount	%
Summary selling, general and administrative expenses:						
Professional expenses	893,137	47.1	1,567,007	57.7	(673,870)	(43.0)
Employee compensations	722,938	38.1	920,739	33.9	(197,801)	(21.5)
Rental expenses	156,782	8.3	140,664	5.2	16,118	11.5
Other expenses	124,655	6.5	86,136	3.2	38,519	44.7
Total selling, general and administrative expenses	1,897,512	100	2,714,546	100	(817,034)	(30.1)

For the fiscal years ended December 31, 2023 and 2022, our selling, general and administrative expenses amounted to \$1,897,512 and \$2,714,546, respectively. For fiscal year 2023, there was a decrease of \$817,034, or 30.1%, as compared with fiscal year 2022. The decrease was primarily due to the following (i) professional fees decreased by \$673,870 from \$1,567,007 in fiscal 2023 to \$893,137 in fiscal 2022 due to a decrease in consulting services paid to third-party professionals, as the need for consulting services diminished following the Company's initial public offering; (ii) employee compensation decreased by \$197,801 from \$920,739 in fiscal year 2022 to \$722,938 in fiscal 2023, primarily due to a reduction in the Company's headcount, which resulted in a reduction in base salaries and social security; (iii) an increase in rental expenses of \$16,118 from \$140,664 in fiscal year 2022 to \$156,782 in fiscal year 2023, due to the new lease contracts signed in March 2023; and (iv) an increase in other expenses, such as office expenses and travel, from \$86,136 in fiscal year 2022 to \$124,655 in fiscal year 2023, due to increased business activities as a result of no longer being subject to the impacts of COVID-19 in fiscal year 2023. This represents an increase of \$38,519.

Results of Operations

The following table sets forth a summary of our consolidated results of operations, for the period indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
Summary Consolidated Statements of Operations:						
Operating revenue						
Consumer loan repayment and collection management fees	156,062	6.9	-	-	-	-
Loan recommendation service fees	1,177,822	52.1	-	-	-	-
Prepaid payment network service fees	928,565	41.0	161,372	100.0	146,554	100.0
Total operating revenue	2,262,449	100.0	161,372	100.0	146,554	100.0
Cost of revenue and related tax						
Cost of revenue	34,092	1.5	17,833	11.1	12,597	8.6
Business and sales related tax	464	*	-	-	-	-
Total cost of revenue and related tax	34,556	1.5	17,833	11.1	12,597	8.6
GROSS PROFIT	2,227,893	98.5	143,539	88.9	133,957	91.4
Operating expenses:						
Selling, general and administrative expenses	3,006,859	132.9	2,714,546	1,682.2	1,897,512	1,294.8
Total operating expenses	3,006,859	132.9	2,714,546	1,682.2	1,897,512	1,294.8
Income from operations	(778,966)	(34.4)	(2,571,007)	(1,593.2)	(1,763,555)	(1,203.3)
Other income (expenses)	(56,931)	(2.5)	9,100	5.6	(139,722)	(95.3)
Loss before income tax provision	(835,897)	(36.9)	(2,561,907)	(1,587.6)	(1,903,277)	(1,298.7)
Income tax expense	257,344	11.4	-	-	-	-
Net loss	(1,093,241)	(48.3)	(2,561,907)	(1,587.6)	(1,903,277)	(1,298.7)

* Denotes percentages between (0.1%) and 0.1%.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenues

Total operating revenue decreased by \$14,818, or 9.2%, to \$146,554 for the fiscal year ended December 31, 2023, from \$161,372 for the fiscal year ended December 31, 2022. The modest change in revenue is due to a slight reduction in the services provided by the Company's Prepaid payment network service fees in fiscal 2023. There was no revenue generated from Consumer Loan Repayment and Collection Management Fees and Loan Recommendation Service Fees in both the 2023 and 2022 fiscal years. This was due to changes in the market environment following the end of COVID-19, prompting the Company to adjust and improve its products and services. However, these improvements will take time to complete.

Other income (expenses)

Our other income (expense) consists primarily of bank fees, foreign exchange gain or loss, impairment losses on assets, and gains and losses on the disposal of fixed assets. In fiscal year 2023, our net other expense was \$(139,722), a increase of \$148,822 from net other income of \$9,100 in fiscal year 2022. This was due to an asset impairment loss in fiscal 2023.

Net Loss

As a result of the foregoing, we reported a net loss of \$1,903,277 for the fiscal year ended December 31, 2023, representing a \$658,630 decrease from a net loss of \$2,561,907 for the fiscal year ended December 31, 2022.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenues

Total operating revenue decreased by \$2,101,077, or 92.9%, to \$161,372 for the fiscal year ended December 31, 2022, from \$2,262,449 for the fiscal year ended December 31, 2021. The decrease in our revenues was primarily due to the following reasons: a) the servicing agreements under the consumer loan repayment and collection management business were fully completed in fiscal 2021 and no related revenue was generated in fiscal year 2022; b) the Company didn't generate any revenue from the loan recommendation services in fiscal year 2022, because the Company was not able to engage any new customers in the peak season of this type of business during the COVID-19 lock down starting from April to June 2022; and c) the revenue from prepaid payment network services decreased sharply, due to the decreased demand by customers caused by the uncertainties attributed to COVID-19.

Selling, general and administrative expenses

For the fiscal years ended December 31, 2022 and 2021, our selling, general and administrative expenses amounted to \$2,714,546 and \$3,006,859, respectively. For fiscal year 2022, there was a decrease of \$292,313, or 9.7%, as compared with fiscal year 2021. The decrease was primarily attributable to the following: (i) a decrease in the professional fees of \$543,894 from \$2,110,901 in fiscal year 2021 to \$1,567,007 in fiscal year 2022, due to the fact that the Company incurred a one-time professional fees in relation to its initial public offering in fiscal year 2021; (ii) an increase of \$161,184 from \$759,555 in fiscal year 2021 to \$920,739 in fiscal year 2022 in employee compensation, such as basic salaries, social insurance, and remuneration for the Company's directors, which the Company did not incur prior to its initial public offering in fiscal year 2021; (iii) an increase in rental expenses of \$119,269 from \$21,395 in fiscal year 2021 to \$140,664 in fiscal year 2022, due to the new lease contracts signed in October 2021; (iv) a decrease of \$28,872 from \$115,008 in fiscal year 2021 to \$86,136 in fiscal year 2022 in the other expenses, such as office expense, R&D expenditure, and travel expense, as a result of decreased business activities, due to COVID-19 lock-downs in fiscal year 2022.

Other income (expenses)

Our other income (expense) consists primarily of bank fees, exchange gain or loss, impairment losses on assets, and gains and losses on the disposal of fixed assets. In fiscal year 2022, our net other income (expense) was \$9,100, a decrease of \$66,031 from net other income (expense) of \$(56,931) in fiscal year 2021. This was due to an additional asset impairment loss in fiscal 2021.

Provision for Income Taxes

Our provision for income taxes was nil in fiscal year ended December 31, 2022, a decrease of \$257,344, or 100.0%, from \$257,344 in fiscal year ended December 31, 2021. This was due to the fact that the company posted a loss and no deferred tax expense or benefit was recognized in fiscal 2022.

Net Loss

As a result of the foregoing, we reported a net loss of \$2,561,907 for the fiscal year ended December 31, 2022, representing a \$1,468,666 increase from the net income of \$1,093,241 for the fiscal year ended December 31, 2021.

Taxation

Cayman Islands

We are incorporated and registered in the Cayman Islands. The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. No stamp duty is payable in the Cayman Islands on the issue of shares by, or any transfers of shares of, Cayman Islands companies (except those which hold interests in land in the Cayman Islands). There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our Ordinary Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our Ordinary Shares, as the case may be, nor will gains derived from the disposal of our Ordinary Shares be subject to Cayman Islands income or corporation tax.

Hong Kong

Entities incorporated in Hong Kong are subject to profits tax in Hong Kong at the rate of 16.5%.

PRC

According to the EIT Law, which was promulgated by the SCNPC on March 16, 2007, became effective on January 1, 2008, and was then amended on February 24, 2017, and the Implementation Rules of the EIT Law, which were promulgated by the State Council on December 6, 2007, and became effective on January 1, 2008, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises pay enterprise income tax on their incomes obtained in and outside the PRC at the rate of 25%. Non-resident enterprises setting up institutions in the PRC pay enterprise income tax on the incomes obtained by such institutions in and outside the PRC at the rate of 25%. Non-resident enterprises with no institutions in the PRC, and non-resident enterprises with income having no substantial connection with their institutions in the PRC, pay enterprise income tax on their income obtained in the PRC at a reduced rate of 10%.

We are a holding company incorporated in the Cayman Islands and we gain substantial income by way of dividends paid to us from the PRC Operating Entities. The EIT Law and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a preferential tax rate or a tax exemption.

Under the EIT Law, an enterprise established outside of China with a "de facto management body" within China is considered a "resident enterprise," which means that it is treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. Although the implementation rules of the EIT Law define "de facto management body" as a managing body that actually, comprehensively manage and control the production and operation, staff, accounting, property, and other aspects of an enterprise, the only official guidance for this definition currently available is set forth in SAT Notice 82, which provides guidance on the determination of the tax residence status of a Chinese-controlled offshore incorporated enterprise, defined as an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC enterprise or enterprise group as its primary controlling shareholder. Although Sentage Holdings does not have a PRC enterprise or enterprise group as our primary controlling shareholder and is therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of SAT Notice 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in SAT Notice 82 to evaluate the tax residence status of Sentage Holdings and its subsidiaries organized outside the PRC.

According to SAT Notice 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met: (i) the places where senior management and senior management departments that are responsible for daily production, operation and management of the enterprise perform their duties are mainly located within the territory of China; (ii) financial decisions (such as money borrowing, lending, financing and financial risk management) and personnel decisions (such as appointment, dismissal and salary and wages) are decided or need to be decided by organizations or persons located within the territory of China; (iii) main property, accounting books, corporate seal, the board of directors and files of the minutes of shareholders' meetings of the enterprise are located or preserved within the territory of China; and (iv) one half (or more) of the directors or senior management staff having the right to vote habitually reside within the territory of China.

We believe that we do not meet some of the conditions outlined in the immediately preceding paragraph. For example, as a holding company, the key assets and records of Sentage Holdings, including the resolutions and meeting minutes of our board of directors and the resolutions and meeting minutes of our shareholders, are located and maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC "resident enterprise" by the PRC tax authorities. Accordingly, we believe that Sentage Holdings and its offshore subsidiaries should not be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in SAT Notice 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities, we will continue to monitor our tax status.

The implementation rules of the EIT Law provide that, (i) if the enterprise that distributes dividends is domiciled in the PRC or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or gains are treated as China-sourced income. It is not clear how “domicile” may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC tax resident enterprise for PRC tax purposes, any dividends we pay to our overseas shareholders which are non-resident enterprises as well as gains realized by such shareholders from the transfer of our shares may be regarded as China-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%. Dacheng, our PRC counsel, is unable to provide a “will” opinion because it believes that it is more likely than not that we and our offshore subsidiaries would be treated as non-resident enterprises for PRC tax purposes because we do not meet some of the conditions outlined in SAT Notice 82. In addition, Dacheng is not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC “resident enterprise” by the PRC tax authorities as of the date of this annual report. Therefore, Dacheng believes that it is possible but highly unlikely that the income received by our overseas shareholders will be regarded as China-sourced income.

See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Under the PRC Enterprise Income Tax Law, we may be classified as a PRC “resident enterprise” for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment.”

Currently, as resident enterprises in the PRC, the Sentage Operating Companies are subject to the enterprise income tax at the rate of 25%. The EIT is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards. If the PRC tax authorities determine that Sentage Holdings is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of our Ordinary Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to dividends or gains realized by non-PRC individuals, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. There is no guidance from the PRC government to indicate whether or not any tax treaties between the PRC and other countries would apply in circumstances where a non-PRC company was deemed to be a PRC tax resident, and thus there is no basis for expecting how tax treaty between the PRC and other countries may impact non-resident enterprises.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

The principal sources of liquidity have been from cash generated from operating and financing activities. As of December 31, 2021, 2022 and 2023, we had \$\$10,783,387, \$3,828,224 and \$2,289,008 for cash, cash equivalents and restricted cash, respectively. Our cash and cash equivalents are primarily denominated in Renminbi and US dollars.

In assessing our liquidity, our management monitors and analyzes our cash on-hand, our ability to generate sufficient revenue sources in the future, and our operating and capital expenditure commitments. As of December 31, 2023, we had cash and restricted cash of approximately \$2.3 million. Accounts receivable of approximately \$0.5 million associated with services rendered for our prepaid payment network business and loan recommendation business has been billed to our customers but has not been collected as of the balance sheet dates. We also borrowed approximately \$344,235, which was provided by our controlling shareholder, Ms. Qiaoling Lu, to support our working capital need. Ms. Qiaoling Lu will not seek repayment of her related party balance of \$344,235 as of December 31, 2023 until at least 12 months from the issuance of the financial statements.

Currently, we improve our liquidity and capital sources primarily through cash flows from operation and financial support from our principal shareholders. In order to fully implement our business plan, we may also need to raise capital from outside investors.

In light of the effects of the COVID-19 pandemic as discussed above, if we are required to operate in a challenging economic environment in China, if we incur unanticipated capital expenditures, we may need additional financing. We cannot guarantee, however, that additional financing, if required, would be available at all or on favorable terms. Such financing may include the use of additional debt or the sale of additional equity securities. Any financing which involves the sale of equity securities or instruments that are convertible into equity securities could result in immediate and possibly significant dilution to our existing shareholders.

In the coming years, we will be exploring other financing sources, such as raising additional capital by issuing shares of stock, to meet our cash needs. While facing uncertainties in regard to the size and timing of capital raises, we are confident that we can continue to meet operational needs solely by utilizing cash flows generated from our operating activities and working-capital funds provided by shareholders, as necessary.

The following table sets forth a summary of our cash flows for the periods presented:

	Years Ended December 31,		
	2021	2022	2023
Net cash used in operating activities	\$ (382,664)	\$ (6,679,460)	\$ (1,826,944)
Net cash used in investing activities	(5,519,977)	(34,346)	(23,433)
Net cash provided by (used in) financing activities	16,401,297	(156,311)	339,526
Effect of exchange rate change on cash and restricted cash	144,349	(85,046)	(28,365)
Net increase (decrease) in cash and restricted cash	<u>\$ 10,643,005</u>	<u>\$ (6,955,163)</u>	<u>\$ (1,539,216)</u>
Cash and restricted cash, beginning of year	140,382	10,783,387	3,828,224
Cash and restricted cash, end of year	<u>\$ 10,783,387</u>	<u>\$ 3,828,224</u>	<u>\$ 2,289,008</u>

Operating Activities

Net cash used in operating activities was \$1,826,944 for the fiscal year ended December 31, 2023, which primarily consisted of the following:

- Net loss of \$1,903,277 for the fiscal year.
- A decrease in Accrued expenses and other current liabilities of \$ 54,868. This is mainly due to the decrease in the number of employees in the company during the 2023 fiscal year, resulting in a decrease in the amount of wages payable.

Net cash used in operating activities was \$6,679,460 for the fiscal year ended December 31, 2022, which primarily consisted of the following:

- Net loss of \$2,561,907 for the fiscal year.
- A decrease in Prepaid expenses and other current assets of \$4,064,584. This is primarily due to a deposit of \$3,570,000 paid by the Company in fiscal year 2022 for the commissioned acquisition of an e-commerce technology services business.

Net cash used in operating activities was \$382,664 for the fiscal year ended December 31, 2021, which primarily consisted of the following:

- Net loss of \$1,093,241 for the fiscal year.
- A decrease in accounts receivable of \$763,240. The decrease was due to our provision of loan recommendation services and prepaid payment network services and, in connection with the two business lines, our performance obligation under our service agreements with clients had been fully satisfied. The majority of the receivables from our customers were collected as of 2021.12.31.
- A decrease in deferred revenue of \$154,106. The decrease was due to the recognition of such amount as revenue when our performance obligation associated with our consumer loan repayment and collection management services had been satisfied during the 2021 fiscal year

Investing Activities

Net cash used in investing activities amounted to \$23,433 for the fiscal year ended December 31, 2023, mainly includes to consisting primarily of purchases of software products.

Net cash used in investing activities amounted to \$34,346 for the fiscal year ended December 31, 2022, mainly includes to consisting primarily of purchases of software products.

Net cash used in investing activities amounted to \$5,519,977 for the fiscal year ended December 31, 2021, mainly includes to purchase a one-year note with principal of \$5.5 million.

Financing Activities

Net cash provided by financing activities amounted to \$339,526 for the fiscal year ended December 31, 2023, primarily the proceeds from working capital of related parties \$ 339,526.

Net cash used in financing activities amounted to \$156,311 for the fiscal year ended December 31, 2022, primarily the repayment of working capital of related parties \$ 156,311.

Net cash provided by financing activities amounted to \$16,401,297 for the fiscal year ended December 31, 2021, primarily consisting of the proceeds from IPO in the amount of \$16,912,053 and the repayment of working capital of related parties \$ 1,276,641.

C. Research and Development, Patents and Licenses, etc.

See “Item 4. Information on the Company—B. Business—Intellectual Property.”

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the period from January 1, 2023 to December 31, 2023 that are reasonably likely to have a material effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

We prepare our financial statements in accordance with U.S. GAAP, which requires our management to make judgment, estimates and assumptions that affect our reporting of, among other things, assets and liabilities, contingent assets and liabilities and revenue and expenses. We continually evaluate these judgments, estimates and assumptions based on our own historical experience, knowledge and assessment of relevant current business and other conditions, our expectations regarding the future based on available information and various assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

The selection of critical accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements. You should read the following description of critical accounting policies, judgments and estimates in conjunction with our consolidated financial statements and other disclosures included in this annual report.

Revenue Recognition

We adopted ASC 606, "Revenue from Contracts with Customers" for all periods presented. Consistent with the criteria of ASC 606, we follow five steps for its revenue recognition: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The primary sources of our revenues are as follows:

Revenue from consumer loan repayment and collection management services

Loans facilitated through the Sentage Operating Companies were consumer loan products ranging from 30,000 RMB (approximately \$4,342) to 80,000 RMB (approximately US\$11,579). Loan term ranges from one to four years.

All of the clients are individual customers who entered into service agreements with the Sentage Operating Companies. All of these loans were facilitated through the offline loan recommendation services before November 2017. Since November 2017, the Sentage Operating Companies have not provided any intermediary services for any new customers due to changes in related governing regulations in China, and they have been focusing on providing services related to consumer loan repayment and collection management to the customers. These consumer loan repayment and collection management services are a part of the service obligations in the service agreements with the customers. Pursuant to the Sentage Operating Companies' agreements with customers, loan repayment and collection management services are parts of bundled services offered by the Sentage Operating Companies to customers for a fixed fee and are not capable of being distinct because the Sentage Operating Companies are required to concurrently monitor and manage the repayment and collection process of outstanding loans to be entitled to receive a fixed service fee. As a result, loan management services and collection management services are not separately identifiable in the context of the contract and accordingly are treated as a bundled single performance obligation. There is no variable consideration in the contract. Once a specific loan is repaid on time, the service obligation related to such loan is satisfied. If a loan becomes delinquent, the Sentage Operating Companies are then required to assist in collection efforts for an extended service period of additional 12 months starting with the day when such loan becomes delinquent. No additional fee can be charged for collection management services provided to delinquent loans beyond the initial fixed fee agreed. If all or a part of the loan is still not repaid after all collection management efforts are exhausted within such required service period, the Sentage Operating Companies' service obligation related to such loan is satisfied and the Sentage Operating Companies are not responsible for any loss from an uncollectible.

The Sentage Operating Companies' loan repayment and collection management services primarily included reconciling borrower repayment record and sending payment reminder and notice periodically facilitating repayment upon maturity and collaborating with third-party collection agents and law firms in the event of delinquency, etc. Loan repayment and collection management fees received from the customers upfront are deferred first, and then ratably recognized as revenue over the loan terms or an extended service period of additional 12 months starting with the day when such loan becomes delinquent, as the Company performs designated services.

Revenue from services provided to borrower for loan recommendation

The Sentage Operating Companies started to provide borrower recommendation services where they recommend prospective borrowers to funding partners in June 2019. The Sentage Operating Companies' performance obligations include making loan product recommendations to borrower applicants based on their specific needs, processing paperwork related to borrowers' applications, evaluating credentials of borrower applicants, appraising borrowers' properties to be collateralized through data analysis and on-site inspection, and recommending qualified borrowers to various funding partners for loan approval. The Sentage Operating Companies receive a service fee from a borrower if he or she is approved for a loan and such loan is then funded by one of the funding partners. The Sentage Operating Companies acquire borrowers through cooperating with third-party referral partners as well as through their own borrower development efforts. For borrowers acquired through cooperating with third-party referral partners, pursuant to the service agreement between the Sentage Operating Companies and the referral partners, referral partners first charge borrowers service fees for their referrals. The Sentage Operating Companies then charge the referral partners a commission ranging from 1.5% to 2% based on the loan proceeds disbursed to the borrowers. For borrowers developed directly by the Sentage Operating Companies, they charge the borrowers a service fee of 1.75% to 3% of the loan amount received by the borrowers. We recognize revenue at the point when the Sentage Operating Companies' performance obligations are satisfied and the loan proceeds are disbursed to a specific borrower.

Revenue from prepaid payment network services

In 2012, Qingdao Buytop, was granted a third-party payment service license by the relevant authority in China. Qingdao Buytop started to provide prepaid payment network services to merchant customers in August 2019. Qingdao Buytop is licensed to issue generic and branded prepaid gift and debit cards and provide related services to various merchants, such as supermarket and department stores, etc. In connection with repaid payment network services, we expect to generate revenue from: (1) technology consulting and support services fees related to payment solution planning, design, and management; (2) prepaid card payment services fees related to issuance and use of prepaid cards. Technology consulting and support services are short-term in nature, with service period ranging from one to three months, and related service fees are recognized as revenue at point when payment solution, design and management services are rendered, completed and accepted by customers. For merchant customers who need prepaid card payment services such as collecting and processing information necessary for prepaid card issuance and authorizing transaction requests after verifying transaction information, Qingdao Buytop charge service fee equal to 0.3% to 0.5% of each transaction amount and recognize revenue at the point when the prepaid cards issued by merchant customers are used by their end user card holders. For the fiscal years ended December 31, 2023 and 2022, we earned \$146,554 and \$161,372 in revenue from providing technology consulting and support service to customers, respectively.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as operating loss and tax credit carryforwards, if any. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or tax laws is recognized in the consolidated statements of comprehensive income in the period the change in tax rates or tax laws is enacted. We reduce the carrying amounts of deferred tax assets by a valuation allowance, if based on the available evidence, it is "more-likely-than-not" that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed at each reporting period based on a "more-likely-than-not" realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of futures profitability, the duration of statutory carryforward periods, and our experience with operating loss and tax credit carryforwards, if any, not expiring.

In the financial statements, we recognize the impact of a tax position if that position is "more likely than not" to prevail based on the facts and technical merits of the position. Tax positions that meet the "more likely than not" recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. Changes in recognition or measurement are reflected in the period in which the change in judgement occurs. Interest and penalties recognized related to an unrecognized tax benefit are classified as income tax expense in the consolidated statements of comprehensive income.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth the name, age and position of each of our directors and executive officers as of the date of this annual report.

Name	Age	Position
Qiaoling Lu	44	Chief Executive Officer, Chairman of the Board of Directors, and Director
Jianhua Chen	48	Chief Financial Officer
Yiheng Guo	40	Director
Michael John Viotto ⁽¹⁾⁽²⁾⁽³⁾	72	Independent Director
Angel Colon ⁽¹⁾⁽²⁾⁽³⁾	50	Independent Director
Shengsong Wang ⁽¹⁾⁽²⁾⁽³⁾	68	Independent Director

(1) Member of the Audit Committee

(2) Member of the Nominating and Corporate Governance Committee

(3) Member of the Compensation Committee

Ms. Qiaoling Lu has been our chief executive officer, chairman of the board of directors, and director since incorporation. Ms. Lu has served as the general manager of Daxin Wealth since March 2015. Before joining us, she served as the manager director of Asia Pacific at Interconnect Products Limited UK from September 2010 to January 2015, where she successfully led her team to expand the company's business in the Asia market. She also served as a finance associate at IQVIA (formerly known as Quintiles European headquarters) from April 2006 to August 2010. Ms. Lu obtained her master's degree in International Relations from Qingdao University in Qingdao City, Shandong Province, China in 2005. Ms. Lu obtained her master's degree in International Management from Henley Business School at University of Reading in the United Kingdom in 2004. Ms. Lu obtained her bachelor's degree in International Economics from Shandong University of Finance and Economics in Jinan City, Shandong Province, China in 2002.

Mr. Jianhua Chen was appointed as our Chief Financial Officer September 1, 2020. He has served as the finance director of Daxin Wealth since June 2016. Prior to joining Daxin Wealth, he had served as the finance director of Shanghai Chenengdai Finance Technology Co., Ltd. from January 2015 to June 2016. Mr. Chen obtained his master's degree in Business Administration from Renmin University of China in Beijing, China in 2018. Mr. Chen obtained his bachelor's degree in Accounting from Shanghai Ocean University in Shanghai City, China in 1998.

Mr. Yiheng Guo has served as a director of Daxin Wealth from March 2015 to present. Mr. Guo obtained his master's degree in Real Estate Investment and Finance from Henley Business School at University of Reading in the United Kingdom in 2007. Mr. Guo obtained his bachelor's degree in International Securities Investment & Banking from University of Reading in the United Kingdom in 2006.

Mr. Michael John Viotto is our Independent Director, within the meaning of the Nasdaq Listing Rules. Michael Viotto currently serves as the Chief Financial Officer and a Board member for Fuse Group Holdings Inc., an OTC OB Market listed company (trading symbol: FUST). Mr. Viotto has been serving as a Board member for Fuse Group Holding Inc. since August 2017, supervising finance aspects of the Company. Mr. Viotto has been the President of MJV Consulting since October 2014, and has also been serving as an Independent Director for Dunxin Financial Holding Limited, an NYSE market listed company (trading symbol: DXF), serving as the Chairman of the company's Compensation Committee and a member of the company's Nomination Committee as well as its Audit Committee since December, 2017. In addition, Mr. Viotto also served as an Independent Director for Future World Financial Holdings Inc. from September 2016 to January 2017, which is a financial company based in Hong Kong, China. He served as the Chairman for the company's Nominating and Remuneration Committee and as a member of the company's Audit Committee. Mr. Viotto received his Bachelor of Science Degree in Business Administration from California Polytechnic University located in Pomona, California in March 1985.

Mr. Angel Colon is our Independent Director, within the meaning of the Nasdaq Listing Rules. Mr. Colon has served as a managing member of NY Capital Management Group, LLC since January 2017; Turing Funds, LLC since July 2017; Vega Management Advisors, LLC from October 2018 to February 2020; and Vega Management Investments, LLC from October 2018 to February 2020; providing services to high net worth individuals, businesses and institutions to produce solutions that facilitate the advancement and management of capital along with the mitigation of risk to achieve dependable annual returns. Mr. Colon has served as a financial advisor and consultant of Andean Farm since and Pharma Corp. since December 2018 and Bronson Resource Limited since December 2018, responsible for research-backed support of strategies concerning the mitigation of risk and financial planning from inception to completion. Previously, Mr. Colon served as a financial advisor for Cuttone & Co., LLC from December 2016 to February 2018; Tribal Capital Markets, LLC from August 2016 to December 2016; and Bonwick Capital Partners, LLC from July 2015 to August 2016. Mr. Colon also served as a capital markets associate at TriPoint Global Equities, LLC from December 2013 to July 2015. Mr. Colon received a Bachelor of Science in International Business; minor in Languages and Economics from St. John Fisher College in 1996. He currently holds FINRA Series 7, Series 63 and Series 65 and is a licensed broker with FINRA.

Mr. Shengsong Wang is our Independent Director, within the meaning of the Nasdaq Listing Rules. Mr. Wang currently serves as a law professor at Qingdao University in Shandong Province. He joined Qingdao University in 1987 as a lecturer and served as an associate professor, professor, and then dean of faculty. Mr. Wang is a renowned legal professional specializing in arbitration and litigation. Between June 2009 and December 2013, Mr. Wang served as an Independent Director for Qingdao Hanhe Cable Co., Ltd, a Shenzhen Stock Exchange listed company that specializes in cable system services, transformation products, and smart grid technology in China. Between March 2015 and April 2018, Mr. Wang served as an Independent Director for Weflo Valve Co., Ltd., a Shenzhen Stock Exchange listed company that specializes in the design and manufacture of valves and fire hydrant products. Mr. Wang received a Bachelor Degree in History in 1982 and a Master Degree in Ancient World History in 1986 from Qufu Normal University. Mr. Wang also received a Master Degree from Harbin Normal University in 1986 and a Doctorate Degree in Law Jurisprudence from China University of Political Science and law in 2005.

Our officers are appointed by and serve at the discretion of our board of directors and the shareholders voting by ordinary resolution. Our directors are not subject to a set term of office and hold office until the next general meeting called for the election of directors and until their successor is duly appointed or such time as they die, resign or are removed from office by a shareholders' ordinary resolution. The office of a director will be vacated automatically if, among other things, the directors resigns in writing, becomes bankrupt or makes any arrangement or composition with his/her creditors generally or is found to be or becomes of unsound mind.

Board Diversity

The table below provides certain information regarding the diversity of our board of directors as of the date of this annual report.

Board Diversity Matrix

Country of Principal Executive Offices:	China			
Foreign Private Issuer	Yes			
Disclosure Prohibited under Home Country Law	No			
Total Number of Directors	5			
	Female	Male	Non-Binary	Did Not Disclose Gender
Part I: Gender Identity				
Directors	1	4	0	0
Part II: Demographic Background				
Underrepresented Individual in Home Country Jurisdiction			0	
LGBTQ+			0	
Did Not Disclose Demographic Background			0	

Family Relationships

Ms. Qiaoling Lu and Mr. Yiheng Guo are wife and husband. None of our other directors or executive officers has a family relationship as defined in Item 401 of Regulation S-K.

Involvement in Certain Legal Proceedings

None of our directors or executive officers has, during the past 10 years, was involved in any legal proceedings described in subparagraph (f) of Item 401 of Regulation S-K.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Pursuant to employment agreements, we agreed to employ each of our executive officers for a specified time period, which may be renewed upon both parties' agreement 30 days before the end of the current employment term, and payment of cash compensation. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including but not limited to the commitments of any serious or persistent breach or non-observance of the terms and conditions of the employment, conviction of a criminal offense, willful disobedience of a lawful and reasonable order, fraud or dishonesty, receipt of bribery, or severe neglect of his or her duties. An executive officer may terminate his or her employment at any time with a one-month prior written notice. Each executive officer has agreed to hold, both during and after the employment agreement expires, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information.

We have also entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

B. Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2023, we, our subsidiaries and the VIEs, paid in aggregate cash compensation of approximately US\$229,939.34 to our directors and executive officers as a group. Our PRC subsidiary and the VIEs are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance, and other statutory benefits and a housing provident fund.

C. Board Practices

Our board of directors consists of five directors, three of whom shall be "independent" within the meaning of the corporate governance standards of the Nasdaq listing rules and meet the criteria for independence set forth in Rule 10A-3 of the Exchange Act.

Terms of Directors and Executive Officers

Our officers are appointed by and serve at the discretion of our board of directors and the shareholders voting by ordinary resolution. Our directors are not subject to a set term of office and hold office until the next general meeting called for the election of directors and until their successor is duly appointed or such time as they die, resign or are removed from office by a shareholders' ordinary resolution. The office of a director will be vacated automatically if, among other things, the director resigns in writing, becomes bankrupt or makes any arrangement or composition with his/her creditors generally or is found to be or becomes of unsound mind.

Duties of Directors

Subject to the provisions of the Companies Act and the Company's amended and restated memorandum and articles of association, the business of the Company shall be managed by the directors who may for that purpose exercise all the powers of the Company. Under Cayman Islands law, all of our directors owe three types of duties to us: (i) statutory duties, (ii) fiduciary duties, and (iii) common law duties. The Companies Act imposes a number of statutory duties on a director. A Cayman Islands director's fiduciary duties are not codified; however, the courts of the Cayman Islands have held that a director owes the following fiduciary duties: (a) a duty to act in what the director bona fide considers to be in the best interests of the company, (b) a duty to exercise their powers for the purposes they were conferred, (c) a duty to avoid fettering his or her discretion in the future and (d) a duty to avoid conflicts of interest and of duty. The common law duties owed by a director are those to act with skill, care and diligence that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and, also, to act with the skill, care and diligence in keeping with a standard of care commensurate with any particular skill they have which enables them to meet a higher standard than a director without those skills. In fulfilling their duty of care to us, our directors must ensure compliance with our amended articles of association, as amended and restated from time to time. We have the right to seek damages where certain duties owed by any of our directors are breached.

Committees of the Board of Directors

We have established three fully independent committees under the board of directors: the audit committee, the nominating and corporate governance committee and the compensation committee. We have adopted a charter for each of the three committees. The committee charters are available on our website at www.sentageholdings.com. Each committee's members and functions are described below.

Audit Committee

Our audit committee consists of Angel Colon, Shengsong Wang, and Michael John Viotto. Angel Colon is the chairperson of our audit committee. We have determined that Angel Colon, Shengsong Wang, and Michael John Viotto satisfy the "independence" requirements of the Nasdaq listing rules under and Rule 10A-3 under the Securities Exchange Act. Our board also has determined that Angel Colon qualifies as an audit committee financial expert within the meaning of the SEC rules or possesses financial sophistication within the meaning of the Nasdaq listing rules. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions; and
- meeting separately and periodically with management and the independent auditors; and monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee

Our compensation committee consists of Michael John Viotto, Angel Colon, and Shengsong Wang. Michael John Viotto is the chairperson of our compensation committee. We have determined that Michael John Viotto, Angel Colon, and Shengsong Wang satisfy the "independence" requirements of the Nasdaq listing rules and Rule 10C-1 under the Securities Exchange Act. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving the total compensation package for our most senior executive officers;
- approving and overseeing the total compensation package for our executives other than the most senior executive officers;
- reviewing and recommending to the board with respect to the compensation of our directors;
- reviewing periodically and approving any long-term incentive compensation or equity plans;
- selecting compensation consultants, legal counsel or other advisors after taking into consideration all factors relevant to that person's independence from management; and
- reviewing programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of Shengsong Wang, Michael John Viotto, and Angel Colon. Shengsong Wang is the chairperson of our nominating and corporate governance committee. Shengsong Wang, Michael John Viotto, and Angel Colon satisfy the “independence” requirements of the Nasdaq listing rules. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending nominees for election or re-election to our board of directors or for appointment to fill any vacancy;
- reviewing annually with our board of directors its current composition in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to our board the directors to serve as members of committees;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to our board of directors on all matters of corporate governance and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

D. Employees

As of the date of this annual report, we employed 9 employees in Shanghai, China, and 5 employees in Qingdao, China. At December 31, 2021, 2022, and 2023, we had 23, 21, and 14 employees, respectively. The following table sets forth the numbers of our employees categorized by function as of December 31, 2023: The following table sets forth the breakdown of our employees by function as of the date of this annual report:

Function	Number of Employees	% of Total
General Manager’s Office	1	7.1%
Finance Department	3	21.4%
Risk control center	2	14.3%
Business Department	1	7.1%
Operating department	1	7.1%
Marketing department	1	7.1%
Technical department	3	21.4%
Non-performing Assets Department	1	7.1%
Integrated department	1	7.1%

As required by regulations in China, we participate in various employee social security plans that are organized by local governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under Chinese law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

Our employees are not represented by a labor organization or covered by a collective bargaining agreement. We believe that we maintain a good working relationship with our employees and to date, we have not experienced any significant labor disputes.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our Class A Ordinary Shares and Class B Ordinary Shares as of the date of this annual report for:

- each person known by us to be the beneficial owner of more than 5% of our outstanding shares;
- each of our officers and directors; and
- all our officers and directors as a group.

Beneficial ownership includes voting or investment power with respect to the securities. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all Class A Ordinary Shares or Class B Ordinary Shares shown as beneficially owned by them. Percentage of beneficial ownership of each listed person is based on 2,805,325 Class A Ordinary Shares outstanding and 0 Class B Ordinary Shares outstanding as of the date of this annual report.

Information with respect to beneficial ownership has been furnished by each director, officer, or beneficial owner of 5% or more of Class A Ordinary Shares or Class B Ordinary Shares. Beneficial ownership is determined in accordance with the rules of the SEC and generally requires that such person have voting or investment power with respect to securities. In computing the number of shares beneficially owned by a person listed below and the percentage ownership of such person, shares underlying options, warrants, or convertible securities held by each such person that are exercisable or convertible within 60 days of the date of this annual report are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. Except as otherwise indicated in the footnotes to this table, or as required by applicable community property laws, all persons listed have sole voting and investment power for all Class A Ordinary Shares or Class B Ordinary Shares shown as beneficially owned by them.

Name and Address of Beneficial Owner	Class A Ordinary Shares	Percentage of outstanding Class A Ordinary Shares
Directors and Executive Officers⁽¹⁾		
Qiaoling Lu	1,650,000	58.93%
Jianhua Chen	-	-
Yiheng Guo	96,000	3.43%
Michael John Viotto	-	-
Angel Colon	-	-
Shengsong Wang	-	-
All directors and executive officers as a group	1,746,000	62.36%
5% or Greater Shareholders⁽²⁾		
Unit Giant Limited ⁽³⁾	1,650,000	58.93%

Notes:

- (1) Unless otherwise indicated, the business address of each of the individuals is 501, Platinum Tower, 233 Taicang Rd, HuangPu, Shanghai, PRC.
- (2) Unless otherwise indicated, the business address of the following shareholders is Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola, British Virgin Islands.
- (3) The number of Ordinary Shares beneficially owned represents 1,650,000 Ordinary Shares held by Unit Giant Limited, a British Virgin Islands company, which is 100% owned by Qiaoling Lu.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with The VIEs and Their Respective Shareholders

See “Item 4. Information on the Company—C. Organizational Structure.”

Employment Agreements

See “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Employment Agreements and Indemnification Agreements.”

Other Transactions with Related Parties

Amount due from related parties

As of the date of this annual report and as of December 31, 2023, 2022, and 2021, we had no amounts due from related parties.

Amount due to related parties

As of the date of this annual report, and as of December 31, 2023, 2022, and 2021, the balance due to a related party was in the amount of \$344,235; \$344,235 \$4,709 and \$161,020, respectively, as loan advances from the Company's controlling shareholder, Ms. Qiaoling Lu to be used as working capital during the Company's normal course of business. Such advances were non-interest bearing and due on demand. Ms. Qiaoling Lu will not seek repayment of her related party balance until at least 12 months from the issuance of the consolidated financial statements for the year ended December 31, 2023.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See Item 18 for our audited consolidated financial statements.

Legal Proceedings

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property infringement, violation of third-party licenses or other rights, breach of contract and labor and employment claims. Except as otherwise disclosed in this annual report, we are currently not a party to, and we are not aware of any threat of, any legal or administrative proceedings that, in the opinion of our management, are likely to have any material and adverse effect on our business, financial condition, cash-flow or results of operations. We may periodically be subject to legal proceedings, investigations and claims relating to our business. We may also initiate legal proceedings to protect our rights and interests.

Dividend Policy

We previously did not declare or pay any cash dividends and have no intention to declare or pay any dividends in the near future on our Ordinary Shares. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Subject to the provisions of the Companies Act and any rights attaching to any class or classes of shares under and in accordance with the Articles, (a) the directors may declare dividends or distributions out of our funds which are lawfully available for that purpose; and (b) our shareholders may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the directors. Even if our board of directors decides to pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors.

We are a holding company with no material operations of our own. We conduct our operations primarily through our PRC operating entities in China. PRC regulations may restrict the ability of the PRC Operating Entities to pay dividends to us. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our subsidiaries. If our existing subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

Our Class A Ordinary Shares are listed on the Nasdaq Capital Market under the symbol “SNTG”.

B. Plan of Distribution

Not applicable.

C. Markets

Our Class A Ordinary Shares are listed on the Nasdaq Capital Market under the symbol “SNTG”.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Share Consolidation

On August 1, 2022, the “Company” held its 2022 annual general meeting of shareholders, at which the Company’s shareholders adopted the following ordinary resolution (the “Share Consolidation”) to effect a one-for-five reverse share split.

For further information, please refer to our current reports on Form 6-K filed with the SEC on August 1, 2022 and July 7, 2022, which are incorporated herein by reference.

Share Capital Reorganization

On December 7, 2023, the Company held its 2023 annual general meeting of shareholders, at which the Company's shareholders approved a share capital reorganization to re-designate and re-classify our Ordinary Shares into Class A Ordinary Shares and Class B Ordinary Shares.

Following the share capital reorganization, each Class A Ordinary Share is entitled to one vote and each Class B Ordinary Share is entitled to 20 votes on all matters subject to vote at general meetings of the Company, and all Class B Ordinary Shares will be convertible, at the option of the holder thereof, into the number of fully paid and non-assessable Class A Ordinary Shares on a one-for-one basis.

For further information, please refer to our current reports on Form 6-K filed with the SEC on December 8, 2023 and November 7, 2023, which are incorporated herein by reference.

As of the date of this annual report, the Company has not issued any Class B Ordinary Shares.

B. Memorandum and Articles of Association

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our amended and restated memorandum and articles of association (the "Memorandum and Articles"), the Companies Law, the common law of the Cayman Islands, our corporate governance documents and rules and regulations of the stock exchange on which our shares are traded. The Memorandum and Articles is filed herein as Exhibit 1.1 to this annual report and is hereby incorporated by reference into this annual report. You may refer to Exhibit 2.3 for a detailed disclosure of description of our securities registered under Section 12 of the Exchange Act of 1934, as amended, of the Memorandum and Articles.

Our authorized share capital is US\$1,000,000 divided into 180,000,000 Class A Ordinary Shares of par value US\$0.005 each and 20,000,000 Class B Ordinary Shares of par value US\$0.005 each. All of our issued and outstanding Ordinary Shares are fully paid and non-assessable. Our Ordinary Shares are issued in registered form, and are issued when registered in our register of members. Unless the board of directors determine otherwise, each holder of our Ordinary Shares will not receive a certificate in respect of such Ordinary Shares. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their Ordinary Shares. We may not issue shares or warrants to bearer.

C. Exchange Controls

See "Item 4. Information on the Company—B. Business Overview—Regulations— Regulations on Foreign Exchange

D. Taxation

The following discussion of the material Cayman Islands, PRC and United States federal income tax consequences of an investment in our Ordinary Shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report on Form 20-F, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in our Ordinary Shares, such as the tax consequences under state, local and other tax laws. Accordingly, each investor should consult its own tax advisor regarding the tax consequences of an investment in our Ordinary Shares applicable under its particular circumstances.

Cayman Islands Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. No stamp duty is payable in the Cayman Islands on the issue of shares by, or any transfers of shares of, Cayman Islands companies (except those which hold interests in land in the Cayman Islands). There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our Ordinary Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our Ordinary Shares, as the case may be, nor will gains derived from the disposal of our Ordinary Shares be subject to Cayman Islands income or corporation tax.

PRC Taxation

According to the EIT Law, which was promulgated by the SCNPC on March 16, 2007, became effective on January 1, 2008, and was then amended on February 24, 2017, and the Implementation Rules of the EIT Law, which were promulgated by the State Council on December 6, 2007, and became effective on January 1, 2008, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises pay enterprise income tax on their incomes obtained in and outside the PRC at the rate of 25%. Non-resident enterprises setting up institutions in the PRC pay enterprise income tax on the incomes obtained by such institutions in and outside the PRC at the rate of 25%. Non-resident enterprises with no institutions in the PRC, and non-resident enterprises with income having no substantial connection with their institutions in the PRC, pay enterprise income tax on their income obtained in the PRC at a reduced rate of 10%.

We are a holding company incorporated in the Cayman Islands and we gain substantial income by way of dividends paid to us from the PRC Operating Entities. The EIT Law and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a preferential tax rate or a tax exemption.

Under the EIT Law, an enterprise established outside of China with a "de facto management body" within China is considered a "resident enterprise," which means that it is treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. Although the implementation rules of the EIT Law define "de facto management body" as a managing body that actually, comprehensively manage and control the production and operation, staff, accounting, property, and other aspects of an enterprise, the only official guidance for this definition currently available is set forth in SAT Notice 82, which provides guidance on the determination of the tax residence status of a Chinese-controlled offshore incorporated enterprise, defined as an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC enterprise or enterprise group as its primary controlling shareholder. Although Sentage Holdings does not have a PRC enterprise or enterprise group as our primary controlling shareholder and is therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of SAT Notice 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in SAT Notice 82 to evaluate the tax residence status of Sentage Holdings and its subsidiaries organized outside the PRC.

According to SAT Notice 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met: (i) the places where senior management and senior management departments that are responsible for daily production, operation and management of the enterprise perform their duties are mainly located within the territory of China; (ii) financial decisions (such as money borrowing, lending, financing and financial risk management) and personnel decisions (such as appointment, dismissal and salary and wages) are decided or need to be decided by organizations or persons located within the territory of China; (iii) main property, accounting books, corporate seal, the board of directors and files of the minutes of shareholders' meetings of the enterprise are located or preserved within the territory of China; and (iv) one half (or more) of the directors or senior management staff having the right to vote habitually reside within the territory of China.

We believe that we do not meet some of the conditions outlined in the immediately preceding paragraph. For example, as a holding company, the key assets and records of Sentage Holdings, including the resolutions and meeting minutes of our board of directors and the resolutions and meeting minutes of our shareholders, are located and maintained outside the PRC. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC "resident enterprise" by the PRC tax authorities. Accordingly, we believe that Sentage Holdings and its offshore subsidiaries should not be treated as a "resident enterprise" for PRC tax purposes if the criteria for "de facto management body" as set forth in SAT Notice 82 were deemed applicable to us. However, as the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our offshore entities, we will continue to monitor our tax status.

The implementation rules of the EIT Law provide that, (i) if the enterprise that distributes dividends is domiciled in the PRC or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or gains are treated as China-sourced income. It is not clear how “domicile” may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC tax resident enterprise for PRC tax purposes, any dividends we pay to our overseas shareholders which are non-resident enterprises as well as gains realized by such shareholders from the transfer of our shares may be regarded as China-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%. Dacheng, our PRC counsel, is unable to provide a “will” opinion because it believes that it is more likely than not that we and our offshore subsidiaries would be treated as non-resident enterprises for PRC tax purposes because we do not meet some of the conditions outlined in SAT Notice 82. In addition, Dacheng is not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC “resident enterprise” by the PRC tax authorities as of the date of this annual report. Therefore, Dacheng believes that it is possible but highly unlikely that the income received by our overseas shareholders will be regarded as China-sourced income.

See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—*Under the PRC Enterprise Income Tax Law, we may be classified as a PRC “resident enterprise” for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment.*”

Currently, as resident enterprises in the PRC, the Sentage Operating Companies are subject to the enterprise income tax at the rate of 25%. The EIT is calculated based on the entity’s global income as determined under PRC tax laws and accounting standards. If the PRC tax authorities determine that Sentage Holdings is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of our Ordinary Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to dividends or gains realized by non-PRC individuals, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. There is no guidance from the PRC government to indicate whether or not any tax treaties between the PRC and other countries would apply in circumstances where a non-PRC company was deemed to be a PRC tax resident, and thus there is no basis for expecting how tax treaty between the PRC and other countries may impact non-resident enterprises.

Hong Kong Taxation

Entities incorporated in Hong Kong are subject to profits tax in Hong Kong at the rate of 16.5%.

United States Federal Income Tax Considerations

The following does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;

- broker-dealers;
- persons that elect to mark their securities to market;
- U.S. expatriates or former long-term residents of the U.S.;
- governments or agencies or instrumentalities thereof;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding our Ordinary Shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting power or value (including by reason of owning our Ordinary Shares);
- persons who acquired our Ordinary Shares pursuant to the exercise of any employee share option or otherwise as compensation;
- persons holding our Ordinary Shares through partnerships or other pass-through entities;
- beneficiaries of a Trust holding our Ordinary Shares; or
- persons holding our Ordinary Shares through a Trust.

Material Tax Consequences Applicable to U.S. Holders of Our Ordinary Shares

The following sets forth the material U.S. federal income tax consequences related to the ownership and disposition of our Ordinary Shares. It is directed to U.S. Holders (as defined below) of our Ordinary Shares and is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This description does not deal with all possible tax consequences relating to ownership and disposition of our Ordinary Shares or U.S. tax laws, other than the U.S. federal income tax laws, such as the tax consequences under non-U.S. tax laws, state, local and other tax laws.

The brief description below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of Ordinary Share and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

Taxation of Dividends and Other Distributions on our Ordinary Shares

Subject to the PFIC (defined below) rules discussed below, the gross amount of distributions made by us to you with respect to the Ordinary Shares (including the amount of any taxes withheld therefrom) will generally be includable in your gross income as dividend income on the date of receipt by you, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). With respect to corporate U.S. Holders, the dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations.

With respect to non-corporate U.S. Holders, including individual U.S. Holders, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) the Ordinary Shares are readily tradable on an established securities market in the United States, or we are eligible for the benefits of an approved qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are not a PFIC (defined below) for either our taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. Because there is no income tax treaty between the United States and the Cayman Islands, clause (1) above can be satisfied only if the Ordinary Shares are readily tradable on an established securities market in the United States. Under U.S. Internal Revenue Service authority, Ordinary Shares are considered for purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on certain exchanges, which presently includes the New York Stock Exchange and the Nasdaq Stock Market. You are urged to consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our Ordinary Shares, including the effects of any change in law after the date of this annual report.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to our Ordinary Shares will constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your Ordinary Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not intend to calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Taxation of Dispositions of Ordinary Shares

Subject to the passive foreign investment company rules discussed below, you will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a share equal to the difference between the amount realized (in U.S. dollars) for the share and your tax basis (in U.S. dollars) in the Ordinary Shares. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the Ordinary Shares for more than one year, you will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as United States source income or loss for foreign tax credit limitation purposes which will generally limit the availability of foreign tax credits.

Passive Foreign Investment Company (“PFIC”)

A non-U.S. corporation is considered a PFIC, as defined in Section 1297(a) of the U.S. Internal Revenue Code, for any taxable year if either:

- at least 75% of its gross income for such taxable year is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “asset test”).

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock. In determining the value and composition of our assets for purposes of the PFIC asset test, the value of our assets must be determined based on the market value of our Ordinary Shares from time to time, which could cause the value of our non-passive assets to be less than 50% of the value of all of our assets on any particular quarterly testing date for purposes of the asset test.

Based on our operations and the composition of our assets we do not expect to be treated as a PFIC under the current PFIC rules. We must make a separate determination each year as to whether we are a PFIC, however, and there can be no assurance with respect to our status as a PFIC for our current taxable year or any future taxable year. Depending on the amount of assets held for the production of passive income, it is possible that, for our current taxable year or for any subsequent taxable year, more than 50% of our assets may be assets held for the production of passive income. We will make this determination following the end of any particular tax year. In addition, because the value of our assets for purposes of the asset test will generally be determined based on the market price of our Ordinary Shares, our PFIC status will depend in large part on the market price of our Ordinary Shares. Accordingly, fluctuations in the market price of the Ordinary Shares may cause us to become a PFIC. In addition, the application of the PFIC rules is subject to uncertainty in several respects and the composition of our income and assets will be affected by how, and how quickly, we spend our liquid assets. We are under no obligation to take steps to reduce the risk of our being classified as a PFIC, and as stated above, the determination of the value of our assets will depend upon material facts (including the market price of our Ordinary Shares from time to time) that may not be within our control. If we are a PFIC for any year during which you hold Ordinary Shares, we will continue to be treated as a PFIC for all succeeding years during which you hold Ordinary Shares. If we cease to be a PFIC and you did not previously make a timely “mark-to-market” election as described below, however, you may avoid some of the adverse effects of the PFIC regime by making a “purging election” (as described below) with respect to the Ordinary Shares.

If we are a PFIC for your taxable year(s) during which you hold Ordinary Shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the Ordinary Shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the Ordinary Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the Ordinary Shares;
- the amount allocated to your current taxable year, and any amount allocated to any of your taxable year(s) prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each of your other taxable year(s) will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Ordinary Shares cannot be treated as capital, even if you hold the Ordinary Shares as capital assets.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election under Section 1296 of the US Internal Revenue Code for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for first taxable year which you hold (or are deemed to hold) Ordinary Shares and for which we are determined to be a PFIC, you will include in your income each year an amount equal to the excess, if any, of the fair market value of the Ordinary Shares as of the close of such taxable year over your adjusted basis in such Ordinary Shares, which excess will be treated as ordinary income and not capital gain. You are allowed an ordinary loss for the excess, if any, of the adjusted basis of the Ordinary Shares over their fair market value as of the close of the taxable year. Such ordinary loss, however, is allowable only to the extent of any net mark-to-market gains on the Ordinary Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Ordinary Shares, are treated as ordinary income. Ordinary loss treatment also applies to any loss realized on the actual sale or disposition of the Ordinary Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Ordinary Shares. Your basis in the Ordinary Shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate for qualified dividend income discussed above under “— Taxation of Dividends and Other Distributions on our Ordinary Shares” generally would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market (as defined in applicable U.S. Treasury regulations), including the Nasdaq Capital Market. If the Ordinary Shares are regularly traded on the Nasdaq Capital Market and if you are a holder of Ordinary Shares, the mark-to-market election would be available to you were we to be or become a PFIC.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” election under Section 1295(b) of the US Internal Revenue Code with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s pro rata share of the corporation’s earnings and profits for the taxable year. However, the qualified electing fund election is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not currently intend to prepare or provide the information that would enable you to make a qualified electing fund election. If you hold Ordinary Shares in any taxable year in which we are a PFIC, you will be required to file U.S. Internal Revenue Service Form 8621 in each such year and provide certain annual information regarding such Ordinary Shares, including regarding distributions received on the Ordinary Shares and any gain realized on the disposition of the Ordinary Shares.

If you do not make a timely “mark-to-market” election (as described above), and if we were a PFIC at any time during the period you hold our Ordinary Shares, then such Ordinary Shares will continue to be treated as stock of a PFIC with respect to you even if we cease to be a PFIC in a future year, unless you make a “purging election” for the year we cease to be a PFIC. A “purging election” creates a deemed sale of such Ordinary Shares at their fair market value on the last day of the last year in which we are treated as a PFIC. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, you will have a new basis (equal to the fair market value of the Ordinary Shares on the last day of the last year in which we are treated as a PFIC) and holding period (which new holding period will begin the day after such last day) in your Ordinary Shares for tax purposes.

IRC Section 1014(a) provides for a step-up in basis to the fair market value for our Ordinary Shares when inherited from a decedent that was previously a holder of our Ordinary Shares. However, if we are determined to be a PFIC and a decedent that was a U.S. Holder did not make either a timely qualified electing fund election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) our Ordinary Shares, or a mark-to-market election and ownership of those Ordinary Shares are inherited, a special provision in IRC Section 1291(e) provides that the new U.S. Holder’s basis should be reduced by an amount equal to the Section 1014 basis minus the decedent’s adjusted basis just before death. As such if we are determined to be a PFIC at any time prior to a decedent’s passing, the PFIC rules will cause any new U.S. Holder that inherits our Ordinary Shares from a U.S. Holder to not get a step-up in basis under Section 1014 and instead will receive a carryover basis in those Ordinary Shares.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in our Ordinary Shares and the elections discussed above.

Information Reporting and Backup Withholding

Dividend payments with respect to our Ordinary Shares and proceeds from the sale, exchange or redemption of our Ordinary Shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding under Section 3406 of the U.S. Internal Revenue Code with at a current flat rate of 24%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information. We do not intend to withhold taxes for individual shareholders. However, transactions effected through certain brokers or other intermediaries may be subject to withholding taxes (including backup withholding), and such brokers or intermediaries may be required by law to withhold such taxes.

Under the Hiring Incentives to Restore Employment Act of 2010, certain U.S. Holders are required to report information relating to our Ordinary Shares, subject to certain exceptions (including an exception for Ordinary Shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold Ordinary Shares.

E. Dividends and Paying Agents

Not applicable.

F. Statement by Experts

Not applicable.

G. Documents on Display

We are subject to certain of the informational filing requirements of the Exchange Act. Since we are a “foreign private issuer,” we are exempt from the rules and regulations under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchase and sale of our shares. In addition, we are not required to file reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. However, we are required to file with the SEC an Annual Report on Form 20-F containing financial statements audited by an independent accounting firm. We also furnish to the SEC, on Form 6-K, unaudited financial information after each of our first three fiscal quarters. Copies of reports and other information, when so filed with the SEC, can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at <http://www.sec.gov> that contains reports and other information that we file with or furnish electronically with the SEC. Additionally, documents referred to in this Form 20-F may be inspected at our corporate offices, which are located at 501, Platinum Tower, 233 Taicang Rd, HuangPu, Shanghai City, the PRC.

H. Subsidiary Information

For a listing of our subsidiaries, see “Item 4C. Organizational Structure” for a chart of our current structure.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to interest rate risk while we have short-term bank loans outstanding. Although interest rates for our short-term loans are typically fixed for the terms of the loans, the terms are typically twelve months and interest rates are subject to change upon renewal.

Liquidity Risk

We are also exposed to liquidity risk which is risk that it we will be unable to provide sufficient capital resources and liquidity to meet our commitments and business needs. Liquidity risk is controlled by the application of financial position analysis and monitoring procedures. When necessary, we will turn to other financial institutions and related parties to obtain short-term funding to cover any liquidity shortage.

Foreign Exchange Risk

As our principal activities are carried out in the PRC, our transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the PBOC or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC that are determined largely by supply and demand. In July 2005, the PRC government changed its decades-old policy of pegging the value of RMB to the U.S. dollar, and RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between RMB and the U.S. dollar remained within a narrow band. Since June 2010, RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between RMB and the U.S. dollar in the future. The management does not expect that there will be any significant currency risk for us during the reporting periods

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**A. Debt Securities**

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

On December 7, 2023, our shareholders approved the re-designation and re-classification of the Company's Ordinary Shares into Class A Ordinary Shares and Class B Ordinary Shares. See "Item 10. Additional Information" for a description of the rights of securities holders.

Use of Proceeds

The following "Use of Proceeds" information relates to the registration statement on Form F-1, as amended (File Number: 333-264458) in relation to the initial public offering of 4,000,000 ordinary shares of par value US\$0.001 each (or 800,000 ordinary shares of par value US\$0.005 each reflecting the share consolidation took effect on August 10, 2022), at an initial public offering price of \$5.00 per ordinary share (or \$1.00 per ordinary share reflecting the share consolidation took effect on August 10, 2022). Our initial public offering closed on July 13, 2021.

We received net proceeds of approximately \$ 16.91 million, after deducting underwriting discounts and estimated offering expenses payable by us. The total expense incurred for our Company's account in connection with our initial public offering was approximately \$3.09 million, which included approximately \$1.45 million in underwriting discounts for the initial public offering and approximately \$1.64 million in other costs and expenses for our initial public offering. None of the transaction expenses included payments to directors or officers of our Company or their associates, persons owning more than 10% or more of our equity securities or our affiliates. None of the net proceeds we received from the initial public offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates. As of the date of this annual report, we have used \$5.64 million from the proceed of our initial public offering for general operations. We intend to use the remaining proceeds from our initial public offering as disclosed in our registration statement on Form F-1. Our management, however, will have significant flexibility and discretion to apply the balance of the net proceeds from our initial public offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as disclosed previously.

ITEM 15. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our management has concluded that, as of December 31, 2022, our disclosure controls and procedures were ineffective to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that information required to be disclosed in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all potential misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the SEC, our management, including our chief executive officer and chief financial officers, assessed the effectiveness of internal control over financial reporting as of December 31, 2023 using the criteria set forth in the report "Internal Control—Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the management concluded that our internal control over financial reporting was ineffective as of December 31, 2023.

The material weaknesses identified relate to (i) our lack of a sufficient number of finance and accounting personnel or sufficiently trained finance and accounting personnel, as well as comprehensive accounting policies in accordance with U.S. GAAP financial reporting; and (ii) a lack of formal policies and procedures to establish risk assessment process and internal control framework. We plan to implement a number of measures to remedy these material weaknesses. To remedy the identified material weakness and the other control deficiencies, we have implemented and will continue to implement initiatives to improve our internal control over financial reporting to address the material weaknesses that have been identified, including: (i) obtain additional resources, including experienced staff with U.S. GAAP and SEC reporting knowledge, to strengthen the financial reporting function and to set up financial and system control framework; (ii) conducting regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel, including sending our financial staff to attend external U.S. GAAP training courses.

As a company with less than US\$1.235 billion in revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company's internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting as we qualify as an “emerging growth company” under section 3(a) of the Securities Exchange Act of 1934, as amended, and are therefore exempt from the attestation requirement.

Changes in Internal Control

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

In general, an “audit committee financial expert” within the meaning of Item 407(d)(5) of Regulation S-K, is an individual member of the Audit Committee who:

- understands generally accepted accounting principles and financial statements,
- is able to assess the general application of such principles in connection with accounting for estimates, accruals and reserves,
- has experience preparing, auditing, analyzing or evaluating financial statements comparable to the breadth and complexity to our financial statements,
- understands internal controls over financial reporting, and
- understands audit committee functions.

An “audit committee financial expert” may acquire the foregoing attributes through:

- education and experience as a principal financial officer, principal accounting officer, controller, public accountant, auditor or person serving similar functions;
- experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person serving similar functions; experience overseeing or assessing the performance of companies or public accounts with respect to the preparation, auditing or evaluation of financial statements; or
- other relevant experience.

Our board of directors has determined that both Mr. Angel Colon qualify as audit committee financial experts and have the accounting or financial management expertise as defined under Item 407(d)(5) of Regulation S-K and required under Nasdaq Rule 5605(c)(2)(A).

ITEM 16B. CODE OF ETHICS.

A Code of Ethics is a written standard designed to deter wrongdoing and to promote:

- honest and ethical conduct,
- full, fair, accurate, timely and understandable disclosure in regulatory filings and public statements,
- compliance with applicable laws, rules and regulations,
- the prompt reporting violation of the code, and
- accountability for adherence to the Code of Business Conduct and Ethics.

We have adopted a Code of Business Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions. The Code of Business Conduct and Ethics is currently available at our corporate website at www.sentageholdings.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table shows the fees that we paid and accrued for audit and other services provided by Enrome LLP our independent registered public accounting firm for fiscal years 2023 and 2022, respectively.

Enrome LLP

	For the Year Ended December 31,	
	2022	2023
Audit fees ⁽¹⁾	220,000	220,000
Audit related fees ⁽²⁾	—	—
Tax fees ⁽³⁾	—	—
All other fees	—	—
Total	220,000	220,000

(1) “Audit fees” means the aggregate fees billed for professional services rendered by our independent registered public accounting firm for the audit of our annual consolidated financial statements and the review of our comparative interim financial information.

(2) “Audit related fees” means the aggregate fees billed for related services by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit fees.

(3) “Tax fees” represents the aggregated fees billed for professional services rendered by our independent registered public accounting firm for tax compliance, tax advice, and tax planning.

Our audit committee is responsible for the oversight of our independent accountants’ work. The policy of our audit committee is to pre-approve all audit and non-audit services provided by Enrome, including audit services, audit-related services, tax services and other services as described above, other than those for de minimis services which are approved by the audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

There have been no purchases of equity securities required to be disclosed in response to this Item.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.

On April 29, 2022, we dismissed Friedman LLP ("Friedman") as the independent registered public accounting firm. The reports of Friedman on our financial statements for the past fiscal years ended December 31, 2020 and December 31, 2019 contained no adverse opinion or a disclaimer of opinion and was not modified. The decision to change the independent accountant was approved and ratified by our Board of Directors on April 29, 2022.

During our fiscal years ended December 31, 2020 and December 31, 2019 and through the date of the dismissal, we did not have any disagreements with Friedman, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Friedman, would have caused it to make reference to the subject matter of such disagreements in its report on our financial statements for such period.

During the fiscal years ended December 31, 2020 and December 31, 2019 and through the date of the dismissal, there were no reportable events as defined under Item 304(a)(1)(v) of Regulation S-K adopted by the Securities and Exchange Commission.

Effective April 29, 2022, we engaged Enrome LLP as our independent registered public accounting firm. During the two most recent fiscal years and through the date of our engagement, we did not consult with Enrome LLP regarding either (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, or (2) any matter that was either the subject of a disagreement or a reportable event (as defined in Item 304(a)(1)(v) of Regulation S-K). In approving the selection Enrome LLP as the Company's new independent registered public accounting firm, our Board of Directors considered all relevant factors.

ITEM 16G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the Nasdaq Capital Market, we are subject to the Nasdaq Capital Market corporate governance listing standards. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq Capital Market corporate governance listing standards. NASDAQ Listing Rule 5615(a)(3)(A) permits foreign private issuers like us to follow their home country practice in lieu of the requirements of Listing Rule 5600 Series with the exception of those Listing Rules which are required to be followed pursuant to the provisions of Listing Rule 5615(a)(3).

NASDAQ Listing Rule 5635 generally provides that shareholder approval is required of U.S. domestic companies listed on the NASDAQ prior to issuance (or potential issuance) of securities (i) equaling 20% or more of the company's common stock or voting power for less than the greater of market or book value (ii) resulting in a change of control of the company; and (iii) which is being issued pursuant to a stock option or purchase plan to be established or materially amended or other equity compensation arrangement made or materially amended. Notwithstanding this general requirement. The laws of Cayman Islands do not require shareholder approval prior to any of the foregoing types of issuances.

NASDAQ Listing Rule 5640 relates to voting rights of companies listed on NASDAQ, and specifies that a company cannot create a new class of security that votes at a higher rate than an existing class of securities or take any other action that has the effect of restricting or reducing the voting rights of an existing class of securities. The laws of Cayman Islands do not prohibit the creation of a new class of securities that votes at a higher rate than an existing class of securities or take any other action that has the effect of restricting or reducing the voting rights of an existing class of securities.

The Board of Directors of the Company elected to follow the Company's home country rules in lieu of NASDAQ Listing Rule 5635 and 5640. The Company, therefore, is neither required to obtain shareholder approval prior to entering into a transaction with the potential to issue securities under Listing Rule 5635 nor subject to the voting rights rules under NASDAQ Listing Rule 5640.

Other than those described above, there are no significant differences between our corporate governance practices and those followed by U.S. domestic companies under Nasdaq Capital Market corporate governance listing standards.

We may determine to voluntarily comply with one or more of the foregoing provisions as required by the Nasdaq Stock Market Rule.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Sentage Holdings are included at the end of this annual report.

ITEM 19. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
1.1*	Amended and Restated Memorandum and Articles of Association
2.1	Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
2.2	Form of Underwriting Agreement (incorporated herein by reference to Exhibit 1.1 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
2.3*	Description of Securities
4.1	Form of Employment Agreement by and between executive officers and the Registrant (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
4.2	Form of Indemnification Agreement with the Registrant's directors and officers (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
4.3	English Translation of Form of Exclusive Business Cooperation Agreement between WFOE and each of Our VIEs and a Schedule of All Exclusive Business Cooperation Agreements Adopting the Same Form (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
4.4	English Translation of Form of Power of Attorney Granted by Shareholders of each of our VIEs and a Schedule of All Powers of Attorney Adopting the Same Form (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
4.5	English Translation of Form of Equity Pledge Agreement among WFOE, each of our VIEs, and Shareholders of Each of Our VIEs and a Schedule of All Equity Pledge Agreements Adopting the Same Form (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)

- 4.6 [English translation of Form of Exclusive Purchase Option Agreement among WFOE, each of Our VIEs, and Shareholders of each of Our VIEs and a Schedule of All Exclusive Purchase Option Agreements Adopting the Same Form \(incorporated herein by reference to Exhibit 10.6 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.7 [English Translation of Form of Spousal Consent Granted by the Spouse of each Individual Shareholder of our VIEs and a Schedule of All Spousal Consents Adopting the Same Form \(incorporated herein by reference to Exhibit 10.7 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.8 [English Translation of Form of Loan Agreement Between WFOE and Shareholders of each of our VIEs and a Schedule of All Loan Agreements Adopting the Same Form \(incorporated herein by reference to Exhibit 10.8 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.9 [English Translation of Strategic Cooperation Agreement Between Daxin Zhuohui Financial Information Service \(Shanghai\) Co., Ltd. And Nanchang Jintou Puhui Information Service Co., Ltd., Dated August 28, 2019 \(incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.10 [English Translation of Cooperation Agreement For Reserve Funds Between Party A: Netsunion Clearing Corporation And Qingdao Buytop Payment Service Co., Ltd., Dated July 15, 2019 \(incorporated herein by reference to Exhibit 10.10 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.11 [English Translation of Framework Consulting Service Agreement Between Daxin Zhuohui Financial Information Service \(Shanghai\) Co., Ltd. And Tianjin Financial Asset Exchange Co., Ltd. Dated June 12, 2020 \(incorporated herein by reference to Exhibit 10.11 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.12 [English Translation of Exclusive Purchase Option Agreement Among WFOE, Daxin Zhuohui, And Shareholders of Daxin Zhuohui \(incorporated herein by reference to Exhibit 10.12 to the Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.13 [English Translation of Spousal Consents Granted By The Spouses of Certain Shareholders of Daxin Zhuohui \(incorporated herein by reference to Exhibit 10.13 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.14 [English Translation of Loan Agreements Between WFOE And Shareholders of Daxin Zhuohui \(incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.15 [English Translation of Exclusive Business Cooperation Agreement Between WFOE And Qingdao Buytop \(incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2020\)](#)
- 4.16 [English Translation of Power of Attorneys Granted By Shareholders of Qingdao Buytop \(incorporated herein by reference to Exhibit 10.16 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.17 [English Translation of Equity Pledge Agreements Among WFOE, Qingdao Buytop, And Each Shareholder of Qingdao Buytop \(incorporated herein by reference to Exhibit 10.17 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)
- 4.18 [English Translation of Exclusive Purchase Option Agreement Among WFOE, Qingdao Buytop, And Shareholders of Qingdao Buytop \(incorporated herein by reference to Exhibit 10.18 to the registration statement on Form F-1 \(File No. 333-254558\), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021\)](#)

4.19	English Translation of Loan Agreements Between WFOE And Shareholders of Qingdao Buytop (incorporated herein by reference to Exhibit 10.19 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
4.20	English Translation of Exclusive Business Cooperation Agreement Between WFOE And Zhenyi (incorporated herein by reference to Exhibit 10.20 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2020)
4.21	English Translation of Power of Attorneys Granted By Shareholders of Zhenyi (incorporated herein by reference to Exhibit 10.21 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
4.22	English Translation of Equity Pledge Agreements Among WFOE, Daxin Wealth, And Each Shareholder of Zhenyi (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
4.23	English Translation of Exclusive Purchase Option Agreement Among WFOE, Zhenyi, And Shareholders of Zhenyi (incorporated herein by reference to Exhibit 10.23 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
4.24	English Translation of Spousal Consents Granted By The Spouses of Certain Shareholders of Zhenyi (incorporated herein by reference to Exhibit 10.24 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
4.25	English Translation of Loan Agreements Between WFOE And Shareholders of Zhenyi (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
8.1*	Principal Subsidiaries and Consolidated Affiliated Entities of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the registration statement on Form F-1 (File No. 333-254558), as amended, initially filed with the Securities and Exchange Commission on March 22, 2021)
12.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent Letter of Beijing Dacheng Law Offices, LLP (Fuzhou)
97.1*	Policy Relating to Recovery of Erroneously Awarded Compensation
101*	The following financial statements from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2023, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) consolidated statements of comprehensive operations and other comprehensive income (loss), (iii) Consolidated Statements of Changes in Shareholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed with this annual report on Form 20-F

** Furnished with this annual report on Form 20-F

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing its annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Sentage Holdings Inc.

By: /s/ Qiaoling Lu

Name: Qiaoling Lu

Title: Chief Executive Officer, Chairman of the Board of Directors, and Director
(Principal Executive Officer)

Date: April 26, 2024

SENTAGE HOLDINGS INC. AND SUBSIDIARIES
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Report of Independent Registered Public Accounting Firm

**To the Shareholders and Board of Directors
Sentage Holdings Inc.**

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Sentage Holdings Inc. (the “Company”) and its subsidiaries (the “Group”) as of December 31, 2023 and 2022, the related consolidated statements of comprehensive operations and other comprehensive income (loss), changes in shareholders’ equity, and cash flows for the years ended December 31, 2023, 2022 and 2021, and the related notes (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023, 2022 and 2021, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis for Opinion

These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Enrome LLP

We have served as the Company’s auditor since 2021.

Singapore
April 26, 2024

SENTAGE HOLDINGS INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Note	As of December 31,	
		2022	2023
		USD	USD
ASSETS			
Current assets			
Cash and cash equivalents	3	\$ 3,805,135	\$ 2,262,881
Restricted cash		23,089	26,127
Loan receivable	5	5,500,000	-
Accounts receivable, net	4	433,510	284,628
Prepaid expenses and other current assets	6	4,579,646	9,118,909
Total current assets		14,341,380	11,692,545
Non-current assets			
Right-of-use assets, net	10	162,270	72,939
Plant and equipment, net	7	53,023	64,472
Intangible assets, net	8	89,475	66,859
Long-term investments	9	-	1,000,000
Deferred tax assets	11	12,686	12,324
Total non-current assets		317,454	1,216,594
Total assets		\$ 14,658,834	\$ 12,909,139

SENTAGE HOLDINGS INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)

	<u>Note</u>	<u>As of December 31,</u>	
		<u>2022</u>	<u>2023</u>
		USD	USD
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable		\$ 8,647	\$ 5,985
Lease liabilities	10	87,129	72,230
Accrued expenses and other current liabilities	12	309,001	256,795
Total current liabilities		404,777	335,010
Non-current liabilities			
Lease liabilities	10	74,384	-
Due to a related party, non-current	13	4,709	344,235
Total non-current liabilities		79,093	344,235
Total liabilities		483,870	679,245
Shareholders' equity			
Class A Ordinary shares, \$0.005 par value, 180,000,000 shares authorized, 2,805,325 and 2,805,325 shares issued and outstanding as of December 31, 2023 and 2022*	15	14,027	14,027
Class B Ordinary shares, \$0.005 par value, 20,000,000 shares authorized, no shares issued and outstanding as of December 31, 2023 and December 31, 2022*	15	-	-
Additional paid in capital		55,327,858	55,327,858
Statutory reserves		166,038	166,038
Accumulated deficit		(41,460,571)	(43,363,848)
Accumulated other comprehensive income		127,612	85,819
Total shareholders' equity		14,174,964	12,229,894
Total liabilities and shareholders' equity		\$ 14,658,834	\$ 12,909,139

* Retrospectively restated for one-for-five reverse split with effective date of August 10, 2022.

SENTAGE HOLDINGS INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)

	<u>Note</u>	<u>For the years ended December 31,</u>		
		<u>2021</u>	<u>2022</u>	<u>2023</u>
OPERATING REVENUE				
Consumer loan repayment and collection management service fees		\$ 156,062	\$ -	\$ -
Loan recommendation service fees		1,177,822	-	-
Prepaid payment network service fee		928,565	161,372	146,554
Total operating revenue		<u>2,262,449</u>	<u>161,372</u>	<u>146,554</u>
COST OF REVENUE AND RELATED TAX				
Cost of revenue		\$ 34,092	\$ 17,833	\$ 12,597
Business and sales related tax		464	-	-
Total cost of revenue and related tax		<u>34,556</u>	<u>17,833</u>	<u>12,597</u>
GROSS PROFIT		<u>2,227,893</u>	<u>143,539</u>	<u>133,957</u>
OPERATING EXPENSE				
Selling, general and administrative expenses		3,006,859	2,714,546	1,897,512
Total operating expenses		<u>3,006,859</u>	<u>2,714,546</u>	<u>1,897,512</u>
LOSS FROM OPERATIONS		<u>(778,966)</u>	<u>(2,571,007)</u>	<u>(1,763,555)</u>
OTHER INCOME (EXPENSES)		<u>(56,931)</u>	<u>9,100</u>	<u>(139,722)</u>
LOSS BEFORE INCOME TAX PROVISION		<u>(835,897)</u>	<u>(2,561,907)</u>	<u>(1,903,277)</u>
INCOME TAX EXPENSE	11	<u>257,344</u>	<u>-</u>	<u>-</u>
NET LOSS		<u>(1,093,241)</u>	<u>(2,561,907)</u>	<u>(1,903,277)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment		152,700	(86,083)	(41,793)
COMPREHENSIVE LOSS		<u>\$ (940,541)</u>	<u>\$ (2,647,990)</u>	<u>\$ (1,945,070)</u>
Loss per common share- basic and diluted		<u>\$ (0.46)</u>	<u>\$ (1.08)</u>	<u>\$ (0.80)</u>
Weighted average shares- basic and diluted		<u>2,374,795</u>	<u>2,376,764</u>	<u>2,376,764</u>

* Retrospectively restated for one-for-five reverse split with effective date of August 10, 2022.

SENTAGE HOLDINGS INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	NOTE	Ordinary shares		Additional	Statutory	Accumulated	Accumulated	Total
		Shares*	USD	paid-in capital USD	Reserves	deficit USD	other comprehensive income(loss) USD	shareholders' equity (deficit) USD
Balances as of January 1, 2021		2,000,000	\$ 10,000	\$38,419,832	\$ -	\$ (37,639,385)	\$ 60,995	\$ 851,442
Net loss for the year		-	-	-	-	(1,093,241)	-	(1,093,241)
Addition of share capital		800,000	4,000	16,908,053	-	-	-	16,912,053
Statutory reserve		-	-	-	166,038	(166,038)	-	-
Foreign currency translation adjustment		-	-	-	-	-	152,700	152,700
Balances as of December 31, 2021		<u>2,800,000</u>	<u>\$ 14,000</u>	<u>\$55,327,885</u>	<u>\$ 166,038</u>	<u>\$ (38,898,664)</u>	<u>\$ 213,695</u>	<u>\$ 16,822,954</u>
Net loss for the year		-	-	-	-	(2,561,907)	-	(2,561,907)
Issuance of common stock for compensation		5,325	27	(27)	-	-	-	-
Foreign currency translation adjustment		-	-	-	-	-	(86,083)	(86,083)
Balances as of December 31, 2022		<u>2,805,325</u>	<u>\$ 14,027</u>	<u>\$55,327,858</u>	<u>\$ 166,038</u>	<u>\$ (41,460,571)</u>	<u>\$ 127,612</u>	<u>\$ 14,174,964</u>
Net loss for the year		-	-	-	-	(1,903,277)	-	(1,903,277)
Foreign currency translation adjustment		-	-	-	-	-	(41,793)	(41,793)
Balances as of December 31, 2023		<u>2,805,325</u>	<u>\$ 14,027</u>	<u>\$55,327,858</u>	<u>\$ 166,038</u>	<u>\$ (43,363,848)</u>	<u>\$ 85,819</u>	<u>\$ 12,229,894</u>

* Retrospectively restated for one-for-five reverse split with effective date of August 10, 2022

SENTAGE HOLDINGS INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	For the years ended December 31,		
		2021	2022	2023
Cash flows from operating activities				
Net loss		\$ (1,093,241)	\$ (2,561,907)	\$ (1,903,277)
Adjustments to reconcile net income to cash and restricted cash provided by (used in) operating activities:				
Depreciation and amortization		62,971	57,428	105,642
Deferred income tax expense		74,243	-	-
Impairment loss recognised in respect of receivables		54,896	4,548	134,808
Changes in operating assets and liabilities:				
Accounts receivable		763,240	(34,350)	14,074
Prepaid expenses and other current assets		(132,021)	(4,064,584)	(39,263)
Interest accrued for lease liabilities		-	1,342	5,508
Contract liabilities		(154,106)	-	-
Payment of lease liabilities		-	(16,851)	(89,568)
Accrued expenses and other current liabilities		41,354	(65,086)	(54,868)
Net cash used in operating activities		(382,664)	(6,679,460)	(1,826,944)
Cash flows from investing activities				
Acquisition of plant and equipment		(19,977)	-	(23,433)
Acquisition of Intangible assets		-	(34,346)	-
Investment in loans receivable		(5,500,000)	-	-
Net cash used in investing activities		(5,519,977)	(34,346)	(23,433)
Cash flows from financing activities				
Deferred initial public offering costs		765,885	-	-
Proceeds from IPO		16,912,053	-	-
Proceeds from (Repayment to) related party loans		(1,276,641)	(156,311)	339,526
Net cash provided by (used in) financing activities		16,401,297	(156,311)	339,526
Reconciliation of cash and restricted cash, beginning of year				
Cash		117,434	10,753,118	3,805,135
Restricted cash		22,948	30,269	23,089
Cash and restricted cash, beginning of year		\$ 140,382	\$ 10,783,387	\$ 3,828,224
Reconciliation of cash and restricted cash, end of year				
Cash		10,753,118	3,805,135	2,262,881
Restricted cash		30,269	23,089	26,127
Cash and restricted cash, end of year		\$ 10,783,387	\$ 3,828,224	\$ 2,289,008
Effect of exchange rate changes on cash and restricted cash		144,349	(85,046)	(28,365)
Net increase (decrease) in cash and restricted cash		10,643,005	(6,955,163)	(1,539,216)
Cash and restricted cash, beginning of year		140,382	10,783,387	3,828,224
Cash and restricted cash, end of year		\$ 10,783,387	\$ 3,828,224	\$ 2,289,008
Supplemental disclosures of non-cash activities:				
Lease liabilities arising from obtaining right-of-use assets		-	177,022	-

SENTAGE HOLDINGS INC. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Principal Activities

(a) Principal activities

Sentage Holdings Inc. (“Sentage Holdings” or the “Company”) was incorporated on September 16, 2019 under the law of Cayman Islands as an exempted company with limited liability. As of December 31, 2023, the Company, through its subsidiaries and consolidated variable interest entities (“VIEs”) (collectively referred to as the “Group”) was primarily engaged in providing customers a comprehensive range of financial services including repayment and collection management services, loan recommendation services, and prepaid payment network services. All of the Group’s operations and customers are located in the People’s Republic of China (“PRC”).

Sentage Holdings owns 100% of the equity interests of Sentage Hongkong Limited (“Sentage HK”), a limited liability company formed under the laws of Hong Kong on September 25, 2019.

On December 17, 2019, Shanghai Santeng Technology Co., Ltd. (“Sentage WFOE”) was incorporated pursuant to PRC laws as a wholly foreign owned enterprise of Sentage HK.

Sentage Holdings, Sentage HK, and Sentage WFOE are currently not engaging in any active business operations and merely acting as holding companies.

As of December 31, 2023, the consolidated financial statements of the Company include the following entities:

Entity	Date of incorporation	Place of incorporation	Percentage of direct or indirect economic ownership	Principal activities
Sentage Holdings Inc. (“Sentage Holdings”)	September 16, 2019	Cayman Islands	Parent, 100%	Investment holding
Sentage Hongkong Limited (“Sentage HK”)	September 25, 2019	Hong Kong	100%	Investment holding
Shanghai Santeng Technology Co., Ltd. (“Sentage WFOE”)	December 17, 2019	Shanghai, PRC	100%	WFOE, Consultancy and information technology support
Daxin Wealth Investment Management (Shanghai) Co., Ltd. (“Daxin Wealth”)	August 13, 2014	Shanghai, PRC	VIE	Consumer loan repayment and collection management services; and loan recommendation services to assist borrowers to obtain loans from various financial institutions services
Daxin Zhuohui Financial Information Services (Shanghai) Co., Ltd. (“Daxin Zhuohui”)	January 9, 2015	Shanghai, PRC	VIE	Consumer loan repayment and collection management services; and loan recommendation services to assist borrowers to obtain loans from various financial institutions services
Qingdao Buytop Payment Services Co., Ltd. (“Qingdao Buytop”)	August 4, 2009	Qingdao, Shandong, PRC	VIE	Prepaid payment network services
Zhenyi Information Technology (Shanghai) Co., Ltd. (“Zhenyi”)	August 29, 2017	Shanghai, PRC	VIE	Provide technology and system development and support

(b) **History of the Group and reorganization**

Organization and General

Prior to the reorganization described below, the Sentage Operating Companies Shareholders were the controlling shareholders of the following entities: (1) Daxin Wealth Investment Management (Shanghai) Co., Ltd. (“Daxin Wealth”), formed in Shanghai City, China on August 13, 2014; (2) Daxin Zhuohui Financial Information Services (Shanghai) Co., Ltd. (“Daxin Zhuohui”), formed in Shanghai City, China on January 9, 2015; (3) Qingdao Buytop Payment Services Co., Ltd. (“Qingdao Buytop”), formed in Qingdao City, Shandong Province, China on August 4, 2009; and (4) Zhenyi Information Technology (Shanghai) Co., Ltd. (“Zhenyi”), formed in Shanghai City, China on August 29, 2017. Daxin Wealth, Daxin Zhuohui, Qingdao Buytop and Zhenyi were all formed as limited companies pursuant to PRC laws. Daxin Wealth and Daxin Zhuohui are primarily engaged in providing consumer loan repayment and collection management services. Daxin Zhuohui also provides loan recommendation services. Qingdao Buytop is primarily engaged in providing customers with prepaid payment network services. Zhenyi is primarily engaged in providing technology and system development and support. Daxin Wealth, Daxin Zhuohui, Qingdao Buytop and Zhenyi are collectively referred to as the “Sentage Operating Companies” below.

Reverse recapitalization

A reorganization of legal structure (“Reorganization”) was completed on March 9, 2020. The Reorganization involved the formation of Sentage Holdings, Sentage HK and Sentage WFOE, and entering into certain contractual arrangements Sentage WFOE, the shareholders of the Sentage Operating Companies. Consequently, the Company became the ultimate holding company of Sentage HK, Sentage WFOE, Daxin Wealth, Daxin Zhuohui, and Qingdao Buytop.

On March 9, 2020, Sentage WFOE entered into a series of contractual arrangements with the shareholders of the Sentage Operating Companies. These agreements include Exclusive Purchase Agreements, an Exclusive Business Cooperation Agreement, Equity Pledge Agreements, Powers of Attorney, Loan Agreements intended to guarantee the exercise of the Exclusive Purchase Agreements and Spouse Consents (collectively the “VIE Agreements”). Sentage WFOE, Zhenyi, and Zhenyi’s shareholders entered into the VIE Agreements on April 1, 2021. Pursuant to the VIE Agreements, Sentage WFOE has the exclusive right to provide to the Sentage Operating Companies consulting services related to business operations including technical and management consulting services.

As a result of our direct ownership in Sentage WFOE and the VIE Agreements, we are regarded as the primary beneficiary of the VIEs, and we treat the VIEs as our consolidated entities under U.S. GAAP, for accounting purposes. We have consolidated the financial results of the VIEs in our consolidated financial statements in accordance with U.S. GAAP. The VIE Agreements have not been tested in a court of law in China as of the date of this annual report.

The Company, together with its wholly owned subsidiaries and its VIEs, is effectively controlled by the same shareholders before and after the Reorganization and therefore the Reorganization is considered as a recapitalization of entities under common control. The consolidation of the Company, its subsidiaries, and its VIEs has been accounted for at historical cost and prepared on the basis as if the aforementioned transactions had become effective as of the beginning of the first period presented in the accompanying consolidated financial statements.

(c) ***VIE contractual arrangements***

The Company's main operating entities are Daxin Wealth, Daxin Zhuohui, Qingdao Buytop and Zhenyi (or the "Sentage Operating Companies" as referred above), in which we do not have equity interests but whose financial results have been consolidated by Sentage Holdings for accounting purposes in accordance with U.S. GAAP due to Sentage Holdings having effective control over, and being the primary beneficiary of, these companies via the VIE Agreements, which have not been tested in a court of law in China as of the date of this annual report.

Risks associated with the VIE structure

The Company believes that the contractual arrangements with its VIEs and the shareholders of its VIEs are in compliance with PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce the contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Company's PRC subsidiary and VIEs;
- discontinue or restrict the operations of any related-party transactions between the Company's PRC subsidiary and VIEs;
- limit the Company's business expansion in China by way of entering into contractual arrangements;
- impose fines or other requirements with which the Company's PRC subsidiary and VIEs may not be able to comply;
- require the Company or the Company's PRC subsidiary and VIEs to restructure the relevant ownership structure or operations; or
- restrict or prohibit the Company's use of the proceeds from public offering to finance the Company's business and operations in China.

The Company's ability to conduct its financial service businesses may be negatively affected if the PRC government were to carry out of any of the aforementioned actions. As a result, the Company may not be able to consolidate its VIEs in its consolidated financial statements as it may lose the ability to exert effective control over the VIEs and their shareholders and it may lose the ability to receive economic benefits from the VIEs. The Company, however, does not believe such actions would result in the liquidation or dissolution of the Company, its PRC subsidiary and its VIEs.

The Company, Sentage HK and Sentage WFOE are essentially holding companies and do not have active operations as of December 31, 2023 and 2022. As a result, total assets and liabilities presented on the Consolidated Balance Sheets and revenue, expenses, and net income presented on the Consolidated Statement of Comprehensive Income as well as the cash flows from operating, investing and financing activities presented on the Consolidated Statement of Cash Flows are substantially the financial position, operation and cash flow of the Company's VIEs. The Company has not provided any financial support to the VIEs for the years ended December 31, 2023 and 2022.

The table sets forth the assets and liabilities of the VIEs included in the Company's consolidated balance sheets:

	As of December 31,	
	2022	2023
	USD	USD
ASSETS		
Current assets		
Cash and cash equivalents	20,020	63,002
Restricted cash	23,089	26,127
Accounts receivable, net	433,510	284,628
Prepaid expenses and other current assets	966,260	1,007,922
Total current assets	1,442,879	1,381,679
Non-current assets		
Plant and equipment, net	53,023	64,472
Intangible assets, net	89,475	66,859
Deferred tax assets	12,686	12,324
Total non-current assets	155,184	143,655
Total assets	1,598,063	1,525,334
Current liabilities		
Accounts payable	8,647	5,985
Accrued expenses and other current liabilities	1,431,818	1,848,687
Total current liabilities	1,440,465	1,854,672
Non-current liability		
Due to a related party, non-current	464,709	764,094
Total non-current liability	464,709	764,094
Total liabilities	1,905,174	2,618,766

The table sets forth the results of operations of the VIE included in the Company’s consolidated statements of comprehensive income/(loss):

	Years ended December 31,		
	2021	2022	2023
	USD	USD	USD
Total revenues	2,262,449	161,372	146,554
Net Income (loss)	692,774	(960,506)	(797,223)

The table sets forth the cash flows of the VIE included in the Company’s consolidated statements of cash flows:

	Years ended December 31,		
	2021	2022	2023
	USD	USD	USD
Net cash (used in) provided by operating activities	1,433,255	(371,005)	(254,262)
Net cash used in investing activities	(19,977)	(34,346)	(23,433)
Net cash provided by (used in) financing activities	(959,420)	(156,311)	299,385

As the VIEs are incorporated as limited liability companies under the PRC Company Law, the creditors of the VIEs do not have recourse to the general credit of the Company. There is currently no contractual arrangement that would require the Company to provide additional financial support to the VIEs.

2. Summary of significant accounting policies

(a) Basis of presentation

The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Significant accounting policies followed by the Company in the preparation of the accompanying consolidated financial statements are summarized below.

(b) Principles of consolidation

The Group’s consolidated financial statements include the financial statements of the Company, its subsidiaries and its VIEs. All transactions and balances among the Company, its subsidiaries and its VIEs have been eliminated upon consolidation.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting powers; has the power to appoint or remove the majority of the members of the board of directors; or to cast a majority of votes at the meeting of directors; or has the power to govern the financial and operating policies of the investee under a statute or agreement among the shareholders or equity holders.

A consolidated VIE is an entity in which the Company, or its subsidiary, through contractual agreements, bears the risks of, and enjoys the rewards normally associated with ownership of the entity. In determining whether the Company or its subsidiaries are the primary beneficiary, the Company considered whether it has the power to direct activities that are significant to the VIE’s economic performance, and also the Group’s obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. As a result of the Company’s direct ownership in Sentage WFOE and the VIE Agreements, the Company is regarded as the primary beneficiary of the VIEs, and we treat the VIEs as the Company’s consolidated entities under U.S. GAAP, for accounting purposes. The Company has consolidated the financial results of the VIEs in its consolidated financial statements in accordance with U.S. GAAP. The VIE agreements have not been tested in a court of law in China as of the date of this annual report.

(c) Use of estimates

The preparation of the Company’s consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the balance sheet date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include, but are not limited to, estimate of standalone selling prices of each unit of accounting in multiple elements arrangements, estimate of breakage, the fair value of identifiable assets acquired, liabilities assumed and non-controlling interests in business combinations, the useful lives of long-lived assets including intangible assets, the fair value of the reporting unit for the goodwill impairment test, the allowance for doubtful accounts receivable and other receivables, the realization of deferred tax assets, the fair value of share-based compensation awards, lease liabilities, right-of-use assets and the recoverability of long-lived assets. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

(d) Functional currency

The Group use United States dollar (“US\$”) as its reporting currency. The functional currency of the Company and its subsidiaries incorporated outside of the PRC is US, while the functional currency of the PRC entities in the Group is RMB as determined based on the criteria of Accounting Standards Codification (“ASC”) 830, Foreign Currency Matters.

(e) Convenience translation

The functional and reporting currency of the Company is the United States Dollar (“US\$”). The Company’s operating subsidiary in China uses Renminbi (“RMB”) as the functional currency.

The financial statements of the Company and its subsidiaries, other than subsidiaries with functional currency of US\$, are translated into US\$ using the exchange rate as of the balance sheet date for assets and liabilities and average exchange rate for the year for income and expense items. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange in effect at that date. The equity denominated in the functional currency is translated at the historical rate of exchange at the time of capital contribution. Because cash flows are translated based on the average translation rate, amounts related to assets and liabilities reported on the consolidated statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets. Translation adjustments arising from the use of different exchange rates from period to period are included as a separate component of accumulated other comprehensive income (loss) included in consolidated statements of changes in shareholders’ equity. Translation gains and losses are recognized in the consolidated statements of operations and comprehensive income (loss) as other comprehensive income or loss.

For the Company, except for the shareholders’ equity, the balance sheet accounts on December 31, 2023 and 2022 were translated at RMB 7.0999 and RMB 6.8972 to \$1.00, respectively. The shareholders’ equity accounts were translated at their historical rate. The average translation rates applied to statements of operations for the years ended December 31, 2023 and 2022 were RMB 7.0809 and RMB 6.7290 to \$1.00, respectively. Cash flows were also translated at average translation rates for the periods. Therefore, amounts reported on the statements of cash flows will not necessarily agree with changes in the corresponding balances on the consolidated balance sheets.

(f) Cash and cash equivalents

Cash and cash equivalents includes currency on hand and deposits held by banks that can be added or withdrawn without limitation. The Company maintains all of its bank accounts in the PRC. The Company’s cash balances in these bank accounts in the PRC are not insured by the Federal Deposit Insurance Corporation or other programs.

(g) Restricted cash

In connection with the Company’s newly launched prepaid payment network service business, the Company is required to make an initial one-year security deposit with designated PRC banks in order to be eligible to issue prepaid gift and debit cards to customers. Security deposit is based on 1% of the estimated proceeds to be collected from the prepaid card issuance and is subject to adjustment as be determined by the PRC banks based on actual sales volume of the prepaid cards. As of December 31, 2022 and 2023, the Company has not issued any prepaid cards to customers. The Company records such security deposit as restricted cash.

(h) Accounts receivable net

Accounts receivable net are service fees generated through providing prepaid payment network services to customers.

The Company reduces accounts receivable by recording an allowance for doubtful accounts to account for the estimated impact of collection issues resulting from a client’s inability or unwillingness to pay valid obligations to the Company. The Company determines the adequacy of allowance for doubtful accounts based on individual account analysis, historical collection trend, and best estimate of specific losses on individual exposures. The Company establishes a provision for doubtful receivable when there is objective evidence that the Company may not be able to collect amounts due. Actual amounts received may differ from management’s estimate of credit worthiness and the economic environment. Delinquent account balances are written-off against the allowance for doubtful accounts after the management has determined that the likelihood of collection is not probable. As of December 31, 2023 and 2022, Allowance for doubtful debts was US\$133,805 and US\$59,444 respectively.

(i) Plant and equipment, net

Plant and equipment are stated at cost less accumulated depreciation and any recorded impairment.

Gains or losses arising from the disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of disposal.

The estimated useful lives are presented below.

Office equipment and furniture	3-5 years
Transportation vehicles	3-5 years

Depreciation on plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

Expenditures for maintenance and repairs, which do not materially extend the useful lives of the assets, are charged to expense as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the Consolidated Statements of Comprehensive Operations and Other Comprehensive Income (Loss).

(j) Intangible assets

Purchased intangible assets are initially measured at cost. Following initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each financial year end. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

The Company's intangible assets with definite useful lives primarily are purchased software. The Company typically amortizes intangible assets with definite useful lives on a straight-line basis over estimated useful lives of ten years.

(k) Impairment of long-lived assets

Long-lived assets with finite lives, Plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated cash flows from the use of the asset and its eventual disposition are below the asset's carrying value, then the asset is deemed to be impaired and written down to its fair value. There were no impairments of these assets as of December 31, 2023 and 2022.

(l) Fair value of financial instruments

The Group applies ASC 820, Fair Value Measurements and Disclosures, for fair value measurements financial assets and financial liabilities and for fair value measurements of non-financial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring and non-recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability. ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. In situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects management's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by management based on the best information available in the circumstances.

Unless otherwise disclosed, the fair value of the Group's financial instruments, including cash, restricted cash, accounts receivable, prepaid expenses and other current assets, accounts payable, deferred revenue and accrued expenses and other current liabilities approximate the fair value of the respective assets and liabilities as of December 31, 2023 and 2022 based upon the short-term nature of the assets and liabilities. The balance of due to related parties also approximate the fair value because it was paid by cash from related parties to the Group as working capital.

The functional currency for Sentage and Sentage HK is the United States dollar (“US\$”). However, Sentage, and Sentage HK currently only serve as the holding companies and did not have active operations as of the date of this annual report. The Company operates its business through its VIEs in the PRC as of December 31, 2023. The functional currency of the Company’s VIEs is the Chinese Yuan (“RMB”). The Company’s consolidated financial statements have been translated into US\$. Assets and liabilities accounts are translated using the exchange rate at each reporting period end date. Equity accounts are translated at historical rates. Income and expense accounts are translated at the average rate of exchange during the reporting period. The resulting translation adjustments are reported under other comprehensive income. Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the results of operations.

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at the rates used in translation.

The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	As of December 31,	
	2022	2023
Year-end spot rate	US\$1=RMB 6.8972	US\$1=RMB 7.0999
Average rate	US\$1=RMB 6.7290	US\$1=RMB 7.0809

(m) Revenue recognition

On January 1, 2018, the Company adopted Accounting Standards Codification (“ASC”) 606, “Revenue from Contracts with customers”, using the modified retrospective approach.

The Company adopted ASC 606, “Revenue from Contracts with Customers” for all periods presented. Consistent with the criteria of ASC 606, the Company follows five steps for its revenue recognition: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The primary sources of the Group’s revenues are as follows:

- (1) Revenue from consumer loan repayment and collection management services

Loans facilitated through the Company were consumer loan products ranging from 30,000 RMB (approximately \$4,342) to 80,000 RMB (approximately US\$11,579). Loan term ranges from one year to four years. All the Company’s clients are individual customers who entered into service agreements with the Company. All these loans were facilitated through the Company’s offline loan recommendation services before November 2017. Since November 2017, the Company has not provided any intermediary services for any new customers in anticipation of changes in related governing regulations in China, and the Company has been focusing on providing services related to consumer loan repayment and collection management to its customers. These consumer loan repayment and collection management services are a part of the Company’s service obligation in its service agreements with its customers. Pursuant to the service agreements, customers authorized the Company to monitor and manage the repayment and collection process of outstanding loans for a fixed service fee, which was paid upfront by customers. The Company is required to monitor loans within the loan term to ensure timely repayment of loans when they become due. Pursuant to the Company’s agreements with customers, loan repayment and collection management services are parts of bundled services offered by the Company to customers for a fixed fee and are not capable of being distinct because the Company is required to concurrently monitor and manage the repayment and collection process of outstanding loans to be entitled to receive a fixed service fee. As a result, loan management services and collection management services are not separately identifiable in the context of the contract and accordingly are treated as a bundled single performance obligation. There is no variable consideration in the contract. Once a specific loan is repaid on time, the Company’s service obligation related to such loan is satisfied. When a loan becomes delinquent, the Company is then required to assist in collection efforts for an extended service period of 12 months starting on the day such loan becomes delinquent. No additional fee can be charged for collection management services provided to delinquent loans beyond the initial fixed fee agreed. If all or a part of the loan is still not repaid after all collection management efforts are exhausted within such required service period, the Company’s service obligation related to such loan is satisfied and the Company is not responsible for any loss from an uncollectible loan.

The Company's loan repayment and collection management services primarily include reconciling borrower repayment record and sending payment reminder and notice periodically, facilitating repayment upon maturity and collaborating with third-party collection agents and law firms in the event of delinquency etc. Loan repayment and collection management fees received from the customers upfront are deferred first, and then ratably recognized as revenue over the loan terms or an extended service period of 12 months starting on the day such loan becomes delinquent, as the Company performs designated services.

(2) Revenue from services provided to borrower for loan recommendation

The Company started to provide recommendation services where the Company recommends prospective borrowers to funding partners in June 2019. The Company's performance obligations include making loan product recommendations to borrower applicants, processing paperwork related to borrowers' applications based on their specific needs, evaluating credentials of borrower applicants, appraising borrowers' properties to be collateralized through data analysis and on-site inspection, and recommending qualified borrowers to various funding partners for loan approval. The Company receive a service fee from a borrower if he or she is approved for a loan and such loan is then funded by one of our funding partners. The Company acquires borrowers through cooperating with third-party referral partners as well as through its own borrower development efforts. For borrowers acquired through cooperating with third-party referral partners, pursuant to the service agreement between the Company and the referral partners, referral partners first charge borrowers service fees for their referrals. The Company then charges the referral partners a commission ranging from 1.5% to 2% based on the loan proceeds disbursed to the borrowers. For borrowers developed directly by the Company, the Company charges the borrowers a service fee of 1.75% to 3% of the loan amount received by the borrowers. Such revenue is recognized at the point when the Company's performance obligations are satisfied and the loan proceeds are disbursed to a specific borrower. For the years ended December 31, 2023, 2022 and 2021, the Company earned nil, nil and \$1,177,822 recommendation service revenue, respectively.

(3) Revenue from prepaid payment network services

In 2012, one of the Company's VIE subsidiaries, Qingdao Buytop, was granted a third-party payment service license by the relevant authority in China. The Company started to provide prepaid payment network services to merchant customers in August 2019. The Company is licensed to issue generic and branded prepaid gift and debit cards and provide related services to various merchants, such as supermarket and department stores. In connection with the prepaid payment network services, the Company expects to generate revenue from: (1) technology consulting and support services fees related to payment solution planning, design, and management; (2) prepaid card payment services fees related to the issuance and use of prepaid cards.

Technology consulting and support services are short-term in nature, with service period ranging from one to three months, and related service fees are recognized as revenue at point when payment solution, design and management services are rendered, completed and accepted by customers. For merchant customers who need prepaid card payment services such as collecting and processing information necessary for prepaid card issuance and authorizing transaction requests after verifying transaction information, the Company charges service fee equal to 0.3% to 0.5% of each transaction amount and recognizes revenue at the point when the prepaid cards issued by merchant customers are used by their end user card holders. For the years ended December 31, 2023, 2022 and 2021, the Company earned \$146,554, \$161,372 and \$928,565 revenue from providing technology consulting and support service revenue to customers, respectively.

(n) Income taxes

The Company accounts for income taxes under ASC 740. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The provisions of ASC 740-10-25, "Accounting for Uncertainty in Income Taxes," prescribe a more-likely-than-not threshold for consolidated financial statement recognition and measurement of a tax position taken (or expected to be taken) in a tax return. This interpretation also provides guidance on the recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and related disclosures.

An uncertain tax position is recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No significant penalties or interest relating to income taxes have been incurred during the years ended December 31, 2023, 2022 and 2021. The Company does not believe that there was any uncertain tax provision on December 31, 2023, 2022 and 2021. The Company's subsidiary and VIEs in China are subject to the income tax laws of the PRC. No significant income was generated outside the PRC for the fiscal years ended December 31, 2023, 2022 and 2021. As of December 31, 2023, all of the tax returns of the Company's PRC subsidiary and VIEs remain available for statutory examination by PRC tax authorities.

(o) Value added tax ("VAT")

The Company is a general taxpayer and is subject to applicable VAT tax rate of 6%. VAT is reported as a deduction to revenue when incurred. Entities that are VAT general taxpayers are allowed to offset qualified input VAT tax paid to suppliers against their output VAT liabilities.

(p) Earnings per Share

The Company computes earnings per share ("EPS") in accordance with ASC 260, "Earnings per Share" ("ASC 260"). ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income divided by the weighted average common shares outstanding for the period. Diluted presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. As of December 31, 2023 and 2022, there were no dilutive shares.

(q) Statutory reserve

In accordance with the Company Laws of the PRC, the PRC Entities registered as PRC domestic companies must make appropriations from its after-tax profit as determined under the PRC GAAP to non-distributable reserve funds including a statutory surplus fund and a discretionary surplus fund. The appropriation to the statutory surplus fund must be at least 10% of the after-tax profits as determined in accordance with the legal requirements in the PRC. Appropriation is not required if the surplus fund has reached 50% of the registered capital of the respective company. Appropriation to the discretionary surplus fund is made at the discretion of the respective company.

The use of the statutory reserves are restricted to the off-setting of losses or increasing capital of the respective company. All these reserves are not allowed to be transferred to their investors in terms of cash dividends, loans or advances, nor can they be distributed except under liquidation.

(r) Comprehensive income

Comprehensive income consists of two components, net income and other comprehensive income. The foreign currency translation gain or loss resulting from translation of the financial statements expressed in RMB to US\$ is reported in other comprehensive income in the Consolidated Statements of Comprehensive Operations and Other Comprehensive Income (Loss).

(s) Statement of Cash Flows

In accordance with ASC 230, "Statement of Cash Flows", cash flows from the Company's operations are formulated based upon the local currencies using the average exchange rate in the period. As a result, amounts related to assets and liabilities reported on the statements of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheets.

(t) Related parties and transactions

The Company identifies related parties, and accounts for, discloses related party transactions in accordance with ASC 850, "Related Party Disclosures" and other relevant ASC standards.

Parties, which can be a corporation or individual, are considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

Transactions between related parties commonly occurring in the normal course of business are considered to be related party transactions. Transactions between related parties are also considered to be related party transactions even though they may not be given accounting recognition. While ASC does not provide accounting or measurement guidance for such transactions, it nonetheless requires their disclosure.

(u) Right-of-use assets, net

In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), which is effective for annual reporting periods (including interim periods) beginning after December 15, 2018, and early adoption is permitted.

The Company, through its subsidiary, leases its offices, which are classified as operating leases in accordance with Topic 842. Operating leases are required to record in the balance sheet as right-of-use assets and lease liabilities, initially measured at the present value of the lease payments. The Company has elected the package of practical expedients, which allows the Company not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date, and (3) initial direct costs for any expired or existing leases as of the adoption date. The Company elected the short-term lease exemption as the lease terms are 12 months or less.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange of a consideration. To assess whether a contract is or contains a lease, the Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all the economic benefits from the use of the asset and whether it has the right to control the use of the asset. The right-of-use assets and related lease liabilities are recognized at the lease commencement date. The Company recognizes operating lease expenses on a straight-line basis over the lease term and had no finance leases for any of the periods stated herein.

The right-of-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and less any lease incentive received. All right-of-use assets are reviewed for impairment annually. No impairment for right-of-use lease assets as of December 31, 2023 and 2022.

(v) Accrued expenses and other current liabilities

Accrued expenses and other current liabilities include employee compensation payable, taxes payable and other payables.

employee compensation payable refers to the salary, social security, provident fund and bonus payable to the Company's employees before the end of the current fiscal year. taxes payable refers to the composition of VAT and surtax payable under PRC tax before the end of the fiscal year. Other payables mainly deposit, service fees, etc.

(w) Long-term investments

Beginning on January 1, 2018, the Group's equity investments without readily determinable fair values, which do not qualify for the existing practical expedient in ASC Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), to estimate fair value using the net asset value per share (or its equivalent) of the investment ("NAV practical expedient"), and over which the Group does not have the ability to exercise significant influence through the investments in common stock or in substance common stock, are accounted for under the measurement alternative upon the adoption of ASU 2016-01 (the "Measurement Alternative"). Under the Measurement Alternative, the carrying value is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. All gains and losses on these investments, realized and unrealized, are recognized in the consolidated statements of operations and comprehensive income/(loss). The Group makes assessment of whether an investment is impaired based on performance and financial position of the investee as well as other evidence of market value at each reporting date. Such assessment includes, but is not limited to, reviewing the investee's cash position, recent financing, as well as the financial and business performance. The Group recognizes an impairment loss equal to the difference between the carrying value and fair value in the consolidated statements of operations and comprehensive income/(loss) if any.

The investment was accounted for under the cost method as the Group had no significant influence over the investee.

An impairment charge is recorded when the carrying amount of the investment exceeds its fair value and this condition is determined to be other-than-temporary. As of December 31, 2023, impairment loss of short-term investments was nil.

(x) Prepaid expenses and other current assets

Prepaid expenses and other current assets consist primarily of Advance to suppliers, Other receivable and VAT tax recoverable.

- (i) Advance to suppliers represents balance paid to vendors for certain services that have not been completed. These advances are interest free, unsecured and short-term in nature and are reviewed periodically to determine whether their carrying value has become impaired. As of December 31, 2023 and 2022, there was no allowance recorded as the Company considers all of the advance to suppliers balance fully realizable.
- (ii) Other receivable primarily includes advances to employees for business development and security deposits paid for third-party payment platforms. This primarily represents a deposit paid by the Company to commission the acquisition of the e-commerce technology services business. As of December 31, 2023 and 2022, there was no allowance recorded as the Company considers all of the other receivable balance fully collectible.
- (iii) VAT tax recoverable represents the amount that is overpaid by the Company before the VAT tax invoices received. Such amount can be used to offset future VAT tax liability.

(V) **Recent accounting pronouncements**

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Topic 606, Revenue from Contracts with Customers. The new amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The amendments should be applied prospectively to business combinations occurring on or after the effective date of the amendments, with early adoption permitted. The Company adopted this update in the March 1, 2023 and the adoption did not have a material impact to the Company's consolidated financial statements.

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions", which clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize and measure a contractual sale restriction. This guidance also requires certain disclosures for equity securities subject to contractual sale restrictions. The new guidance is required to be applied prospectively with any adjustments from the adoption of the amendments recognized in earnings and disclosed on the date of adoption. This guidance is effective for the Company for the year ending March 31, 2025 and interim reporting periods during the year ending March 31, 2025. Early adoption is permitted. The Company does not expect that the adoption of this guidance will have a material impact on the financial position, results of operations and cash flows.

In July 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. The amendments in ASU 2023-07 improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in ASU 2023-07 improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. The amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The adoption of this guidance did not have a material impact on its financial position, results of operations and cash flows.

Other accounting standards that have been issued by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Group does not discuss recent standards that are not anticipated to have an impact on or are unrelated to its consolidated financial condition, results of operations, cash flows or disclosures.

3. Cash and cash equivalents

Cash and cash equivalents, consist of the following:

	As of December 31,	
	2022	2023
	USD	USD
Cash at bank	\$ 3,805,103	\$ 2,262,851
Cash on hand	32	30
Total	\$ 3,805,135	\$ 2,262,881

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	As of December 31,	
	2022	2023
	USD	USD
RMB	\$ 139,688	\$ 63,241
USD	3,665,447	2,199,640
Total	\$ 3,805,135	\$ 2,262,881

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

4. Accounts receivable, net

Accounts receivable, net, consist of the following:

	As of December 31,	
	2022	2023
	USD	USD
Accounts receivable associated with prepaid payment network services	492,954	478,880
Less: Allowance for doubtful debts	(59,444)	(194,252)
Accounts receivable, net	\$ 433,510	\$ 284,628

The Company's accounts receivable are service fees generated through providing prepaid payment network services to customers. As of December 31, 2023 and 2022, the Company had accounts receivable net of \$284,628 and \$433,510, respectively. The allowance for doubtful accounts were \$194,252 and \$59,444 as of December 31, 2023 and 2022.

Allowance for doubtful accounts movement:

	As of December 31,	
	2022	2023
	USD	USD
Beginning balance	\$ 54,896	\$ 59,444
Additions	4,548	134,808
Ending balance	\$ 59,444	\$ 194,252

5. Loan receivable

On July 8, 2021, the Company entered into an agreement with Fortune Access Development Corporation, a British Virgin Island corporation, to purchase a one-year note with principal of \$5.5 million at 3% per annum. As of December 31, 2022, the outstanding loan receivable was \$5,500,000 with unsecured. As of April 16, 2023, the Company collected back all the loan receivable. On April 16, 2023, the Company had received all loans receivable. As of December 31, 2023, the balance of loan receivable is nil.

6. Prepaid expenses and other current assets

The prepaid expenses and other current assets consist of the following:

	As of December 31,	
	2022	2023
	USD	USD
Prepaid expenses and other current assets		
Advance to suppliers (i)	\$ 48,710	\$ 26,630
Other receivable, net (ii)	4,523,688	9,085,238
Value-added Tax (“VAT”) recoverable (iii)	7,248	7,041
Total	\$ 4,579,646	\$ 9,118,909

- (i) Advance to suppliers represents balance paid to vendors for certain services that have not been completed. These advances are interest free, unsecured and short-term in nature and are reviewed periodically to determine whether their carrying value has become impaired. As of December 31, 2023 and 2022, there was no allowance recorded as the Company considers all of the advance to suppliers balance fully realizable.
- (ii) Other receivable primarily includes advances to employees for business development and security deposits paid for third-party payment platforms. This primarily represents a deposit paid by the Company to commission the acquisition of the e-commerce technology services business. As of December 31, 2023 and 2022, there was no allowance recorded as the Company considers all of the other receivable balance fully collectible.
- (iii) VAT tax recoverable represents the amount that is overpaid by the Company before the VAT tax invoices received. Such amount can be used to offset future VAT tax liability.

7. Plant and equipment, net

Plant and equipment consists of the following:

	As of December 31,	
	2022	2023
	USD	USD
Cost:		
Office equipment and furniture	\$ 363,991	\$ 377,032
Transportation vehicles	57,373	55,735
Total cost	\$ 421,364	\$ 432,767
Less: Accumulated depreciation	(368,341)	(368,295)
Plant and equipment, net	\$ 53,023	\$ 64,472

Depreciation expense was \$11,984, \$25,464 and \$23,370 for the years ended December 31, 2023, 2022 and 2021, respectively.

8. Intangible assets, net

Intangible assets, net, consist of the following:

	As of December 31,	
	2022	2023
	USD	USD
Software	\$ 457,640	\$ 444,574
Total cost	\$ 457,640	\$ 444,574
Less: Accumulated amortization	(368,165)	(377,715)
Intangible assets, net	\$ 89,475	\$ 66,859

Amortization expense was \$ 9,550, \$17,212 and \$39,601 for the years ended December 31, 2023, 2022 and 2021, respectively.

9. Long-term investments

On December 15, 2023, the Company signed an investment agreement to invest a total of US \$10 million in AI technology enterprise Kangguozhen International Holdings Limited ("Kangguozhen"), accounting for 11.11% of Kangguozhen equity. As of December 31, 2023, \$1.0 million of investment has been paid. The investment was accounted for under the cost method as the Group had no significant influence over the investee.

As of December 31, 2023, impairment loss of short-term investments was nil.

10. Operating leases

The Group has leased office premises and buildings under non-cancellable operating lease agreements. These leases have different terms and renewal rights.

The following table presents balances reported in the consolidated balance sheets related to the Company's leases:

	As of December 31,	
	2022	2023
	USD	USD
Right-of-use asset, net	\$ 162,270	\$ 72,939
Lease liabilities, current	87,129	72,230
Lease liabilities, non-current	74,384	-
Total operating lease liabilities	\$ 161,513	\$ 72,230

The components of lease expenses were as follows:

	For the years ended December 31,	
	2022	2023
	USD	USD
Lease cost		
Amortization of right-of-use assets	\$ 14,752	\$ 84,108
Interest of operating lease liabilities	1,342	5,508
Total	\$ 16,094	\$ 89,616

The following table reconciles the undiscounted cash flows of the Group leases as of December 31, 2023 to the present value of its operating lease payments:

For the year ending December 31	USD
2024	73,667
Total undiscounted operating lease payments	73,667
Less: imputed interest	(1,437)
Present value of operating lease liabilities	72,230

11. Income tax

(a) Cayman Islands

Under the current tax laws of the Cayman Islands, the Company is not subject to tax on its income or capital gains. In addition, no Cayman Islands withholding tax will be imposed upon the payment of dividends by the Company to its shareholders.

(b) Hong Kong Profits Tax

Sentage HK is incorporated in Hong Kong and is subject to profit taxes in Hong Kong at a rate of 16.5%. However, Sentage HK did not generate any assessable profits arising in or derived from Hong Kong for the fiscal years ended December 31, 2023, 2022 and 2021, and accordingly no provision for Hong Kong profits tax has been made in these periods.

(c) PRC Enterprise Income Tax ("EIT")

On March 16, 2007, the National People's Congress of the PRC enacted the Enterprise Income Tax Law ("EIT Law"), under which domestic companies would be subject to Enterprise Income Tax ("EIT") at a uniform rate of 25%. The EIT Law became effective on January 1, 2008.

Sentage WFOE, Daxin Wealth, Daxin Zhuohui, Qingdao Buytop and Zhenyi are incorporated in the PRC, and are subject to the PRC Enterprise Income Tax Laws ("EIT Laws") and are taxed at the statutory income tax rate of 25%.

Under the EIT Law and its implementation rules, an enterprise established outside China with a "place of effective management" within China is considered a China resident enterprise for Chinese enterprise income tax purposes. A China resident enterprise is generally subject to certain Chinese tax reporting obligations and a uniform 25% enterprise income tax rate on its worldwide income. The implementation rules to the New EIT Law provide that non-resident legal entities are considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc., occur within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Company does not believe that the legal entities organized outside the PRC should be treated as residents for 2008 EIT law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC are deemed resident enterprises, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25%.

If the Company were to be non-resident for PRC tax purposes, dividends paid to it from profits earned by the PRC operating entities after January 1, 2008 would be subject to a withholding tax. The EIT law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its non-PRC-resident corporate investor for earnings generated beginning on January 1, 2008. Earnings generated prior to January 1, 2008 are exempt from such withholding tax. The Company has not recognized any deferred tax liability for the undistributed earnings of the PRC-resident enterprise as of December 31, 2023, 2022 and 2021, as the Company plans to permanently reinvest the earnings generated before December 31, 2023 in the PRC.

Income tax returns of PRC Entities are filed on an individual entity basis. The PRC Entities have calculated their income tax provision using the separate return method in these consolidated financial statements.

Income taxes provision

Income tax expense consists of the following:

	Year ended December 31,		
	2021	2022	2023
	USD	USD	USD
Current income tax expense	\$ 257,344	\$ -	\$ -
Total	\$ 257,344	\$ -	\$ -

The following table reconciles the PRC statutory rates to the Company's effective tax rate for the years ended December 31, 2023, 2022 and 2021:

	Year ended December 31,		
	2021	2022	2023
	USD	USD	USD
China Income tax statutory rate	25.0%	(25.0)%	(25.0)%
Non deductible expenses-permanent difference	0.1%	0.1%	0.1%
Change in valuation allowance	6.5%	24.9%	24.9%
Effective tax rate	31.6%	-%	-

Deferred taxes

The Company's deferred tax assets are comprised of the following:

	As of December 31,	
	2022	2023
	USD	USD
Deferred tax assets		
Deferred tax assets derived from net operating loss ("NOL") carry forwards and deferred revenue	\$ 650,601	\$ 12,324
Total gross deferred tax assets	650,601	12,324
Valuation allowance on deferred tax assets	(637,915)	-
Deferred tax assets, net of valuation allowance	\$ 12,686	\$ 12,324

The Company follows ASC 740, "Income Taxes", which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company's deferred tax assets primarily derived from the net operating loss ("NOL") and deferred revenue that can be carried forward to offset future taxable income. As the Company ended its offline loan recommendation business in the end of 2017, management concluded that the chance for the Company's VIEs, Daxin Wealth and Daxin Zhuohui, to utilize their net operating loss carry forwards were remote. Accordingly, a valuation allowance of approximately \$1.2 million has been provided against part of the deferred tax assets associated with the NOL carryforwards that occurred prior to December 31, 2016 due to expiration of some of loss carryforwards. As of December 31, 2023 and 2022, the Company had deferred tax assets balance of \$12,324 and \$12,686, respectively. In connection with the newly added prepaid payment network services, management believes that the Company will generate sufficient taxable income in the 2024 fiscal year. Therefore, the Company believes that it can utilize the remaining deferred tax asset to offset future taxable income.

Uncertain tax positions

The Company evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measures the unrecognized benefits associated with the tax positions. As of December 31, 2023 and 2022, the Company did not have any significant unrecognized uncertain tax positions. The Company did not incur any interest or penalties tax for the years ended December 31, 2023, 2022 and 2021. The Company does not anticipate any significant increases or decreases in unrecognized tax benefits in the next twelve months from December 31, 2023. As of December 31, 2023, all the tax returns of the Company's PRC subsidiary and VIEs remain available for statutory examination by PRC tax authorities.

12. Accrued expenses and other current liabilities

Accrued expenses and other payables consist of the following:

	As of December 31,	
	2022	2023
	USD	USD
Accrued expenses and other current liabilities		
Deposits received from customers	\$ 20,592	\$ 23,410
Accrued expenses	36,883	11,227
VAT and other taxes payable	200,342	192,428
Payroll payable	51,184	29,730
Total	\$ 309,001	\$ 256,795

13. Related party transactions

Due to related party

Due to a related party consists of the following:

Name	Related party relationship	As of December 31,	
		2022	2023
		USD	USD
Qiaoling Lu	CEO and controlling shareholder of the Company	\$ 4,709	\$ 344,235
Total due to a related party		\$ 4,709	\$ 344,235

As of December 31, 2023 and 2022, the balance due to a related party in the amount of \$ 344,235 and \$ 4,709, respectively, was loan advance from the Company's controlling shareholder and was used as working capital during the Company's normal course of business.

14. Concentrations

A majority of the Company's revenue and expense transactions are denominated in RMB and a significant portion of the Company and its subsidiaries' assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China ("PBOC"). Remittances in currencies other than RMB by the Company in China must be processed through the PBOC or other China foreign exchange regulatory bodies which require certain supporting documentation in order to affect the remittance.

As of December 31, 2023 and 2022, \$2,262,851 and \$3,805,103 of the Company's cash was on deposit at financial institutions in the PRC where there currently is no rule or regulation requiring such financial institutions to maintain insurance to cover bank deposits in the event of bank failure. For the years ended December 31, 2023, 2022 and 2021, the Company's substantial assets were located in the PRC and the Company's substantial revenues were derived from its subsidiaries and VIEs located in the PRC.

For the year ended December 31, 2023, one customer accounted for more than 63.6% of the Company's total revenue.

For the year ended December 31, 2022, one customer accounted for more than 52.2% of the Company's total revenue.

For the year ended December 31, 2021, no single customer accounted for more than 10% of the Company's total revenue.

As of December 31, 2023, one customer accounted for 57.4% of the total accounts receivable balance. As of December 31, 2022, one customer accounted for 63.2% of the total accounts receivable balance.

15. Shareholders' equity

Ordinary shares

Sentage Holdings was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on September 16, 2019. The original authorized number of Ordinary Shares was 50,000 shares with par value of \$1.00 per share and 10,000 shares were issued and outstanding. On September 2, 2020, the Company amended its Memorandum of Association to subdivide the authorized shares from 50,000 shares at par value of \$1.00 per share to 50,000,000 shares of Ordinary Shares with par value of \$0.001 per share, and subdivide the already issued 10,000 shares to 10,000,000 shares at par value of \$0.001 per share. As a result of this forward split, there is a total of 10,000,000 Ordinary Shares issued and outstanding. The issuance of these 10,000,000 shares is considered as a part of the Reorganization of the Company, which was retroactively applied as if the transaction occurred at the beginning of the period presented (see Note 1).

On August 10, 2022, the Company's authorized ordinary shares was consolidated at the ratio of five-for-one and the Company's authorized capital stock became \$50,000 divided into 10,000,000 ordinary shares of \$0.005 per share.

On December 7, 2023, the Company held its 2023 annual general meeting of shareholders, at which the Company's shareholders adopted the following:

- i. the authorized share capital of the Company be increased from US\$50,000 divided into 10,000,000 ordinary shares of par value US\$0.005 each to US\$1,000,000 divided into 200,000,000 ordinary shares of par value US\$0.005 each (the "Share Capital Increase");
- ii. subject to and immediately following the Share Capital Increase being effected, the Company re-designate and re-classify its authorized share capital as follows (the "Share Capital Reorganization")
 - a. each ordinary share in issue immediately following the Share Capital Increase be re-designated and re-classified into one Class A ordinary share of par value US\$0.005 each ("Class A ordinary shares");
 - b. 20,000,000 of the remaining authorized but unissued ordinary shares be re-designated and re-classified into one Class B ordinary share of par value US\$0.005 each ("Class B ordinary shares");
 - c. each of the remaining authorized but unissued ordinary shares be re-designated and re-classified into one Class A ordinary share of par value US\$0.005 each;
- iii. subject to and immediately following the Share Capital Increase and/or Share Capital Reorganization being effected, the Company adopt a second amended and restated memorandum and articles of association in substitution for, and to the exclusion of, the Company's existing memorandum and articles of association, to reflect the Share Capital Increase and/or the Share Capital Reorganization (if and to the extent each is effected) and, subject to the Share Capital Reorganization being effected, the terms of the Class A ordinary shares and Class B ordinary shares.

From the legal perspective, the Reverse Split applied to the issued shares of the Company on the date of the Reverse Split and does not have any retroactive effect on the Company's shares prior that date. However, for accounting purposes only, references to our ordinary shares in this annual report are stated as having been retroactively adjusted and restated to give effect to the Reverse Split, as if the Reverse Split had occurred by the relevant earlier date.

Restricted net assets

Relevant PRC laws and regulations restrict the Company's PRC subsidiary and VIEs from transferring a portion of their net assets, equivalent to their statutory reserves and their share capital, to the Company in the form of loans, advances or cash dividends. Only PRC entities' accumulated profits may be distributed as dividends to the Company without the consent of a third party.

The payment of dividends by entities organized in China is subject to limitations, procedures and formalities. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. The results of operations reflected in the consolidated financial statements prepared in accordance with U.S GAAP differ from those in the statutory financial statements of the WFOE and VIEs. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by State Administration of Foreign Exchange.

In light of the foregoing restrictions, Sentage WFOE and the VIEs are restricted in their ability to transfer their net assets to the Company. Foreign exchange and other regulations in the PRC may further restrict Sentage WFOE and VIEs from transferring funds to the Company in the form of dividends, loans and advances. As of December 31, 2023 and 2022, restricted net assets of Sentage WFOE and VIEs amounted to \$409,435 and \$846,905, respectively.

16. Commitment and Contingencies

(a) Contingencies

From time to time, the Company is a party to various legal actions arising in the ordinary course of business. The Company accrues costs associated with these matters when they become probable and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. The Company's management does not expect any liability from the disposition of such claims and litigation individually or in the aggregate to have a material adverse impact on the Company's consolidated financial position, results of operations and cash flows.

(b) Lease commitments

The Company's VIEs Daxin Wealth, Daxin Zhuohui, and Qingdao Buytop, entered into operating lease agreements with landlords to lease office space in Shanghai and Qingdao.

The following table sets forth our contractual obligations as of December 31, 2023:

	Year ended December 31,	
	Total	2024
	USD	USD
Operating lease commitments for Lease expense under lease agreements	\$ 73,667	73,667
Operating lease commitments for property management expenses under lease agreements	9,130	9,130

17. Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Company's chief operating decision maker in order to allocate resources and assess performance of the segment.

In accordance with ASC 280, Segment Reporting, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision making group, in deciding how to allocate resources and in assessing performance. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. Management, including the chief operating decision maker, reviews operation results by the revenue of different services. Based on management's assessment, the Company has determined that it has three operating segments as defined by ASC 280, including Consumer Loan Repayment and Collection Management Services, Loan Recommendation Services and Prepaid Payment Network Services.

The following tables present summary information by segment for the years ended December 31, 2023, 2022 and 2021, respectively:

	Year ended December 31, 2021				
	Consumer loan repayment and collection management services	Loan recommendation services	Prepaid payment network services	Others	Total
Revenue	156,062	928,565	1,177,822	-	2,262,449
Cost of revenue and related tax	-	-	34,556	-	34,556
Operating expenses	508,772	20,717	201,483	2,275,887	3,006,859
Income (loss) from operations	(352,710)	907,848	941,783	(2,275,887)	(778,966)
Income tax expense	14,785	109,732	132,827	-	257,344
Net income (loss)	(367,692)	798,054	754,814	(2,278,417)	(1,093,241)
Depreciation and amortization	1,347	9,997	51,627	-	62,971
Capital expenditure	-	-	6,722	-	6,722
Total assets	(3,715,787)	4,011,568	1,629,846	\$ 15,441,081	17,366,708

	Year ended December 31, 2022				
	Consumer loan repayment and collection management services	Loan recommendation services	Prepaid payment network services	Others	Total
Revenue	-	-	161,372	-	161,372
Cost of revenue and related tax	-	-	17,833	-	17,833
Operating expenses	-	244,629	279,717	2,190,200	2,714,546
Loss from operations	-	(244,629)	(136,178)	(2,190,200)	(2,571,007)
Net loss	112	(244,799)	(144,833)	(2,172,387)	(2,561,907)
Depreciation and amortization	-	-	42,676	14,752	57,428
Capital expenditure	-	-	34,346	-	34,346
Total assets	8,328	51,321	1,536,973	13,062,212	14,658,834

	Year ended December 31, 2023				
	Consumer loan repayment and collection management services	Loan recommendation services	Prepaid payment network services	Others	Total
Revenue	-	-	146,554	-	146,554
Cost of revenue and related tax	-	-	12,597	-	12,597
Operating expenses	35,950	7,050	263,315	1,591,197	1,897,512
Loss from operations	(35,950)	(7,050)	(129,358)	(1,591,197)	(1,763,555)
Net loss	(36,020)	(7,084)	(265,830)	(1,594,343)	(1,903,277)
Depreciation and amortization	-	-	21,534	84,108	105,642
Capital expenditure	-	-	23,433	-	23,433
Total assets	36,079	1,054	1,483,926	11,388,080	12,909,139

18. Subsequent events

No subsequent event which had a material impact on the Company was identified through the date of issuance of the financial statements.

Companies Law (Revised)
Company Limited by Shares

Sentage Holdings Inc.

AMENDED AND RESTATED
MEMORANDUM OF ASSOCIATION

(Adopted by special resolution passed on 7 December 2023)

Ogier



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Companies Law (Revised)
Company Limited by Shares
Amended and Restated
Memorandum of Association
of
Sentage Holdings Inc.

(Adopted by special resolution passed on 7 December 2023)

- 1 The name of the Company is Sentage Holdings Inc.
- 2 The Company's registered office will be situated at the offices of Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands or at such other place in the Cayman Islands as the directors may at any time decide.
- 3 The Company's objects are unrestricted. As provided by section 7(4) of the Companies Act (Revised), the Company has full power and authority to carry out any object not prohibited by any law of the Cayman Islands.
- 4 The Company has unrestricted corporate capacity. Without limitation to the foregoing, as provided by section 27 (2) of the Companies Act (Revised), the Company has and is capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit.
- 5 Unless licensed to do so, the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of its business carried on outside the Cayman Islands. Despite this, the Company may effect and conclude contracts in the Cayman Islands and exercise in the Cayman Islands any of its powers necessary for the carrying on of its business outside the Cayman Islands.
- 6 The Company is a company limited by shares and accordingly the liability of each member is limited to the amount (if any) unpaid on that member's shares.
- 7 The share capital of the Company is US\$1,000,000 divided into: (i) 180,000,000 Class A Ordinary Shares of par value US\$0.005 each, and (ii) 20,000,000 Class B Ordinary Shares of par value US\$0.005 each. Subject to the Companies Act (Revised) and the Company's articles of association, the Company has power to do any one or more of the following:
- (a) to redeem or repurchase any of its shares; and
 - (b) to increase or reduce its capital; and
 - (c) to issue any part of its capital (whether original, redeemed, increased or reduced):
 - (i) with or without any preferential, deferred, qualified or special rights, privileges or conditions; or
 - (ii) subject to any limitations or restrictionsand unless the condition of issue expressly declares otherwise, every issue of shares (whether declared to be ordinary, preference or otherwise) is subject to this power; or
 - (d) to alter any of those rights, privileges, conditions, limitations or restrictions.
- 8 The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.



Companies Act (Revised)
Company Limited By Shares

**AMENDED AND RESTATED
ARTICLES OF ASSOCIATION
OF
SENTAGE HOLDINGS INC.**

(Adopted by special resolution passed on 7 December 2023)

Ogier



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Companies Act (Revised)
Company Limited by Shares
Amended and Restated
Articles of Association
of
Sentage Holdings Inc.

(Adopted by special resolution passed on 7 December 2023)

1 Definitions, interpretation and exclusion of Table A

Definitions

1.1 In these Articles, the following definitions apply:

ADS means an American depository share representing an Ordinary Share;

Articles means, as appropriate:

(a) these articles of association as amended from time to time: or

(b) two or more particular articles of these Articles;

and **Article** refers to a particular article of these Articles;

Auditors means the auditor or auditors for the time being of the Company;

Board means the board of Directors from time to time;

Business Day means a day when banks in Grand Cayman, the Cayman Islands are open for the transaction of normal banking business and for the avoidance of doubt, shall not include a Saturday, Sunday or public holiday in the Cayman Islands;

Cayman Islands means the British Overseas Territory of the Cayman Islands;

Class A Ordinary Share means a share designated as a class A ordinary share of the Company of par value of US\$0.005 each and having the rights attached to such share and being subject to the restricted specified in these Articles;



Class A Shareholder means any holder or holders of a Class A Ordinary Share;

Class B Ordinary Share means a share designated as a class B ordinary share of the Company of par value of US\$0.005 each and having the rights attached to such share and being subject to the restricted specified in these Articles;

Class B Shareholder means any holder or holders of a Class B Ordinary Share;

Clear Days, in relation to a period of notice, means that period excluding:

- (a) the day when the notice is given or deemed to be given; and
- (b) the day for which it is given or on which it is to take effect;

Commission means Securities and Exchange Commission of the United States of America or other federal agency for the time being administering the U.S. Securities Act;

Company means the above-named company;

Default Rate means ten per cent per annum;

Designated Stock Exchanges means Nasdaq Capital Market in the United States of America for so long as the Company's Shares or ADSs are there listed and any other stock exchange on which the Company's Shares or ADSs are listed for trading;

Designated Stock Exchange Rules means the relevant code, rules and regulations, as amended, from time to time, applicable as a result of the original and continued listing of any Shares or ADSs on the Designated Stock Exchanges;

Directors means the directors for the time being of the Company and the expression Director shall be construed accordingly;

Electronic has the meaning given to that term in the Electronic Transactions Act (Revised) of the Cayman Islands;

Electronic Record has the meaning given to that term in the Electronic Transactions Act (Revised) of the Cayman Islands;

Electronic Signature has the meaning given to that term in the Electronic Transactions Act (Revised) of the Cayman Islands;



Fully Paid Up means:

- (a) in relation to a Share with par value, means that the par value for that Share and any premium payable in respect of the issue of that Share, has been fully paid or credited as paid in money or money's worth; and
- (b) in relation to a Share without par value, means that the agreed issue price for that Share has been fully paid or credited as paid in money or money's worth;

General Meeting means a general meeting of the Company duly constituted in accordance with the Articles;

Independent Director means a Director who is an independent director as defined in the Designated Stock Exchange Rules as determined by the Board;

Law means the Companies Act (Revised) of the Cayman Islands, including any statutory modification or re-enactment thereof for the time being in force;

Member means any person or persons entered on the register of Members from time to time as the holder of a Share;

Memorandum means the memorandum of association of the Company as amended from time to time;

month means a calendar month;

Officer means a person appointed to hold an office in the Company including a Director, alternate Director or liquidator and excluding the Secretary;

Ordinary Resolution means a resolution of a General Meeting passed by a simple majority of Members who (being entitled to do so) vote in person or by proxy at that meeting. The expression includes a unanimous written resolution;

Ordinary Share means an ordinary share in the capital of the Company;

Partly Paid Up means:

- (a) in relation to a Share with par value, that the par value for that Share and any premium payable in respect of the issue of that Share, has not been fully paid or credited as paid in money or money's worth; and
- (b) in relation to a Share without par value, means that the agreed issue price for that Share has not been fully paid or credited as paid in money or money's worth;



Secretary means a person appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary;

Share means a Class A Ordinary Share or a Class B Ordinary Share in the capital of the Company and the expression:

- (a) includes stock (except where a distinction between shares and stock is expressed or implied); and
- (b) where the context permits, also includes a fraction of a Share;

Special Resolution means a resolution of a General Meeting or a resolution of a meeting of the holders of any class of Shares in a class meeting duly constituted in accordance with the Articles in each case passed by a majority of not less than two-thirds of Members who (being entitled to do so) vote in person or by proxy at that meeting. The expression includes a unanimous written resolution;

Treasury Shares means Shares held in treasury pursuant to the Law and Article 2.12; and

U.S. Securities Act means the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

Interpretation

1.2 In the interpretation of these Articles, the following provisions apply unless the context otherwise requires:

- (a) A reference in these Articles to a statute is a reference to a statute of the Cayman Islands as known by its short title, and includes:
 - (i) any statutory modification, amendment or re-enactment; and
 - (ii) any subordinate legislation or regulations issued under that statute.

Without limitation to the preceding sentence, a reference to a revised Law of the Cayman Islands is taken to be a reference to the revision of that Law in force from time to time as amended from time to time.



- (b) Headings are inserted for convenience only and do not affect the interpretation of these Articles, unless there is ambiguity.
- (c) If a day on which any act, matter or thing is to be done under these Articles is not a Business Day, the act, matter or thing must be done on the next Business Day.
- (d) A word which denotes the singular also denotes the plural, a word which denotes the plural also denotes the singular, and a reference to any gender also denotes the other genders.
- (e) A reference to a **person** includes, as appropriate, a company, trust, partnership, joint venture, association, body corporate or government agency.
- (f) Where a word or phrase is given a defined meaning another part of speech or grammatical form in respect to that word or phrase has a corresponding meaning.
- (g) All references to time are to be calculated by reference to time in the place where the Company's registered office is located.
- (h) The words **written** and **in writing** include all modes of representing or reproducing words in a visible form, but do not include an Electronic Record where the distinction between a document in writing and an Electronic Record is expressed or implied.
- (i) The words **including**, **include** and **in particular** or any similar expression are to be construed without limitation.

1.3 The headings in these Articles are intended for convenience only and shall not affect the interpretation of these Articles.

Exclusion of Table A Articles

1.4 The regulations contained in Table A in the First Schedule of the Law and any other regulations contained in any statute or subordinate legislation are expressly excluded and do not apply to the Company.

2 Shares

Power to issue Shares and options, with or without special rights

2.1 Subject to the provisions of the Law and these Articles about the redemption and purchase of the Shares, the Directors have general and unconditional authority to allot (with or without confirming rights of renunciation), grant options over or otherwise deal with any unissued Shares to such persons, at such times and on such terms and conditions as they may decide. No Share may be issued at a discount except in accordance with the provisions of the Law.



2.2 Without limitation to the preceding Article, the Directors may so deal with the unissued Shares:

- (a) either at a premium or at par; or
- (b) with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise.

2.3 Without limitation to the two preceding Articles, the Directors may refuse to accept any application for Shares, and may accept any application in whole or in part, for any reason or for no reason.

Power to pay commissions and brokerage fees

2.4 The Company may pay a commission to any person in consideration of that person:

- (a) subscribing or agreeing to subscribe, whether absolutely or conditionally; or
- (b) procuring or agreeing to procure subscriptions, whether absolute or conditional,

for any Shares. That commission may be satisfied by the payment of cash or the allotment of Fully Paid Up or Partly Paid Up Shares or partly in one way and partly in another.

2.5 The Company may employ a broker in the issue of its capital and pay him any proper commission or brokerage.

Trusts not recognised

2.6 Except as required by Law:

- (a) no person shall be recognised by the Company as holding any Share on any trust; and
- (b) no person other than the Member shall be recognised by the Company as having any right in a Share.



Security interests

2.7 Notwithstanding the preceding Article, the Company may (but shall not be obliged to) recognise a security interest of which it has actual notice over shares. The Company shall not be treated as having recognised any such security interest unless it has so agreed in writing with the secured party.

Power to vary class rights

2.8 If the share capital is divided into different classes of Shares then, unless the terms on which a class of Shares was issued state otherwise, the rights attaching to a class of Shares may only be varied if one of the following applies:

- (a) the Members holding not less than two-thirds of the issued Shares of that class consent in writing to the variation; or
- (b) the variation is made with the sanction of a Special Resolution passed at a separate general meeting of the Members holding the issued Shares of that class.

2.9 For the purpose of Article 2.8(b), all the provisions of these Articles relating to general meetings apply, mutatis mutandis, to every such separate meeting except that:

- (a) the necessary quorum shall be one or more persons holding, or representing by proxy, not less than one third of the issued Shares of the class; and
- (b) any Member holding issued Shares of the class, present in person or by proxy or, in the case of a corporate Member, by its duly authorised representative, may demand a poll.

Effect of new Share issue on existing class rights

2.10 Unless the terms on which a class of Shares was issued state otherwise, the rights conferred on the Member holding Shares of any class shall not be deemed to be varied by the creation or issue of further Shares ranking *pari passu* with the existing Shares of that class.

No bearer Shares or warrants

2.11 The Company shall not issue Shares or warrants to bearers.



Treasury Shares

- 2.12 Shares that the Company purchases, redeems or acquires by way of surrender in accordance with the Law shall be held as Treasury Shares and not treated as cancelled if:
- (a) the Directors so determine prior to the purchase, redemption or surrender of those shares; and
 - (b) the relevant provisions of the Memorandum and Articles and the Law are otherwise complied with.

Rights attaching to Treasury Shares and related matters

- 2.13 No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Members on a winding up) may be made to the Company in respect of a Treasury Share.
- 2.14 The Company shall be entered in the register of Members as the holder of the Treasury Shares. However:
- (a) the Company shall not be treated as a Member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void; and
 - (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Law.
- 2.15 Nothing in Article 2.14 prevents an allotment of Shares as Fully Paid Up bonus shares in respect of a Treasury Share and Shares allotted as Fully Paid Up bonus shares in respect of a Treasury Share shall be treated as Treasury Shares.
- 2.16 Treasury Shares may be disposed of by the Company in accordance with the Law and otherwise on such terms and conditions as the Directors determine.

Register of Members

- 2.17 The Directors shall keep or cause to be kept a register of Members as required by the Law and may cause the Company to maintain one or more branch registers as contemplated by the Law, provided that where the Company is maintaining one or more branch registers, the Directors shall ensure that a duplicate of each branch register is kept with the Company's principal register of Members and updated within such number of days of any amendment having been made to such branch register as may be required by the Law.



Annual Return

2.18 The Directors in each calendar year shall prepare or cause to be prepared an annual return and declaration setting forth the particulars required by the Law and shall deliver a copy thereof to the registrar of companies for the Cayman Islands.

3 Share certificates

Issue of share certificates

3.1 A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates representing Shares, if any, shall be in such form as the Directors may determine. If the Directors resolve that share certificates shall be issued, upon being entered in the register of Members as the holder of a Share, the Directors may issue to any Member:

- (a) upon payment (such amount to be determined by the directors acting reasonably), one certificate for all the Shares of each class held by that Member (and, upon transferring a part of the Member's holding of Shares of any class, to a certificate for the balance of that holding); and
- (b) upon payment of such reasonable sum as the Directors may determine for every certificate after the first, several certificates each for one or more of that Member's Shares.

3.2 Every certificate shall specify the number, class and distinguishing numbers (if any) of the Shares to which it relates and whether they are Fully Paid Up or Partly Paid Up. A certificate may be executed under seal or executed in such other manner as the Directors determine.

3.3 Every certificate shall bear legends required under the applicable laws, including the U.S. Securities Act.

3.4 The Company shall not be bound to issue more than one certificate for Shares held jointly by several persons and delivery of a certificate for a Share to one joint holder shall be a sufficient delivery to all of them.



Renewal of lost or damaged share certificates

3.5 If a share certificate is defaced, worn-out, lost or destroyed, it may be renewed on such terms (if any) as to:

- (a) evidence;
- (b) indemnity;
- (c) payment of the expenses reasonably incurred by the Company in investigating the evidence; and
- (d) payment of a reasonable fee, if any for issuing a replacement share certificate,

as the Directors may determine, and (in the case of defacement or wearing-out) on delivery to the Company of the old certificate.

4 Lien on Shares

Nature and scope of lien

4.1 The Company has a first and paramount lien on all Shares (whether Fully Paid Up or not) registered in the name of a Member (whether solely or jointly with others). The lien is for all monies payable to the Company by the Member or the Member's estate:

- (a) either alone or jointly with any other person, whether or not that other person is a Member; and
- (b) whether or not those monies are presently payable.

4.2 At any time the Board may declare any Share to be wholly or partly exempt from the provisions of this Article.

Company may sell Shares to satisfy lien

4.3 The Company may sell any Shares over which it has a lien if all of the following conditions are met:

- (a) the sum in respect of which the lien exists is presently payable;



- (b) the Company gives notice to the Member holding the Share (or to the person entitled to it in consequence of the death or bankruptcy of that Member) demanding payment and stating that if the notice is not complied with the Shares may be sold; and
 - (c) that sum is not paid within fourteen Clear Days after that notice is deemed to be given under these Articles,
- and Shares to which this Article 4.3 applies shall be referred to as Lien Default Shares.

4.4 The Lien Default Shares may be sold in such manner as the Board determines.

4.5 To the maximum extent permitted by law, the Directors shall incur no personal liability to the Member concerned in respect of the sale.

Authority to execute instrument of transfer

4.6 To give effect to a sale, the Directors may authorise any person to execute an instrument of transfer of the Lien Default Shares sold to, or in accordance with the directions of, the purchaser.

4.7 The title of the transferee of the Lien Default Shares shall not be affected by any irregularity or invalidity in the proceedings in respect of the sale.

Consequences of sale of Shares to satisfy lien

4.8 On a sale pursuant to the preceding Articles:

- (a) the name of the Member concerned shall be removed from the register of Members as the holder of those Lien Default Shares; and
- (b) that person shall deliver to the Company for cancellation the certificate (if any) for those Lien Default Shares.

4.9 Notwithstanding the provisions of Article 4.8, such person shall remain liable to the Company for all monies which, at the date of sale, were presently payable by him to the Company in respect of those Lien Default Shares. That person shall also be liable to pay interest on those monies from the date of sale until payment at the rate at which interest was payable before that sale or, failing that, at the Default Rate. The Board may waive payment wholly or in part or enforce payment without any allowance for the value of the Lien Default Shares at the time of sale or for any consideration received on their disposal.



Application of proceeds of sale

4.10 The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable. Any residue shall be paid to the person whose Lien Default Shares have been sold:

- (a) if no certificate for the Lien Default Shares was issued, at the date of the sale; or
- (b) if a certificate for the Lien Default Shares was issued, upon surrender to the Company of that certificate for cancellation

but, in either case, subject to the Company retaining a like lien for all sums not presently payable as existed on the Lien Default Shares before the sale.

5 Calls on Shares and forfeiture

Power to make calls and effect of calls

- 5.1 Subject to the terms of allotment, the Board may make calls on the Members in respect of any monies unpaid on their Shares including any premium. The call may provide for payment to be by instalments. Subject to receiving at least 14 Clear Days' notice specifying when and where payment is to be made, each Member shall pay to the Company the amount called on his Shares as required by the notice.
- 5.2 Before receipt by the Company of any sum due under a call, that call may be revoked in whole or in part and payment of a call may be postponed in whole or in part. Where a call is to be paid in instalments, the Company may revoke the call in respect of all or any remaining instalments in whole or in part and may postpone payment of all or any of the remaining instalments in whole or in part.
- 5.3 A Member on whom a call is made shall remain liable for that call notwithstanding the subsequent transfer of the Shares in respect of which the call was made. He shall not be liable for calls made after he is no longer registered as Member in respect of those Shares.

Time when call made

- 5.4 A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.



Liability of joint holders

5.5 Members registered as the joint holders of a Share shall be jointly and severally liable to pay all calls in respect of the Share.

Interest on unpaid calls

5.6 If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid:

- (a) at the rate fixed by the terms of allotment of the Share or in the notice of the call; or
- (b) if no rate is fixed, at the Default Rate.

The Directors may waive payment of the interest wholly or in part.

Deemed calls

5.7 Any amount payable in respect of a Share, whether on allotment or on a fixed date or otherwise, shall be deemed to be payable as a call. If the amount is not paid when due the provisions of these Articles shall apply as if the amount had become due and payable by virtue of a call.

Power to accept early payment

5.8 The Company may accept from a Member the whole or a part of the amount remaining unpaid on Shares held by him although no part of that amount has been called up.

Power to make different arrangements at time of issue of Shares

5.9 Subject to the terms of allotment, the Directors may make arrangements on the issue of Shares to distinguish between Members in the amounts and times of payment of calls on their Shares.

Notice of default

5.10 If a call remains unpaid after it has become due and payable the Directors may give to the person from whom it is due not less than 14 Clear Days' notice requiring payment of:

- (a) the amount unpaid;
- (b) any interest which may have accrued;
- (c) any expenses which have been incurred by the Company due to that person's default.



5.11 The notice shall state the following:

- (a) the place where payment is to be made; and
- (b) a warning that if the notice is not complied with the Shares in respect of which the call is made will be liable to be forfeited.

Forfeiture or surrender of Shares

5.12 If the notice given pursuant to Article 5.10 is not complied with, the Directors may, before the payment required by the notice has been received, resolve that any Share the subject of that notice be forfeited. The forfeiture shall include all dividends or other monies payable in respect of the forfeited Share and not paid before the forfeiture. Despite the foregoing, the Board may determine that any Share the subject of that notice be accepted by the Company as surrendered by the Member holding that Share in lieu of forfeiture.

Disposal of forfeited or surrendered Share and power to cancel forfeiture or surrender

5.13 A forfeited or surrendered Share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board determine either to the former Member who held that Share or to any other person. The forfeiture or surrender may be cancelled on such terms as the Directors think fit at any time before a sale, re-allotment or other disposition. Where, for the purposes of its disposal, a forfeited or surrendered Share is to be transferred to any person, the Directors may authorise some person to execute an instrument of transfer of the Share to the transferee.

Effect of forfeiture or surrender on former Member

5.14 On forfeiture or surrender:

- (a) the name of the Member concerned shall be removed from the register of Members as the holder of those Shares and that person shall cease to be a Member in respect of those Shares; and
- (b) that person shall surrender to the Company for cancellation the certificate (if any) for the forfeited or surrendered Shares.



- 5.15 Despite the forfeiture or surrender of his Shares, that person shall remain liable to the Company for all monies which at the date of forfeiture or surrender were presently payable by him to the Company in respect of those Shares together with:
- (a) all expenses; and
 - (b) interest from the date of forfeiture or surrender until payment:
 - (i) at the rate of which interest was payable on those monies before forfeiture; or
 - (ii) if no interest was so payable, at the Default Rate.

The Directors, however, may waive payment wholly or in part.

Evidence of forfeiture or surrender

- 5.16 A declaration, whether statutory or under oath, made by a Director or the Secretary shall be conclusive evidence of the following matters stated in it as against all persons claiming to be entitled to forfeited Shares:
- (a) that the person making the declaration is a Director or Secretary of the Company, and
 - (b) that the particular Shares have been forfeited or surrendered on a particular date.

Subject to the execution of an instrument of transfer, if necessary, the declaration shall constitute good title to the Shares.

Sale of forfeited or surrendered Shares

- 5.17 Any person to whom the forfeited or surrendered Shares are disposed of shall not be bound to see to the application of the consideration, if any, of those Shares nor shall his title to the Shares be affected by any irregularity in, or invalidity of the proceedings in respect of, the forfeiture, surrender or disposal of those Shares.

6 Transfer of Shares

Right to transfer

- 6.1 The instrument of transfer of any Share shall be in writing and in any usual or common form or such other form as the Directors may, in their absolute discretion, approve and be executed by or on behalf of the transferor and if in respect of a nil or Partly Paid Up Share, or if so required by the Directors, shall also be executed on behalf of the transferee and shall be accompanied by the certificate (if any) of the Shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain a Member until the name of the transferee is entered in the register of Members in respect of the relevant Shares.



- 6.2 The Directors may in their absolute discretion decline to register any transfer of Shares which is not Fully Paid Up or on which the Company has a lien.
- 6.3 The Directors may also, but are not required to, decline to register any transfer of any Share unless:
- (a) the instrument of transfer is lodged with the Company, accompanied by the certificate (if any) for the Shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
 - (b) the instrument of transfer is in respect of only one class of Shares;
 - (c) the instrument of transfer is properly stamped, if required;
 - (d) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four;
 - (e) the Shares transferred are Fully Paid Up and free of any lien in favour of the Company; and
 - (f) any applicable fee of such maximum sum as the Designated Stock Exchanges may determine to be payable, or such lesser sum as the Board may from time to time require, related to the transfer is paid to the Company.

Suspension of transfers

- 6.4 The registration of transfers may, on 14 days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and the register of Members closed at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration of transfer shall not be suspended nor the register of Members closed for more than 30 days in any year.

Company may retain instrument of transfer

- 6.5 All instruments of transfer that are registered shall be retained by the Company.



Notice of refusal to register

6.6 If the Directors refuse to register a transfer of any Shares, they shall within three months after the date on which the instrument of transfer was lodged with the Company send to each of the transferor and the transferee notice of the refusal.

7 Transmission of Shares

Persons entitled on death of a Member

7.1 If a Member dies, the only persons recognised by the Company as having any title to the deceased Members' interest are the following:

- (a) where the deceased Member was a joint holder, the survivor or survivors; and
- (b) where the deceased Member was a sole holder, that Member's personal representative or representatives.

7.2 Nothing in these Articles shall release the deceased Member's estate from any liability in respect of any Share, whether the deceased was a sole holder or a joint holder.

Registration of transfer of a Share following death or bankruptcy

7.3 A person becoming entitled to a Share in consequence of the death or bankruptcy of a Member may elect to do either of the following:

- (a) to become the holder of the Share; or
- (b) to transfer the Share to another person.

7.4 That person must produce such evidence of his entitlement as the Directors may properly require.

7.5 If the person elects to become the holder of the Share, he must give notice to the Company to that effect. For the purposes of these Articles, that notice shall be treated as though it were an executed instrument of transfer.

7.6 If the person elects to transfer the Share to another person then:

- (a) if the Share is Fully Paid Up, the transferor must execute an instrument of transfer; and
- (b) if the Share is nil or Partly Paid Up, the transferor and the transferee must execute an instrument of transfer.



7.7 All the Articles relating to the transfer of Shares shall apply to the notice or, as appropriate, the instrument of transfer.

Indemnity

7.8 A person registered as a Member by reason of the death or bankruptcy of another Member shall indemnify the Company and the Directors against any loss or damage suffered by the Company or the Directors as a result of that registration.

Rights of person entitled to a Share following death or bankruptcy

7.9 A person becoming entitled to a Share by reason of the death or bankruptcy of a Member shall have the rights to which he would be entitled if he were registered as the holder of the Share. But, until he is registered as Member in respect of the Share, he shall not be entitled to attend or vote at any meeting of the Company or at any separate meeting of the holders of that class of Shares.

8 Alteration of capital

Increasing, consolidating, converting, dividing and cancelling share capital

8.1 To the fullest extent permitted by the Law, the Company may by Ordinary Resolution do any of the following and amend its Memorandum for that purpose:

- (a) increase its share capital by new Shares of the amount fixed by that Ordinary Resolution and with the attached rights, priorities and privileges set out in that Ordinary Resolution;
- (b) consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;
- (c) convert all or any of its Paid Up Shares into stock, and reconvert that stock into Paid Up Shares of any denomination;
- (d) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum, so, however, that in the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; and



- (e) cancel Shares which, at the date of the passing of that Ordinary Resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled or, in the case of Shares without nominal par value, diminish the number of Shares into which its capital is divided.

Dealing with fractions resulting from consolidation of Shares

- 8.2 Whenever, as a result of a consolidation of Shares, any Members would become entitled to fractions of a Share the Directors may on behalf of those Members deal with the fractions as it thinks fit, including (without limitation):
 - (a) sell the Shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Law, the Company); and
 - (b) distribute the net proceeds in due proportion among those Members.
- 8.3 For the purposes of Article 8.2, the Directors may authorise some person to execute an instrument of transfer of the Shares to, in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall the transferee's title to the Shares be affected by any irregularity in, or invalidity of, the proceedings in respect of the sale.

Reducing share capital

- 8.4 Subject to the Law and to any rights for the time being conferred on the Members holding a particular class of Shares, the Company may, by Special Resolution, reduce its share capital in any way.

9 Conversion, redemption and purchase of own Shares

Power to issue redeemable Shares and to purchase own Shares

- 9.1 Subject to the Law and to any rights for the time being conferred on the Members holding a particular class of Shares, the Company may by its Directors:
 - (a) issue Shares that are to be redeemed or liable to be redeemed, at the option of the Company or the Member holding those redeemable Shares, on the terms and in the manner its Directors determine before the issue of those Shares;
 - (b) with the consent by Special Resolution of the Members holding Shares of a particular class, vary the rights attaching to that class of Shares so as to provide that those Shares are to be redeemed or are liable to be redeemed at the option of the Company on the terms and in the manner which the Directors determine at the time of such variation; and



- (c) purchase all or any of its own Shares of any class including any redeemable Shares on the terms and in the manner which the Directors determine at the time of such purchase.

The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner authorised by the Law, including out of any combination of the following: capital, its profits and the proceeds of a fresh issue of Shares.

Power to pay for redemption or purchase in cash or in specie

- 9.2 When making a payment in respect of the redemption or purchase of Shares, the Directors may make the payment in cash or *in specie* (or partly in one and partly in the other) if so authorised by the terms of the allotment of those Shares or by the terms applying to those Shares in accordance with Article 9.1, or otherwise by agreement with the Member holding those Shares.

Effect of redemption or purchase of a Share

- 9.3 Upon the date of redemption or purchase of a Share:

- (a) the Member holding that Share shall cease to be entitled to any rights in respect of the Share other than the right to receive:
 - (i) the price for the Share; and
 - (ii) any dividend declared in respect of the Share prior to the date of redemption or purchase;
- (b) the Member's name shall be removed from the register of Members with respect to the Share; and
- (c) the Share shall be cancelled or held as a Treasury Share, as the Directors may determine.

- 9.4 For the purpose of Article 9.3, the date of redemption or purchase is the date when the Member's name is removed from the register of Members with respect to the Shares the subject of the redemption or purchase.



Conversion rights

- 9.5 Each Class B Ordinary Share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such Share, at the office of the Company or any transfer agent for such Shares, into one fully paid and non-assessable Class A Ordinary Share.
- 9.6 The Directors shall at all times reserve and keep available out of the Company's authorised but unissued Class A Ordinary Shares, solely for the purpose of effecting the conversion of the Class B Ordinary Shares, such number of its Class A Ordinary Shares as shall from time to time be sufficient to effect the conversion of all outstanding Class B Ordinary Shares; and if at any time the number of authorised but unissued Class A Ordinary Shares shall not be sufficient to effect the conversion of all then outstanding Class B Ordinary Shares, in addition to such other remedies as shall be available to the holders of such Class B Ordinary Shares, the Directors will take such action as may be necessary to increase its authorised but unissued Class A Ordinary Shares to such number of Shares as shall be sufficient for such purposes.

Share conversion

- 9.7 All conversions of Class B Ordinary Shares to Class A Ordinary Shares shall be effected by way of redemption or repurchase by the Company of the relevant Class B Ordinary Shares and the simultaneous issue of Class A Ordinary Shares in consideration for such redemption or repurchase. The Members and the Company will procure that any and all necessary corporate actions are taken to effect such conversion.

10 Meetings of Members

Annual and extraordinary general meetings

- 10.1 The Company may, but shall not (unless required by the Designated Stock Exchange Rules) be obligated to, in each year hold a general meeting as an annual general meeting, which, if held, shall be convened by the Board, in accordance with these Articles.
- 10.2 All general meetings other than annual general meetings shall be called extraordinary general meetings.

Power to call meetings

- 10.3 The Directors may call a general meeting at any time.



- 10.4 If there are insufficient Directors to constitute a quorum and the remaining Directors are unable to agree on the appointment of additional Directors, the Directors must call a general meeting for the purpose of appointing additional Directors.
- 10.5 The Directors must also call a general meeting if requisitioned in the manner set out in the next two Articles.
- 10.6 The requisition must be in writing and given by one or more Members who together hold at least ten per cent of the rights to vote at such general meeting.
- 10.7 The requisition must also:
- (a) specify the purpose of the meeting.
 - (b) be signed by or on behalf of each requisitioner (and for this purpose each joint holder shall be obliged to sign). The requisition may consist of several documents in like form signed by one or more of the requisitioners; and
 - (c) be delivered in accordance with the notice provisions.
- 10.8 Should the Directors fail to call a general meeting within 21 Clear Days' from the date of receipt of a requisition, the requisitioners or any of them may call a general meeting within three months after the end of that period.
- 10.9 Without limitation to the foregoing, if there are insufficient Directors to constitute a quorum and the remaining Directors are unable to agree on the appointment of additional Directors, any one or more Members who together hold at least ten per cent of the rights to vote at a general meeting may call a general meeting for the purpose of considering the business specified in the notice of meeting which shall include as an item of business the appointment of additional Directors.
- 10.10 If the Members call a meeting under the above provisions, the Company shall reimburse their reasonable expenses.

Content of notice

- 10.11 Notice of a general meeting shall specify each of the following:
- (a) the place, the date and the hour of the meeting;



- (b) if the meeting is to be held in two or more places, the technology that will be used to facilitate the meeting;
- (c) subject to paragraph (d) and the requirements of (to the extent applicable) the Designated Stock Exchange Rules, the general nature of the business to be transacted; and
- (d) if a resolution is proposed as a Special Resolution, the text of that resolution.

10.12 In each notice there shall appear with reasonable prominence the following statements:

- (a) that a Member who is entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of that Member; and
- (b) that a proxyholder need not be a Member.

Period of notice

10.13 At least twenty-one Clear Days' notice of an annual general meeting must be given to Members. For any other general meeting, at least fourteen Clear Days' notice must be given to Members.

10.14 Subject to the Law, a meeting may be convened on shorter notice, subject to the Law with the consent of the Member or Members who, individually or collectively, hold at least fifty per cent of the voting rights of all those who have a right to vote at that meeting.

Persons entitled to receive notice

10.15 Subject to the provisions of these Articles and to any restrictions imposed on any Shares, the notice shall be given to the following people:

- (a) the Members
- (b) persons entitled to a Share in consequence of the death or bankruptcy of a Member;
- (c) the Directors; and
- (d) the Auditors.

10.16 The Board may determine that the Members entitled to receive notice of a meeting are those persons entered on the register of Members at the close of business on a day determined by the Board.



Accidental omission to give notice or non-receipt of notice

10.17 Proceedings at a meeting shall not be invalidated by the following:

- (a) an accidental failure to give notice of the meeting to any person entitled to notice; or
- (b) non-receipt of notice of the meeting by any person entitled to notice.

10.18 In addition, where a notice of meeting is published on a website proceedings at the meeting shall not be invalidated merely because it is accidentally published:

- (a) in a different place on the website; or
- (b) for part only of the period from the date of the notification until the conclusion of the meeting to which the notice relates.

11 Proceedings at meetings of Members

Quorum

11.1 Save as provided in the following Article, no business shall be transacted at any meeting unless a quorum is present in person or by proxy. A quorum is as follows:

- (a) if the Company has only one Member: that Member;
- (b) if the Company has more than one Member: one or more Members holding Shares that represent not less than one-third of the outstanding Shares carrying the right to vote at such general meeting.

Lack of quorum

11.2 If a quorum is not present within fifteen minutes of the time appointed for the meeting, or if at any time during the meeting it becomes inquorate, then the following provisions apply:

- (a) If the meeting was requisitioned by Members, it shall be cancelled.
- (b) In any other case, the meeting shall stand adjourned to the same time and place seven days hence, or to such other time or place as is determined by the Directors. If a quorum is not present within fifteen minutes of the time appointed for the adjourned meeting, then the Members present in person or by proxy shall constitute a quorum.



Chairman

- 11.3 The chairman of a general meeting shall be the chairman of the Board or such other Director as the Directors have nominated to chair Board meetings in the absence of the chairman of the Board. Absent any such person being present within fifteen minutes of the time appointed for the meeting, the Directors present shall elect one of their number to chair the meeting.
- 11.4 If no Director is present within fifteen minutes of the time appointed for the meeting, or if no Director is willing to act as chairman, the Members present in person or by proxy and entitled to vote shall choose one of their number to chair the meeting.

Right of a Director to attend and speak

- 11.5 Even if a Director is not a Member, he shall be entitled to attend and speak at any general meeting and at any separate meeting of Members holding a particular class of Shares.

Accommodation of Members at meeting

- 11.6 If it appears to the chairman of the meeting that the meeting place specified in the notice convening the meeting is inadequate to accommodate all Members entitled and wishing to attend, the meeting will be duly constituted and its proceedings valid if the chairman is satisfied that adequate facilities are available to ensure that a Member who is unable to be accommodated is able (whether at the meeting place or elsewhere):
- (a) to participate in the business for which the meeting has been convened;
 - (b) to hear and see all persons present who speak (whether by the use of microphones, loud-speakers, audio-visual communications equipment or otherwise); and
 - (c) to be heard and seen by all other persons present in the same way.

Security

- 11.7 In addition to any measures which the Board may be required to take due to the location or venue of the meeting, the Board may make any arrangement and impose any restriction it considers appropriate and reasonable in the circumstances to ensure the security of a meeting including, without limitation, the searching of any person attending the meeting and the imposing of restrictions on the items of personal property that may be taken into the meeting place. The Board may refuse entry to, or eject from, a meeting a person who refuses to comply with any such arrangements or restrictions.



Adjournment

- 11.8 The chairman may at any time adjourn a meeting with the consent of the Members constituting a quorum. The chairman must adjourn the meeting if so directed by the meeting. No business, however, can be transacted at an adjourned meeting other than business which might properly have been transacted at the original meeting.
- 11.9 Should a meeting be adjourned for more than 7 Clear Days, whether because of a lack of quorum or otherwise, Members shall be given at least seven Clear Days' notice of the date, time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any notice of the adjournment.

Method of voting

- 11.10 A resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on, the declaration of the result of the show of hands, a poll is duly demanded. Subject to the Law, a poll may be demanded:
- (a) by the chairman of the meeting;
 - (b) by at least two Members having the right to vote on the resolutions;
 - (c) by any Member or Members present who, individually or collectively, hold at least ten per cent of the voting rights of all those who have a right to vote on the resolution.

Outcome of vote by show of hands

- 11.11 Unless a poll is duly demanded, a declaration by the chairman as to the result of a resolution and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the outcome of a show of hands without proof of the number or proportion of the votes recorded in favour of or against the resolution.

Withdrawal of demand for a poll

- 11.12 The demand for a poll may be withdrawn before the poll is taken, but only with the consent of the chairman. The chairman shall announce any such withdrawal to the meeting and, unless another person forthwith demands a poll, any earlier show of hands on that resolution shall be treated as the vote on that resolution; if there has been no earlier show of hands, then the resolution shall be put to the vote of the meeting.



Taking of a poll

- 11.13 A poll demanded on the question of adjournment shall be taken immediately.
- 11.14 A poll demanded on any other question shall be taken either immediately or at an adjourned meeting at such time and place as the chairman directs, not being more than thirty Clear Days after the poll was demanded.
- 11.15 The demand for a poll shall not prevent the meeting continuing to transact any business other than the question on which the poll was demanded.
- 11.16 A poll shall be taken in such manner as the chairman directs. He may appoint scrutineers (who need not be Members) and fix a place and time for declaring the result of the poll. If, through the aid of technology, the meeting is held in more than place, the chairman may appoint scrutineers in more than place; but if he considers that the poll cannot be effectively monitored at that meeting, the chairman shall adjourn the holding of the poll to a date, place and time when that can occur.

Chairman's casting vote

- 11.17 In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall not be entitled to a second or casting vote.

Written resolutions

- 11.18 Members may pass a resolution in writing without holding a meeting if the following conditions are met:
- (a) all Members entitled to vote are given notice of the resolution as if the same were being proposed at a meeting of Members;
 - (b) all Members entitled so to vote;
 - (i) sign a document; or
 - (ii) sign several documents in the like form each signed by one or more of those Members; and



- (c) the signed document or documents is or are delivered to the Company, including, if the Company so nominates, by delivery of an Electronic Record by Electronic means to the address specified for that purpose.
- (d) Such written resolution shall be as effective as if it had been passed at a meeting of the Members entitled to vote duly convened and held.

11.19 If a written resolution is described as a Special Resolution or as an Ordinary Resolution, it has effect accordingly.

11.20 The Directors may determine the manner in which written resolutions shall be put to Members. In particular, they may provide, in the form of any written resolution, for each Member to indicate, out of the number of votes the Member would have been entitled to cast at a meeting to consider the resolution, how many votes he wishes to cast in favour of the resolution and how many against the resolution or to be treated as abstentions. The result of any such written resolution shall be determined on the same basis as on a poll.

Sole-Member Company

11.21 If the Company has only one Member, and the Member records in writing his decision on a question, that record shall constitute both the passing of a resolution and the minute of it.

12 Voting rights of Members

Right to vote

12.1 Unless their Shares carry no right to vote, or unless a call or other amount presently payable has not been paid, all Members are entitled to vote at a general meeting, whether on a show of hands or on a poll, and all Members holding Shares of a particular class of Shares are entitled to vote at a meeting of the holders of that class of Shares.

12.2 Members may vote in person or by proxy.

12.3 On a show of hands, every Class A Shareholder who is present in person and every person representing a Class A Shareholder by proxy shall have one vote per Class A Ordinary Share whereas every Class B Shareholder who is present in person and every person representing a Class B Shareholder by proxy shall have 20 votes per Class B Ordinary Share.. For the avoidance of doubt, an individual who represents two or more Members, including a Member in that individual's own right, that individual shall be entitled to a separate vote for each Member.



- 12.4 On a poll, a Class A Shareholder shall have one vote for each Class A Ordinary Share he holds whereas a Class B Shareholder shall have 20 votes for each Class B Ordinary Share he holds, unless any Share carries special voting rights.
- 12.5 No Member is bound to vote on his Shares or any of them; nor is he bound to vote each of his Shares in the same way.

Rights of joint holders

- 12.6 If Shares are held jointly, only one of the joint holders may vote. If more than one of the joint holders tenders a vote, the vote of the holder whose name in respect of those Shares appears first in the register of Members shall be accepted to the exclusion of the votes of the other joint holder.

Representation of corporate Members

- 12.7 Save where otherwise provided, a corporate Member must act by a duly authorised representative.
- 12.8 A corporate Member wishing to act by a duly authorised representative must identify that person to the Company by notice in writing.
- 12.9 The authorisation may be for any period of time, and must be delivered to the Company before the commencement of the meeting at which it is first used.
- 12.10 The Directors of the Company may require the production of any evidence which they consider necessary to determine the validity of the notice.
- 12.11 Where a duly authorised representative is present at a meeting that Member is deemed to be present in person; and the acts of the duly authorised representative are personal acts of that Member.
- 12.12 A corporate Member may revoke the appointment of a duly authorised representative at any time by notice to the Company; but such revocation will not affect the validity of any acts carried out by the duly authorised representative before the Directors of the Company had actual notice of the revocation.

Member with mental disorder

- 12.13 A Member in respect of whom an order has been made by any court having jurisdiction (whether in the Cayman Islands or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by that Member's receiver, *curator bonis* or other person authorised in that behalf appointed by that court.



- 12.14 For the purpose of the preceding Article, evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote must be received not less than 24 hours before holding the relevant meeting or the adjourned meeting in any manner specified for the delivery of forms of appointment of a proxy, whether in writing or by Electronic means. In default, the right to vote shall not be exercisable.

Objections to admissibility of votes

- 12.15 An objection to the validity of a person's vote may only be raised at the meeting or at the adjourned meeting at which the vote is sought to be tendered. Any objection duly made shall be referred to the chairman whose decision shall be final and conclusive.

Form of proxy

- 12.16 An instrument appointing a proxy shall be in any common form or in any other form approved by the Directors.

- 12.17 The instrument must be in writing and signed in one of the following ways:

- (a) by the Member; or
- (b) by the Member's authorised attorney; or
- (c) if the Member is a corporation or other body corporate, under seal or signed by an authorised officer, secretary or attorney.

If the Directors so resolve, the Company may accept an Electronic Record of that instrument delivered in the manner specified below and otherwise satisfying the Articles about authentication of Electronic Records.

- 12.18 The Directors may require the production of any evidence which they consider necessary to determine the validity of any appointment of a proxy.

- 12.19 A Member may revoke the appointment of a proxy at any time by notice to the Company duly signed in accordance with Article 12.17.



12.20 No revocation by a Member of the appointment of a proxy made in accordance with Article 12.19 will affect the validity of any acts carried out by the relevant proxy before the Directors of the Company had actual notice of the revocation.

How and when proxy is to be delivered

12.21 Subject to the following Articles, the Directors may, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited. In the absence of any such direction from the Directors in the notice convening any meeting or adjourned meeting or in an instrument of proxy sent out by the Company, the form of appointment of a proxy and any authority under which it is signed (or a copy of the authority certified notially or in any other way approved by the Directors) must be delivered so that it is received by the Company before the time for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote. They must be delivered in either of the following ways:

- (a) In the case of an instrument in writing, it must be left at or sent by post:
 - (i) to the registered office of the Company; or
 - (ii) to such other place within the Cayman Islands specified in the notice convening the meeting or in any form of appointment of proxy sent out by the Company in relation to the meeting.
- (b) If, pursuant to the notice provisions, a notice may be given to the Company in an Electronic Record, an Electronic Record of an appointment of a proxy must be sent to the address specified pursuant to those provisions unless another address for that purpose is specified:
 - (i) in the notice convening the meeting; or
 - (ii) in any form of appointment of a proxy sent out by the Company in relation to the meeting; or
 - (iii) in any invitation to appoint a proxy issued by the Company in relation to the meeting.



- (c) Notwithstanding Article 12.21(a) and Article 12.21(b), the chairman of the Company may, in any event at his discretion, direct that an instrument of proxy shall be deemed to have been duly deposited.

12.22 Where a poll is taken:

- (a) if it is taken more than seven Clear Days after it is demanded, the form of appointment of a proxy and any accompanying authority (or an Electronic Record of the same) must be delivered in accordance with Article 12.21 before the time appointed for the taking of the poll;
- (b) if it to be taken within seven Clear Days after it was demanded, the form of appointment of a proxy and any accompanying authority (or an Electronic Record of the same) must be delivered in accordance with Article 12.21 before the time appointed for the taking of the poll.

12.23 If the form of appointment of proxy is not delivered on time, it is invalid.

12.24 When two or more valid but differing appointments of proxy are delivered or received in respect of the same Share for use at the same meeting and in respect of the same matter, the one which is last validly delivered or received (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that Share. If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that Share.

12.25 The Board may at the expense of the Company send forms of appointment of proxy to the Members by post (that is to say, pre-paying and posting a letter), or by Electronic communication or otherwise (with or without provision for their return by pre-paid post) for use at any general meeting or at any separate meeting of the holders of any class of Shares, either blank or nominating as proxy in the alternative any one or more of the Directors or any other person. If for the purpose of any meeting invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the Company's expense, they shall be issued to all (and not to some only) of the Members entitled to be sent notice of the meeting and to vote at it. The accidental omission to send such a form of appointment or to give such an invitation to, or the non-receipt of such form of appointment by, any Member entitled to attend and vote at a meeting shall not invalidate the proceedings at that meeting



Voting by proxy

- 12.26 A proxy shall have the same voting rights at a meeting or adjourned meeting as the Member would have had except to the extent that the instrument appointing him limits those rights. Notwithstanding the appointment of a proxy, a Member may attend and vote at a meeting or adjourned meeting. If a Member votes on any resolution a vote by his proxy on the same resolution, unless in respect of different Shares, shall be invalid.
- 12.27 The instrument appointing a proxy to vote at a meeting shall be deemed also to confer authority to demand or join in demanding a poll and, for the purposes of Article 11.11, a demand by a person as proxy for a Member shall be the same as a demand by a Member. Such appointment shall not confer any further right to speak at the meeting, except with the permission of the chairman of the meeting.

13 Number of Directors

- 13.1 There shall be a Board consisting of not less than one person provided however that the Company may by Ordinary Resolution increase or reduce the limits in the number of Directors. Unless fixed by Ordinary Resolution, the maximum number of Directors shall be unlimited.

14 Appointment, disqualification and removal of Directors

First Directors

- 14.1 The first Directors shall be appointed in writing by the subscriber or subscribers to the Memorandum, or a majority of them.

No age limit

- 14.2 There is no age limit for Directors save that they must be at least eighteen years of age.

Corporate Directors

- 14.3 Unless prohibited by law, a body corporate may be a Director. If a body corporate is a Director, the Articles about representation of corporate Members at general meetings apply, mutatis mutandis, to the Articles about Directors' meetings.

No shareholding qualification

- 14.4 Unless a shareholding qualification for Directors is fixed by Ordinary Resolution, no Director shall be required to own Shares as a condition of his appointment.



Appointment of Directors

- 14.5 A Director may be appointed by Ordinary Resolution or by the Directors. Any appointment may be to fill a vacancy or as an additional Director.
- 14.6 A remaining Director may appoint a Director even though there is not a quorum of Directors.
- 14.7 No appointment can cause the number of Directors to exceed the maximum (if one is set); and any such appointment shall be invalid.
- 14.8 For so long as Shares or ADSs are listed on a Designated Stock Exchange, the Directors shall include at least such number of Independent Directors as applicable law, rules or regulations or the Designated Stock Exchange Rules require as determined by the Board.

Board's power to appoint Directors

- 14.9 Without prejudice to the Company's power to appoint a person to be a Director pursuant to these Articles, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with these Articles.
- 14.10 Any Director so appointed shall, if still a Director, retire at the next annual general meeting after his appointment and be eligible to stand for election as a Director at such meeting.

Eligibility

- 14.11 No person (other than a Director retiring in accordance with these Articles) shall be appointed or re-appointed a Director at any general meeting unless:
- (a) he is recommended by the Board; or
 - (b) not less than seven nor more than forty-two Clear Days before the date appointed for the meeting, a Member (other than the person to be proposed) entitled to vote at the meeting has given to the Company notice of his intention to propose a resolution for the appointment of that person, stating the particulars which would, if he were so appointed, be required to be included in the Company's register of Directors and a notice executed by that person of his willingness to be appointed.



Appointment at annual general meeting

14.12 Unless re-appointed pursuant to the provisions of Article 14.5 or removed from office pursuant to the provisions of Article 14.13, each Director shall be appointed for a term expiring at the next-following annual general meeting of the Company. At any such annual general meeting, Directors will be elected by Ordinary Resolution. At each annual general meeting of the Company, each Director elected at such meeting shall be elected to hold office for a one-year term and until the election of their respective successors in office or removal pursuant to Articles 14.5 and 14.13.

Removal of Directors

14.13 A Director may be removed by Ordinary Resolution.

Resignation of Directors

14.14 A Director may at any time resign office by giving to the Company notice in writing or, if permitted pursuant to the notice provisions, in an Electronic Record delivered in either case in accordance with those provisions.

14.15 Unless the notice specifies a different date, the Director shall be deemed to have resigned on the date that the notice is delivered to the Company.

Termination of the office of Director

14.16 A Director may retire from office as a Director by giving notice in writing to that effect to the Company at the registered office, which notice shall be effective upon such date as may be specified in the notice, failing which upon delivery to the registered office.

14.17 Without prejudice to the provisions in these Articles for retirement (by rotation or otherwise), a Director's office shall be terminated forthwith if:

- (a) he is prohibited by the law of the Cayman Islands from acting as a Director; or
- (b) he is made bankrupt or makes an arrangement or composition with his creditors generally; or
- (c) he resigns his office by notice to the Company; or
- (d) he only held office as a Director for a fixed term and such term expires; or



- (e) in the opinion of a registered medical practitioner by whom he is being treated he becomes physically or mentally incapable of acting as a Director; or
- (f) he is given notice by the majority of the other Directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such Director); or
- (g) he is made subject to any law relating to mental health or incompetence, whether by court order or otherwise; or
- (h) without the consent of the other Directors, he is absent from meetings of Directors for a continuous period of six months.

15 Alternate Directors

Appointment and removal

- 15.1 Any Director may appoint any other person, including another Director, to act in his place as an alternate Director. No appointment shall take effect until the Director has given notice of the appointment to the Board.
- 15.2 A Director may revoke his appointment of an alternate at any time. No revocation shall take effect until the Director has given notice of the revocation to the Board.
- 15.3 A notice of appointment or removal of an alternate Director shall be effective only if given to the Company by one or more of the following methods:
- (a) by notice in writing in accordance with the notice provisions contained in these Articles;
 - (b) if the Company has a facsimile address for the time being, by sending by facsimile transmission to that facsimile address a facsimile copy or, otherwise, by sending by facsimile transmission to the facsimile address of the Company's registered office a facsimile copy (in either case, the facsimile copy being deemed to be the notice unless Article 29.7 applies), in which event notice shall be taken to be given on the date of an error-free transmission report from the sender's fax machine;
 - (c) if the Company has an email address for the time being, by emailing to that email address a scanned copy of the notice as a PDF attachment or, otherwise, by emailing to the email address provided by the Company's registered office a scanned copy of the notice as a PDF attachment (in either case, the PDF version being deemed to be the notice unless Article 29.7 applies), in which event notice shall be taken to be given on the date of receipt by the Company or the Company's registered office (as appropriate) in readable form; or
 - (d) if permitted pursuant to the notice provisions, in some other form of approved Electronic Record delivered in accordance with those provisions in writing.



Notices

15.4 All notices of meetings of Directors shall continue to be given to the appointing Director and not to the alternate.

Rights of alternate Director

15.5 An alternate Director shall be entitled to attend and vote at any Board meeting or meeting of a committee of the Directors at which the appointing Director is not personally present, and generally to perform all the functions of the appointing Director in his absence. An alternate Director, however, is not entitled to receive any remuneration from the Company for services rendered as an alternate Director.

Appointment ceases when the appointor ceases to be a Director

15.6 An alternate Director shall cease to be an alternate Director if:

- (a) the Director who appointed him ceases to be a Director; or
- (b) the Director who appointed him revokes his appointment by notice delivered to the Board or to the registered office of the Company or in any other manner approved by the Board; or
- (c) in any event happens in relation to him which, if he were a Director of the Company, would cause his office as Director to be vacated.

Status of alternate Director

15.7 An alternate Director shall carry out all functions of the Director who made the appointment.

15.8 Save where otherwise expressed, an alternate Director shall be treated as a Director under these Articles.

15.9 An alternate Director is not the agent of the Director appointing him.

15.10 An alternate Director is not entitled to any remuneration for acting as alternate Director.



Status of the Director making the appointment

15.11 A Director who has appointed an alternate is not thereby relieved from the duties which he owes the Company.

16 Powers of Directors

Powers of Directors

16.1 Subject to the provisions of the Law, the Memorandum and these Articles the business of the Company shall be managed by the Directors who may for that purpose exercise all the powers of the Company.

16.2 No prior act of the Directors shall be invalidated by any subsequent alteration of the Memorandum or these Articles. However, to the extent allowed by the Law, Members may, by Special Resolution, validate any prior or future act of the Directors which would otherwise be in breach of their duties.

Directors below the minimum number

16.3 If the number of Directors is less than the minimum prescribed in accordance with these Articles, the remaining Director or Directors shall act only for the purposes of appointing an additional Director or Directors to make up such minimum or of convening a general meeting of the Company for the purpose of making such appointment. If there are no Director or Directors able or willing to act, any two Members may summon a general meeting for the purpose of appointing Directors. Any additional Director so appointed shall hold office (subject to these Articles) only until the dissolution of the annual general meeting next following such appointment unless he is re-elected during such meeting.

Appointments to office

16.4 The Directors may appoint a Director:

- (a) as chairman of the Board;
- (b) as managing Director;
- (c) to any other executive office,

for such period, and on such terms, including as to remuneration as they think fit.



- 16.5 The appointee must consent in writing to holding that office.
- 16.6 Where a chairman is appointed he shall, unless unable to do so, preside at every meeting of Directors.
- 16.7 If there is no chairman, or if the chairman is unable to preside at a meeting, that meeting may select its own chairman; or the Directors may nominate one of their number to act in place of the chairman should he ever not be available.
- 16.8 Subject to the provisions of the Law, the Directors may also appoint and remove any person, who need not be a Director:
- (a) as Secretary; and
 - (b) to any office that may be required
- for such period and on such terms, including as to remuneration, as they think fit. In the case of an Officer, that Officer may be given any title the Directors decide.
- 16.9 The Secretary or Officer must consent in writing to holding that office.
- 16.10 A Director, Secretary or other Officer of the Company may not hold the office, or perform the services, of auditor.

Provisions for employees

- 16.11 The Board may make provision for the benefit of any persons employed or formerly employed by the Company or any of its subsidiary undertakings (or any member of his family or any person who is dependent on him) in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the Company or any of its subsidiary undertakings.

Exercise of voting rights

- 16.12 The Board may exercise the voting power conferred by the Shares in any body corporate held or owned by the Company in such manner in all respects as it thinks fit (including, without limitation, the exercise of that power in favour of any resolution appointing any Director as a Director of such body corporate, or voting or providing for the payment of remuneration to the Directors of such body corporate).



Remuneration

- 16.13 Every Director may be remunerated by the Company for the services he provides for the benefit of the Company, whether as Director, employee or otherwise, and shall be entitled to be paid for the expenses incurred in the Company's business including attendance at Directors' meetings.
- 16.14 Until otherwise determined by the Company by Ordinary Resolution, the Directors (other than alternate Directors) shall be entitled to such remuneration by way of fees for their services in the office of Director as the Directors may determine.
- 16.15 Remuneration may take any form and may include arrangements to pay pensions, health insurance, death or sickness benefits, whether to the Director or to any other person connected to or related to him.
- 16.16 Unless his fellow Directors determine otherwise, a Director is not accountable to the Company for remuneration or other benefits received from any other company which is in the same group as the Company or which has common shareholdings.

Disclosure of information

- 16.17 The Directors may release or disclose to a third party any information regarding the affairs of the Company, including any information contained in the register of Members relating to a Member, (and they may authorise any Director, Officer or other authorised agent of the Company to release or disclose to a third party any such information in his possession) if:
- (a) the Company or that person, as the case may be, is lawfully required to do so under the laws of any jurisdiction to which the Company is subject; or
 - (b) such disclosure is in compliance with the Designated Stock Exchange Rules; or
 - (c) such disclosure is in accordance with any contract entered into by the Company; or
 - (d) the Directors are of the opinion such disclosure would assist or facilitate the Company's operations.



17 Delegation of powers

Power to delegate any of the Directors' powers to a committee

- 17.1 The Directors may delegate any of their powers to any committee consisting of one or more persons who need not be Members. Persons on the committee may include non-Directors so long as the majority of those persons are Directors. Any such committee shall be made up of such number of Independent Directors as required from time to time by the Designated Stock Exchange Rules or otherwise required by applicable law.
- 17.2 The delegation may be collateral with, or to the exclusion of, the Directors' own powers.
- 17.3 The delegation may be on such terms as the Directors think fit, including provision for the committee itself to delegate to a sub-committee; save that any delegation must be capable of being revoked or altered by the Directors at will.
- 17.4 Unless otherwise permitted by the Directors, a committee must follow the procedures prescribed for the taking of decisions by Directors.
- 17.5 The Board shall establish an audit committee, a compensation committee and a nominating and corporate governance committee. Each of these committees shall be empowered to do all things necessary to exercise the rights of such committee set forth in these Articles. Each of the audit committee, compensation committee and nominating and corporate governance committee shall consist of at least three Directors (or such larger minimum number as may be required from time to time by the Designated Stock Exchange Rules). The majority of the committee members on each of the compensation committee and nominating and corporate governance committee shall be Independent Directors. The audit committee shall be made up of such number of Independent Directors as required from time to time by the Designated Stock Exchange Rules or otherwise required by applicable law.

Local boards

- 17.6 The Board may establish any local or divisional board or agency for managing any of the affairs of the Company whether in the Cayman Islands or elsewhere and may appoint any persons to be members of a local or divisional Board, or to be managers or agents, and may fix their remuneration.
- 17.7 The Board may delegate to any local or divisional board, manager or agent any of its powers and authorities (with power to sub-delegate) and may authorise the members of any local or divisional board or any of them to fill any vacancies and to act notwithstanding vacancies.



17.8 Any appointment or delegation under this Article 17.8 may be made on such terms and subject to such conditions as the Board thinks fit and the Board may remove any person so appointed, and may revoke or vary any delegation.

Power to appoint an agent of the Company

17.9 The Directors may appoint any person, either generally or in respect of any specific matter, to be the agent of the Company with or without authority for that person to delegate all or any of that person's powers. The Directors may make that appointment:

- (a) by causing the Company to enter into a power of attorney or agreement; or
- (b) in any other manner they determine.

Power to appoint an attorney or authorised signatory of the Company

17.10 The Directors may appoint any person, whether nominated directly or indirectly by the Directors, to be the attorney or the authorised signatory of the Company. The appointment may be:

- (a) for any purpose;
- (b) with the powers, authorities and discretions;
- (c) for the period; and
- (d) subject to such conditions

as they think fit. The powers, authorities and discretions, however, must not exceed those vested in, or exercisable, by the Directors under these Articles. The Directors may do so by power of attorney or any other manner they think fit.

17.11 Any power of attorney or other appointment may contain such provision for the protection and convenience for persons dealing with the attorney or authorised signatory as the Directors think fit. Any power of attorney or other appointment may also authorise the attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in that person.

17.12 The Board may remove any person appointed under Article 17.10 and may revoke or vary the delegation.



Borrowing Powers

- 17.13 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its parent undertaking (if any) or any subsidiary undertaking of the Company or of any third party.

Corporate Governance

- 17.14 The Board may, from time to time, and except as required by applicable law or the Designated Stock Exchange Rules, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives of the Company, which shall be intended to set forth the guiding principles and policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution from time to time.

18 Meetings of Directors

Regulation of Directors' meetings

- 18.1 Subject to the provisions of these Articles, the Directors may regulate their proceedings as they think fit.

Calling meetings

- 18.2 Any Director may call a meeting of Directors at any time. The Secretary must call a meeting of the Directors if requested to do so by a Director.

Notice of meetings

- 18.3 Notice of a Board meeting may be given to a Director personally or by word of mouth or given in writing or by Electronic communications at such address as he may from time to time specify for this purpose (or, if he does not specify an address, at his last known address). A Director may waive his right to receive notice of any meeting either prospectively or retrospectively.

Use of technology

- 18.4 A Director may participate in a meeting of Directors through the medium of conference telephone, video or any other form of communications equipment providing all persons participating in the meeting are able to hear and speak to each other throughout the meeting.
- 18.5 A Director participating in this way is deemed to be present in person at the meeting.



Quorum

18.6 The quorum for the transaction of business at a meeting of Directors shall be two unless the Directors fix some other number.

Chairman or deputy to preside

18.7 The Board may appoint a chairman and one or more deputy chairman or chairmen and may at any time revoke any such appointment.

18.8 The chairman, or failing him any deputy chairman (the longest in office taking precedence if more than one is present), shall preside at all Board meetings. If no chairman or deputy chairman has been appointed, or if he is not present within five minutes after the time fixed for holding the meeting, or is unwilling to act as chairman of the meeting, the Directors present shall choose one of their number to act as chairman of the meeting.

Voting

18.9 A question which arises at a Board meeting shall be decided by a majority of votes. If votes are equal the chairman may, if he wishes, exercise a casting vote.

Recording of dissent

18.10 A Director present at a meeting of Directors shall be presumed to have assented to any action taken at that meeting unless:

- (a) his dissent is entered in the minutes of the meeting; or
- (b) he has filed with the meeting before it is concluded signed dissent from that action; or
- (c) he has forwarded to the Company as soon as practical following the conclusion of that meeting signed dissent.

A Director who votes in favour of an action is not entitled to record his dissent to it.

Written resolutions

18.11 The Directors may pass a resolution in writing without holding a meeting if a simple majority of Directors sign a document or sign several documents in the like form each signed by one or more of those Directors provided that each Director has received notice of the written resolution or has received a copy of the written resolution for such Director's review. Notwithstanding Article 18.14, no written resolution passed by a majority of Directors shall be effective unless each Director has been provided due notice of such written resolution in accordance with this Article.



- 18.12 A written resolution signed by a validly appointed alternate Director need not also be signed by the appointing Director.
- 18.13 A written resolution signed personally by the appointing Director need not also be signed by his alternate.
- 18.14 A resolution in writing passed pursuant to Article 18.11, Article 18.12 and/or Article 18.13 shall be as effective as if it had been passed at a meeting of the Directors duly convened and held; and it shall be treated as having been passed on the day and at the time that the last Director signs (and for the avoidance of doubt, such day may or may not be a Business Day).

Validity of acts of Directors in spite of formal defect

- 18.15 All acts done by a meeting of the Board, or of a committee of the Board, or by any person acting as a Director or an alternate Director, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any Director or alternate Director or member of the committee, or that any of them were disqualified or had vacated office or were not entitled to vote, be as valid as if every such person had been duly appointed and qualified and had continued to be a Director or alternate Director and had been entitled to vote.

19 Permissible Directors' interests and disclosure

- 19.1 A Director shall not, as a Director, vote in respect of any contract, transaction, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is a material interest (otherwise than by virtue of his interests, direct or indirect, in Shares or debentures or other securities of, or otherwise in or through, the Company) and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting, but (in the absence of some other material interest than is mentioned below) none of these prohibitions shall apply to:

- (a) the giving of any security, guarantee or indemnity in respect of:
 - (i) money lent or obligations incurred by him or by any other person for the benefit of the Company or any of its subsidiaries; or



- (ii) a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (b) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to or may participate;
- (c) any contract, transaction, arrangement or proposal affecting any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise howsoever, provided that he (together with persons connected with him) does not to his knowledge hold an interest representing one per cent or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purposes of this Article 19.1 to be a material interest in all circumstances);
- (d) any act or thing done or to be done in respect of any arrangement for the benefit of the employees of the Company or any of its subsidiaries under which he is not accorded as a Director any privilege or advantage not generally accorded to the employees to whom such arrangement relates; or
- (e) any matter connected with the purchase or maintenance for any Director of insurance against any liability or (to the extent permitted by the Law) indemnities in favour of Directors, the funding of expenditure by one or more Directors in defending proceedings against him or them or the doing of any thing to enable such Director or Directors to avoid incurring such expenditure.

19.2 A Director may, as a Director, vote (and be counted in the quorum) in respect of any contract, transaction, arrangement or proposal in which he has an interest which is not a material interest or which falls within Article 19.1.

20 Minutes

20.1 The Company shall cause minutes to be made in books of:

- (a) all appointments of Officers and committees made by the Board and of any such Officer's remuneration; and



(b) the names of Directors present at every meeting of the Directors, a committee of the Board, the Company or the holders of any class of shares or debentures, and all orders, resolutions and proceedings of such meetings.

20.2 Any such minutes, if purporting to be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting or the Secretary, shall be prima facie evidence of the matters stated in them.

21 Accounts and audit

21.1 The Directors must ensure that proper accounting and other records are kept, and that accounts and associated reports are distributed in accordance with the requirements of the Law.

21.2 The books of account shall be kept at the registered office of the Company and shall always be open to inspection by the Directors. No Member (other than a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Law or as authorised by the Directors or by Ordinary Resolution.

21.3 Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31 December in each year and begin on 1 January in each year.

Auditors

21.4 The Directors may appoint an Auditor of the Company who shall hold office on such terms as the Directors determine.

21.5 At any general meeting convened and held at any time in accordance with these Articles, the Members may, by Ordinary Resolution, remove the Auditor before the expiration of his term of office. If they do so, the Members shall, by Ordinary Resolution, at that meeting appoint another Auditor in his stead for the remainder of his term.

21.6 The Auditors shall examine such books, accounts and vouchers; as may be necessary for the performance of their duties.

21.7 The Auditors shall, if so requested by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment, and at any time during their term of office, upon request of the Directors or any general meeting of the Company.



22 Record dates

- 22.1 Except to the extent of any conflicting rights attached to Shares, the resolution declaring a dividend on Shares of any class, whether it be an Ordinary Resolution of the Members or a Director's resolution, may specify that the dividend is payable or distributable to the persons registered as the holders of those Shares at the close of business on a particular date, notwithstanding that the date may be a date prior to that on which the resolution is passed.
- 22.2 If the resolution does so specify, the dividend shall be payable or distributable to the persons registered as the holders of those Shares at the close of business on the specified date in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of the dividend of transferors and transferees of any of those Shares.
- 22.3 The provisions of this Article apply, *mutatis mutandis*, to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the Members.

23 Dividends

Source of dividends

- 23.1 Dividends may be declared and paid out of any funds of the Company lawfully available for distribution.
- 23.2 Subject to the requirements of the Law regarding the application of a company's Share premium account and with the sanction of an Ordinary Resolution, dividends may also be declared and paid out of any share premium account.

Declaration of dividends by Members

- 23.3 Subject to the provisions of the Law, the Company may by Ordinary Resolution declare dividends in accordance with the respective rights of the Members but no dividend shall exceed the amount recommended by the Directors.

Payment of interim dividends and declaration of final dividends by Directors

- 23.4 The Directors may declare and pay interim dividends or recommend final dividends in accordance with the respective rights of the Members if it appears to them that they are justified by the financial position of the Company and that such dividends may lawfully be paid.
- 23.5 Subject to the provisions of the Law, in relation to the distinction between interim dividends and final dividends, the following applies:
- (a) Upon determination to pay a dividend or dividends described as interim by the Directors in the dividend resolution, no debt shall be created by the declaration until such time as payment is made.



- (b) Upon declaration of a dividend or dividends described as final by the Directors in the dividend resolution, a debt shall be created immediately following the declaration, the due date to be the date the dividend is stated to be payable in the resolution.

If the resolution fails to specify whether a dividend is final or interim, it shall be assumed to be interim.

23.6 In relation to Shares carrying differing rights to dividends or rights to dividends at a fixed rate, the following applies:

- (a) If the share capital is divided into different classes, the Directors may pay dividends on Shares which confer deferred or non-preferred rights with regard to dividends as well as on Shares which confer preferential rights with regard to dividends but no dividend shall be paid on Shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.
- (b) The Directors may also pay, at intervals settled by them, any dividend payable at a fixed rate if it appears to them that there are sufficient funds of the Company lawfully available for distribution to justify the payment.
- (c) If the Directors act in good faith, they shall not incur any liability to the Members holding Shares conferring preferred rights for any loss those Members may suffer by the lawful payment of the dividend on any Shares having deferred or non-preferred rights.

Apportionment of dividends

23.7 Except as otherwise provided by the rights attached to Shares all dividends shall be declared and paid according to the amounts Paid Up on the Shares on which the dividend is paid. All dividends shall be apportioned and paid proportionately to the amount Paid Up on the Shares during the time or part of the time in respect of which the dividend is paid. But if a Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.



Right of set off

23.8 The Directors may deduct from a dividend or any other amount payable to a person in respect of a Share any amount due by that person to the Company on a call or otherwise in relation to a Share.

Power to pay other than in cash

23.9 If the Directors so determine, any resolution declaring a dividend may direct that it shall be satisfied wholly or partly by the distribution of assets. If a difficulty arises in relation to the distribution, the Directors may settle that difficulty in any way they consider appropriate. For example, they may do any one or more of the following:

- (a) issue fractional Shares;
- (b) fix the value of assets for distribution and make cash payments to some Members on the footing of the value so fixed in order to adjust the rights of Members; and
- (c) vest some assets in trustees.

How payments may be made

23.10 A dividend or other monies payable on or in respect of a Share may be paid in any of the following ways:

- (a) if the Member holding that Share or other person entitled to that Share nominates a bank account for that purpose - by wire transfer to that bank account; or
- (b) by cheque or warrant sent by post to the registered address of the Member holding that Share or other person entitled to that Share.

23.11 For the purposes of Article 23.10(a), the nomination may be in writing or in an Electronic Record and the bank account nominated may be the bank account of another person. For the purposes of Article 23.10(b), subject to any applicable law or regulation, the cheque or warrant shall be made to the order of the Member holding that Share or other person entitled to the Share or to his nominee, whether nominated in writing or in an Electronic Record, and payment of the cheque or warrant shall be a good discharge to the Company.

23.12 If two or more persons are registered as the holders of the Share or are jointly entitled to it by reason of the death or bankruptcy of the registered holder (**Joint Holders**), a dividend (or other amount) payable on or in respect of that Share may be paid as follows:

- (a) to the registered address of the Joint Holder of the Share who is named first on the register of Members or to the registered address of the deceased or bankrupt holder, as the case may be; or



- (b) to the address or bank account of another person nominated by the Joint Holders, whether that nomination is in writing or in an Electronic Record.

23.13 Any Joint Holder of a Share may give a valid receipt for a dividend (or other amount) payable in respect of that Share.

Dividends or other monies not to bear interest in absence of special rights

23.14 Unless provided for by the rights attached to a Share, no dividend or other monies payable by the Company in respect of a Share shall bear interest.

Dividends unable to be paid or unclaimed

23.15 If a dividend cannot be paid to a Member or remains unclaimed within six weeks after it was declared or both, the Directors may pay it into a separate account in the Company's name. If a dividend is paid into a separate account, the Company shall not be constituted trustee in respect of that account and the dividend shall remain a debt due to the Member.

23.16 A dividend that remains unclaimed for a period of six years after it became due for payment shall be forfeited to, and shall cease to remain owing by, the Company.

24 Capitalisation of profits

Capitalisation of profits or of any share premium account or capital redemption reserve;

24.1 The Directors may resolve to capitalise:

- (a) any part of the Company's profits not required for paying any preferential dividend (whether or not those profits are available for distribution); or
- (b) any sum standing to the credit of the Company's share premium account or capital redemption reserve, if any.



- 24.2 The amount resolved to be capitalised must be appropriated to the Members who would have been entitled to it had it been distributed by way of dividend and in the same proportions. The benefit to each Member so entitled must be given in either or both of the following ways:
- (a) by paying up the amounts unpaid on that Member's Shares;
 - (b) by issuing Fully Paid Up Shares, debentures or other securities of the Company to that Member or as that Member directs. The Directors may resolve that any Shares issued to the Member in respect of Partly Paid Up Shares (**Original Shares**) rank for dividend only to the extent that the Original Shares rank for dividend while those Original Shares remain Partly Paid Up.

Applying an amount for the benefit of Members

- 24.3 The amount capitalised must be applied to the benefit of Members in the proportions to which the Members would have been entitled to dividends if the amount capitalised had been distributed as a dividend.
- 24.4 Subject to the Law, if a fraction of a Share, a debenture or other security is allocated to a Member, the Directors may issue a fractional certificate to that Member or pay him the cash equivalent of the fraction.

25 Share Premium Account

Directors to maintain share premium account

- 25.1 The Directors shall establish a share premium account in accordance with the Law. They shall carry to the credit of that account from time to time an amount equal to the amount or value of the premium paid on the issue of any Share or capital contributed or such other amounts required by the Law.

Debits to share premium account

- 25.2 The following amounts shall be debited to any share premium account:
- (a) on the redemption or purchase of a Share, the difference between the nominal value of that Share and the redemption or purchase price; and
 - (b) any other amount paid out of a share premium account as permitted by the Law.
- 25.3 Notwithstanding the preceding Article, on the redemption or purchase of a Share, the Directors may pay the difference between the nominal value of that Share and the redemption purchase price out of the profits of the Company or, as permitted by the Law, out of capital.



26 Seal

Company seal

26.1 The Company may have a seal if the Directors so determine.

Duplicate seal

26.2 Subject to the provisions of the Law, the Company may also have a duplicate seal or seals for use in any place or places outside the Cayman Islands. Each duplicate seal shall be a facsimile of the original seal of the Company. However, if the Directors so determine, a duplicate seal shall have added on its face the name of the place where it is to be used.

When and how seal is to be used

26.3 A seal may only be used by the authority of the Directors. Unless the Directors otherwise determine, a document to which a seal is affixed must be signed in one of the following ways:

- (a) by a Director (or his alternate) and the Secretary; or
- (b) by a single Director (or his alternate).

If no seal is adopted or used

26.4 If the Directors do not adopt a seal, or a seal is not used, a document may be executed in the following manner:

- (a) by a Director (or his alternate) and the Secretary; or
- (b) by a single Director (or his alternate); or
- (c) in any other manner permitted by the Law.

Power to allow non-manual signatures and facsimile printing of seal

26.5 The Directors may determine that either or both of the following applies:

- (a) that the seal or a duplicate seal need not be affixed manually but may be affixed by some other method or system of reproduction;
- (b) that a signature required by these Articles need not be manual but may be a mechanical or Electronic Signature.



Validity of execution

26.6 If a document is duly executed and delivered by or on behalf of the Company, it shall not be regarded as invalid merely because, at the date of the delivery, the Secretary, or the Director, or other Officer or person who signed the document or affixed the seal for and on behalf of the Company ceased to be the Secretary or hold that office and authority on behalf of the Company.

27 Indemnity

27.1 To the extent permitted by law, the Company shall indemnify each existing or former Director (including alternate Director), Secretary and other Officer of the Company (including an investment adviser or an administrator or liquidator) and their personal representatives against:

- (a) all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by the existing or former Director (including alternate Director), Secretary or Officer in or about the conduct of the Company's business or affairs or in the execution or discharge of the existing or former Director's (including alternate Director's), Secretary's or Officer's duties, powers, authorities or discretions; and
- (b) without limitation to paragraph (a), all costs, expenses, losses or liabilities incurred by the existing or former Director (including alternate Director), Secretary or Officer in defending (whether successfully or otherwise) any civil, criminal, administrative or investigative proceedings (whether threatened, pending or completed) concerning the Company or its affairs in any court or tribunal, whether in the Cayman Islands or elsewhere.

No such existing or former Director (including alternate Director), Secretary or Officer, however, shall be indemnified in respect of any matter arising out of his own dishonesty.

27.2 To the extent permitted by Law, the Company may make a payment, or agree to make a payment, whether by way of advance, loan or otherwise, for any legal costs incurred by an existing or former Director (including alternate Director), Secretary or Officer of the Company in respect of any matter identified in Article 27.1 on condition that the Director (including alternate Director), Secretary or Officer must repay the amount paid by the Company to the extent that it is ultimately found not liable to indemnify the Director (including alternate Director), Secretary or that Officer for those legal costs.



Release

27.3 To the extent permitted by Law, the Company may by Special Resolution release any existing or former Director (including alternate Director), Secretary or other Officer of the Company from liability for any loss or damage or right to compensation which may arise out of or in connection with the execution or discharge of the duties, powers, authorities or discretions of his office; but there may be no release from liability arising out of or in connection with that person's own dishonesty.

Insurance

27.4 To the extent permitted by Law, the Company may pay, or agree to pay, a premium in respect of a contract insuring each of the following persons against risks determined by the Directors, other than liability arising out of that person's own dishonesty:

- (a) an existing or former Director (including alternate Director), Secretary or Officer or auditor of:
 - (i) the Company;
 - (ii) a company which is or was a subsidiary of the Company;
 - (iii) a company in which the Company has or had an interest (whether direct or indirect); and
- (b) a trustee of an employee or retirement benefits scheme or other trust in which any of the persons referred to in paragraph (a) is or was interested.

28 Notices

Form of notices

28.1 Save where these Articles provide otherwise, and subject to the Designated Stock Exchange Rules, any notice to be given to or by any person pursuant to these Articles shall be:

- (a) in writing signed by or on behalf of the giver in the manner set out below for written notices; or
- (b) subject to the next Article, in an Electronic Record signed by or on behalf of the giver by Electronic Signature and authenticated in accordance with Articles about authentication of Electronic Records; or
- (c) where these Articles expressly permit, by the Company by means of a website.



Electronic communications

28.2 A notice may only be given to the Company in an Electronic Record if:

- (a) the Directors so resolve;
- (b) the resolution states how an Electronic Record may be given and, if applicable, specifies an email address for the Company; and
- (c) the terms of that resolution are notified to the Members for the time being and, if applicable, to those Directors who were absent from the meeting at which the resolution was passed.

If the resolution is revoked or varied, the revocation or variation shall only become effective when its terms have been similarly notified.

28.3 A notice may not be given by Electronic Record to a person other than the Company unless the recipient has notified the giver of an Electronic address to which notice may be sent.

28.4 Subject to the Law, the Designated Stock Exchange Rules and to any other rules which the Company is bound to follow, the Company may also send any notice or other document pursuant to these Articles to a Member by publishing that notice or other document on a website where:

- (a) the Company and the Member have agreed to his having access to the notice or document on a website (instead of it being sent to him);
- (b) the notice or document is one to which that agreement applies;
- (c) the Member is notified (in accordance with any requirements laid down by the Law and, in a manner for the time being agreed between him and the Company for the purpose) of:
 - (i) the publication of the notice or document on a website;
 - (ii) the address of that website; and
 - (iii) the place on that website where the notice or document may be accessed, and how it may be accessed; and



- (d) the notice or document is published on that website throughout the publication period, provided that, if the notice or document is published on that website for a part, but not all of, the publication period, the notice or document shall be treated as being published throughout that period if the failure to publish that notice of document throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid. For the purposes of this Article 28.4 “publication period” means a period of not less than twenty-one days, beginning on the day on which the notification referred to in Article 28.4(c) is deemed sent.

Persons entitled to notices

- 28.5 Any notice or other document to be given to a Member may be given by reference to the register of Members as it stands at any time within the period of twenty-one days before the day that the notice is given or (where and as applicable) within any other period permitted by, or in accordance with the requirements of, (to the extent applicable) the Designated Stock Exchange Rules and/or the Designated Stock Exchanges. No change in the register of Members after that time shall invalidate the giving of such notice or document or require the Company to give such item to any other person.

Persons authorised to give notices

- 28.6 A notice by either the Company or a Member pursuant to these Articles may be given on behalf of the Company or a Member by a Director or company secretary of the Company or a Member.

Delivery of written notices

- 28.7 Save where these Articles provide otherwise, a notice in writing may be given personally to the recipient, or left at (as appropriate) the Member’s or Director’s registered address or the Company’s registered office, or posted to that registered address or registered office.

Joint holders

- 28.8 Where Members are joint holders of a Share, all notices shall be given to the Member whose name first appears in the register of Members.

Signatures

- 28.9 A written notice shall be signed when it is autographed by or on behalf of the giver, or is marked in such a way as to indicate its execution or adoption by the giver.
- 28.10 An Electronic Record may be signed by an Electronic Signature.



Evidence of transmission

- 28.11 A notice given by Electronic Record shall be deemed sent if an Electronic Record is kept demonstrating the time, date and content of the transmission, and if no notification of failure to transmit is received by the giver.
- 28.12 A notice given in writing shall be deemed sent if the giver can provide proof that the envelope containing the notice was properly addressed, prepaid and posted, or that the written notice was otherwise properly transmitted to the recipient.
- 28.13 A Member present, either in person or by proxy, at any meeting of the Company or of the holders of any class of Shares shall be deemed to have received due notice of the meeting and, where requisite, of the purposes for which it was called.

Giving notice to a deceased or bankrupt Member

- 28.14 A notice may be given by the Company to the persons entitled to a Share in consequence of the death or bankruptcy of a Member by sending or delivering it, in any manner authorised by these Articles for the giving of notice to a Member, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt or by any like description, at the address, if any, supplied for that purpose by the persons claiming to be so entitled.
- 28.15 Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred.

Date of giving notices

- 28.16 A notice is given on the date identified in the following table

Method for giving notices	When taken to be given
(A) Personally	At the time and date of delivery
(B) By leaving it at the Member's registered address	At the time and date it was left
(C) By posting it by prepaid post to the street or postal address of that recipient	48 hours after the date it was posted
(D) By Electronic Record (other than publication on a website), to recipient's Electronic address	48 hours after the date it was sent
(E) By publication on a website	24 hours after the date on which the Member is deemed to have been notified of the publication of the notice or document on the website



Saving provision

28.17 None of the preceding notice provisions shall derogate from the Articles about the delivery of written resolutions of Directors and written resolutions of Members.

29 Authentication of Electronic Records

Application of Articles

29.1 Without limitation to any other provision of these Articles, any notice, written resolution or other document under these Articles that is sent by Electronic means by a Member, or by the Secretary, or by a Director or other Officer of the Company, shall be deemed to be authentic if either Article 29.2 or Article 29.4 applies.

Authentication of documents sent by Members by Electronic means

29.2 An Electronic Record of a notice, written resolution or other document sent by Electronic means by or on behalf of one or more Members shall be deemed to be authentic if the following conditions are satisfied:

- (a) the Member or each Member, as the case may be, signed the original document, and for this purpose **Original Document** includes several documents in like form signed by one or more of those Members; and
- (b) the Electronic Record of the Original Document was sent by Electronic means by, or at the direction of, that Member to an address specified in accordance with these Articles for the purpose for which it was sent; and
- (c) Article 29.7 does not apply.

29.3 For example, where a sole Member signs a resolution and sends the Electronic Record of the original resolution, or causes it to be sent, by facsimile transmission to the address in these Articles specified for that purpose, the facsimile copy shall be deemed to be the written resolution of that Member unless Article 28.7 applies.



Authentication of document sent by the Secretary or Officers of the Company by Electronic means

29.4 An Electronic Record of a notice, written resolution or other document sent by or on behalf of the Secretary or an Officer or Officers of the Company shall be deemed to be authentic if the following conditions are satisfied:

- (a) the Secretary or the Officer or each Officer, as the case may be, signed the original document, and for this purpose **Original Document** includes several documents in like form signed by the Secretary or one or more of those Officers; and
- (b) the Electronic Record of the Original Document was sent by Electronic means by, or at the direction of, the Secretary or that Officer to an address specified in accordance with these Articles for the purpose for which it was sent; and
- (c) Article 29.7 does not apply.

This Article 29.4 applies whether the document is sent by or on behalf of the Secretary or Officer in his own right or as a representative of the Company.

29.5 For example, where a sole Director signs a resolution and scans the resolution, or causes it to be scanned, as a PDF version which is attached to an email sent to the address in these Articles specified for that purpose, the PDF version shall be deemed to be the written resolution of that Director unless Article 29.7 applies.

Manner of signing

29.6 For the purposes of these Articles about the authentication of Electronic Records, a document will be taken to be signed if it is signed manually or in any other manner permitted by these Articles.

Saving provision

29.7 A notice, written resolution or other document under these Articles will not be deemed to be authentic if the recipient, acting reasonably:

- (a) believes that the signature of the signatory has been altered after the signatory had signed the original document; or
- (b) believes that the original document, or the Electronic Record of it, was altered, without the approval of the signatory, after the signatory signed the original document; or



(c) otherwise doubts the authenticity of the Electronic Record of the document

and the recipient promptly gives notice to the sender setting the grounds of its objection. If the recipient invokes this Article, the sender may seek to establish the authenticity of the Electronic Record in any way the sender thinks fit.

30 Transfer by way of continuation

30.1 The Company may, by Special Resolution, resolve to be registered by way of continuation in a jurisdiction outside:

- (a) the Cayman Islands; or
- (b) such other jurisdiction in which it is, for the time being, incorporated, registered or existing.

30.2 To give effect to any resolution made pursuant to the preceding Article, the Directors may cause the following:

- (a) an application be made to the Registrar of Companies of the Cayman Islands to deregister the Company in the Cayman Islands or in the other jurisdiction in which it is for the time being incorporated, registered or existing; and
- (b) all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

31 Winding up

Distribution of assets in specie

31.1 If the Company is wound up the Members may, subject to these Articles and any other sanction required by the Law, pass a Special Resolution allowing the liquidator to do either or both of the following:

- (a) to divide in specie among the Members the whole or any part of the assets of the Company and, for that purpose, to value any assets and to determine how the division shall be carried out as between the Members or different classes of Members; and/or
- (b) to vest the whole or any part of the assets in trustees for the benefit of Members and those liable to contribute to the winding up.



No obligation to accept liability

- 31.2 No Member shall be compelled to accept any assets if an obligation attaches to them.
- 31.3 The Directors are authorised to present a winding up petition
- 31.4 The Directors have the authority to present a petition for the winding up of the Company to the Grand Court of the Cayman Islands on behalf of the Company without the sanction of a resolution passed at a general meeting.

32 Amendment of Memorandum and Articles

Power to change name or amend Memorandum

- 32.1 Subject to the Law, the Company may, by Special Resolution:
- (a) change its name; or
 - (b) change the provisions of its Memorandum with respect to its objects, powers or any other matter specified in the Memorandum.

Power to amend these Articles

- 32.2 Subject to the Law and as provided in these Articles, the Company may, by Special Resolution, amend these Articles in whole or in part.



Description of Securities registered under Section 12 of the Exchange Act of 1934, as amended

The following securities are registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Class A ordinary share, par value US\$0.005 per share	SNTG	NASDAQ Capital Market

Capitalized terms used but not defined herein have the meanings given to them in the Company's annual report on Form 20-F.

Class A Ordinary Shares

The following is a summary of material provisions of our second amended and restated memorandum of association and articles of association currently in effect (the "Memorandum and Articles of Association"), as well as the Companies Act (Revised) of the Cayman Islands (the "Cayman Companies Act") insofar as they relate to the material terms of our Class A Ordinary Shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which are attached as Exhibit 1.1 to our annual report on Form 20-F.

Preemptive Rights (Item 9.A.3 of Form 20-F)

Our Class A Ordinary Shares are not subject to any pre-emptive or similar rights under the Cayman Companies Act or pursuant to the Memorandum and Articles of Association.

Type and Class of Securities (Item 9.A.5 of Form 20-F)

All of our issued and outstanding Class A Ordinary Shares are fully paid and non-assessable. Our Class A Ordinary Shares are issued in registered form, and are issued when registered in our register of members. Each Class A Ordinary Share has a par value of US\$0.005 each. The number of Class A Ordinary Shares that have been issued as of the last day of the financial year ended September 30, 2023 is provided on the cover of the annual report for that fiscal year. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their Class A Ordinary Shares.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

We have a dual-class voting structure such that our ordinary shares consist of Class A Ordinary Shares and Class B ordinary shares ("Class B Ordinary Shares"). In respect of matters requiring a shareholder vote, each holder of Class A Ordinary Shares will be entitled to one vote per one Class A Ordinary Share and each holder of Class B Ordinary Shares will be entitled to 20 votes per one Class B Ordinary Share. The Class B Ordinary Shares are convertible into Class A Ordinary Shares at any time after issuance at the option of the holder on a one-to-one basis. Due to the super voting power of holders of Class B Ordinary Shares, the voting power of the Class A Ordinary Shares may be materially limited.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Each Class of the Shares (Item 10.B.3 of Form 20-F)

Our authorized share capital is US\$1,000,000 divided into 180,000,000 Class A Ordinary Shares of par value US\$0.005 each and 20,000,000 Class B Ordinary Shares of par value US\$0.005 each. Holders of Class A Ordinary Shares and Class B Ordinary Shares have the same rights except for voting and conversion rights as set forth in our Memorandum and Articles of Association. In respect of matters requiring a vote of all shareholders, each holder of Class A Ordinary Shares will be entitled to one vote per one Class A Ordinary Share and each holder of Class B Ordinary Shares will be entitled to 20 votes per one Class B Ordinary Share. The Class B Ordinary Shares are convertible into Class A Ordinary Shares at any time after issuance at the option of the holder on a one-to-one basis.

Dividends

Subject to the provisions of the Cayman Companies Act and any rights attaching to any class or classes of shares under and in accordance with the articles:

- (a) the directors may declare dividends or distributions out of our funds which are lawfully available for that purpose; and
- (b) our shareholders may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the directors.

Subject to the requirements of the Cayman Companies Act regarding the application of a company's share premium account and with the sanction of an ordinary resolution, dividends may also be declared and paid out of any share premium account. The directors when paying dividends to shareholders may make such payment either in cash or in specie.

Unless provided by the rights attached to a share, no dividend shall bear interest.

Voting Rights

Subject to any rights or restrictions as to voting attached to any shares, unless any share carries special voting rights, on a show of hands every shareholder who is present in person and every person representing a shareholder by proxy shall have one vote per Class A Ordinary Share and 20 votes per one Class B Ordinary Share. On a poll, every shareholder who is present in person and every person representing a shareholder by proxy shall have one vote per Class A Ordinary Share and 20 votes per one Class B Ordinary Share of which he or the person represented by proxy is the holder. In addition, all shareholders holding shares of a particular class are entitled to vote at a meeting of the holders of that class of shares. Votes may be given either personally or by proxy.

Variation of Rights of Shares

Whenever our capital is divided into different classes of shares, the rights attaching to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may be varied either with the consent in writing of the holders of not less than two-thirds of the issued shares of that class, or with the sanction of a resolution passed by a majority of not less than two-thirds of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of shares of that class.

Unless the terms on which a class of shares was issued state otherwise, the rights conferred on the shareholder holding shares of any class shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* with the existing shares of that class.

Alteration of Share Capital (Item 10.B.10 of Form 20-F)

Subject to the Cayman Companies Act, our shareholders may, by ordinary resolution:

- (a) increase our share capital by new shares of the amount fixed by that ordinary resolution and with the attached rights, priorities and privileges set out in that ordinary resolution;
- (b) consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;
- (c) convert all or any of our paid-up shares into stock, and reconvert that stock into paid up shares of any denomination;
- (d) sub-divide our shares or any of them into shares of an amount smaller than that fixed, so, however, that in the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and

- (e) cancel shares which, at the date of the passing of that ordinary resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled or, in the case of shares without nominal par value, diminish the number of shares into which our capital is divided.

Subject to the Cayman Companies Act and to any rights for the time being conferred on the shareholders holding a particular class of shares, our shareholders may, by special resolution, reduce its share capital in any way.

Calls on Shares and Forfeiture

Subject to the terms of allotment, the directors may make calls on the shareholders in respect of any monies unpaid on their shares including any premium and each shareholder shall (subject to receiving at least 14 clear days' notice specifying when and where payment is to be made), pay to us the amount called on his shares. Shareholders registered as the joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share. If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or if no rate is fixed, at the rate of ten percent per annum. The directors may, at their discretion, waive payment of the interest wholly or in part.

We have a first and paramount lien on all shares (whether fully paid up or not) registered in the name of a shareholder (whether solely or jointly with others). The lien is for all monies payable to us by the shareholder or the shareholder's estate:

- (a) either alone or jointly with any other person, whether or not that other person is a shareholder; and
- (b) whether or not those monies are presently payable.

At any time the directors may declare any share to be wholly or partly exempt from the lien on shares provisions of the articles.

We may sell, in such manner as the directors may determine, any share on which the sum in respect of which the lien exists is presently payable, if due notice that such sum is payable has been given (as prescribed by the articles) and, within 14 days of the date on which the notice is deemed to be given under the articles, such notice has not been complied with.

Unclaimed Dividend

A dividend that remains unclaimed for a period of six years after it became due for payment shall be forfeited to, and shall cease to remain owing by, the company.

Forfeiture or Surrender of Shares

If a shareholder fails to pay any capital call, the directors may give to such shareholder not less than 14 clear days' notice requiring payment and specifying the amount unpaid including any interest which may have accrued, any expenses which have been incurred by us due to that person's default and the place where payment is to be made. The notice shall also contain a warning that if the notice is not complied with, the shares in respect of which the call is made will be liable to be forfeited.

If such notice is not complied with, the directors may, before the payment required by the notice has been received, resolve that any share the subject of that notice be forfeited (which forfeiture shall include all dividends or other monies payable in respect of the forfeited share and not paid before such forfeiture).

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the directors determine and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the directors think fit.

A person whose shares have been forfeited shall cease to be a shareholder in respect of the forfeited shares, but shall, notwithstanding such forfeiture, remain liable to pay to us all monies which at the date of forfeiture were payable by him to us in respect of the shares, together with all expenses and interest from the date of forfeiture or surrender until payment, but his liability shall cease if and when we receive payment in full of the unpaid amount.

A declaration, whether statutory or under oath, made by a director or the secretary shall be conclusive evidence that the person making the declaration is our director or secretary and that the particular shares have been forfeited or surrendered on a particular date.

Subject to the execution of an instrument of transfer, if necessary, the declaration shall constitute good title to the shares.

Share Premium Account

The directors have established a share premium account and carry the credit of such account from time to time to a sum equal to the amount or value of the premium paid on the issue of any share or capital contributed or such other amounts required by the Cayman Companies Act.

Redemption and Purchase of Own Shares

Subject to the Cayman Companies Act and any rights for the time being conferred on the shareholders holding a particular class of shares, we may by action of our directors:

- (a) issue shares that are to be redeemed or liable to be redeemed, at our option or the shareholder holding those redeemable shares, on the terms and in the manner our directors determine before the issue of those shares;
- (b) with the consent by special resolution of the shareholders holding shares of a particular class, vary the rights attaching to that class of shares so as to provide that those shares are to be redeemed or are liable to be redeemed at our option on the terms and in the manner which the directors determine at the time of such variation; and
- (c) purchase all or any of our own shares of any class including any redeemable shares on the terms and in the manner which the directors determine at the time of such purchase.

We may make a payment in respect of the redemption or purchase of its own shares in any manner authorized by the Cayman Companies Act, including out of any combination of capital, our profits and the proceeds of a fresh issue of shares.

When making a payment in respect of the redemption or purchase of shares, the directors may make the payment in cash or in specie (or partly in one and partly in the other) if so authorized by the terms of the allotment of those shares or by the terms applying to those shares, or otherwise by agreement with the shareholder holding those shares.

Transfer of Shares

Provided that a transfer of Ordinary Shares complies with applicable rules of the Nasdaq Capital Market, a shareholder may transfer Ordinary Shares to another person by completing an instrument of transfer in a common form or in a form prescribed by Nasdaq or in any other form approved by the directors, executed:

- (a) where the Ordinary Shares are fully paid, by or on behalf of that shareholder; and
- (b) where the Ordinary Shares are partly paid, by or on behalf of that shareholder and the transferee.

The transferor shall be deemed to remain the holder of an Ordinary Share until the name of the transferee is entered into the register of members of the Company.

Where the Ordinary Shares in question are not listed on or subject to the rules of the Nasdaq Capital Market, our board of directors may, in its absolute discretion, decline to register any transfer of any Ordinary Share that has not been fully paid up or is subject to a company lien. Our board of directors may also decline to register any transfer of such Ordinary Share unless:

- (a) the instrument of transfer is lodged with us, accompanied by the certificate for the Ordinary Shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of Ordinary Shares;
- (c) the instrument of transfer is properly stamped, if required;
- (d) the Ordinary Share transferred is fully paid and free of any lien in favor of us;
- (e) any fee related to the transfer has been paid to us; and
- (f) the transfer is not more than four joint holders.

If our directors refuse to register a transfer, they are required, within one month after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 calendar days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and our register of members closed at such times and for such periods as our board of directors may from time to time determine. The registration of transfers, however, may not be suspended, and the register may not be closed, for more than 30 calendar days in any year.

Inspection of Books and Records

Holders of our Ordinary Shares will have no general right under the Cayman Companies Act to inspect or obtain copies of our register of members or our corporate records. Our Articles provide that no shareholder (other than a director of the Company) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or as authorised by the directors or by ordinary resolution.

General Meetings

As a Cayman Islands exempted company, we are not obligated by the Cayman Companies Act to call shareholders' annual general meetings; accordingly, we may, but shall not be obliged to, in each year hold a general meeting as an annual general meeting. Any annual general meeting held shall be held at such time and place as may be determined by our board of directors. All general meetings other than annual general meetings shall be called extraordinary general meetings.

The directors may convene general meetings whenever they think fit. General meetings shall also be convened on the written requisition of one or more of the shareholders entitled to attend and vote at our general meetings who (together) hold not less than ten percent of the rights to vote at such general meeting in accordance with the notice provisions in the articles, specifying the purpose of the meeting and signed by each of the shareholders making the requisition. If the directors do not convene such meeting for a date not later than 21 clear days' after the date of receipt of the written requisition, those shareholders who requested the meeting may convene the general meeting themselves within three months after the end of such period of 21 clear days in which case reasonable expenses incurred by them as a result of the directors failing to convene a meeting shall be reimbursed by us.

At least 14 days' notice of an extraordinary general meeting and 21 days' notice of an annual general meeting shall be given to shareholders entitled to attend and vote at such meeting. The notice shall specify the place, the day and the hour of the meeting and the general nature of that business. In addition, if a resolution is proposed as a special resolution, the text of that resolution shall be given to all shareholders. Notice of every general meeting shall also be given to the directors and our auditors.

Subject to the Cayman Companies Act and with the consent of the shareholders who, individually or collectively, hold at least 90 percent of the voting rights of all those who have a right to vote at a general meeting, a general meeting may be convened on shorter notice.

A quorum shall consist of the presence (whether in person or represented by proxy) of one or more shareholders holding shares that represent not less than one-third of the outstanding shares carrying the right to vote at such general meeting.

If, within 15 minutes from the time appointed for the general meeting, or at any time during the meeting, a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be cancelled. In any other case it shall stand adjourned to the same time and place seven days or to such other time or place as is determined by the directors.

The chairman may, with the consent of a meeting at which a quorum is present, adjourn the meeting. When a meeting is adjourned for seven days or more, notice of the adjourned meeting shall be given in accordance with the articles.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before, or on, the declaration of the result of the show of hands) demanded by the chairman of the meeting or by at least two shareholders having the right to vote on the resolutions or one or more shareholders present who together hold not less than ten percent of the voting rights of all those who are entitled to vote on the resolution. Unless a poll is so demanded, a declaration by the chairman as to the result of a resolution and an entry to that effect in the minutes of the meeting, shall be conclusive evidence of the outcome of a show of hands, without proof of the number or proportion of the votes recorded in favor of, or against, that resolution.

If a poll is duly demanded it shall be taken in such manner as the chairman directs and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall not be entitled to a second or casting vote.

Directors

We may by ordinary resolution, from time to time, fix the maximum and minimum number of directors to be appointed. Under the Articles, we are required to have a minimum of one director and the maximum number of Directors shall be unlimited.

A director may be appointed by ordinary resolution or by the directors. Any appointment may be to fill a vacancy or as an additional director.

Unless the remuneration of the directors is determined by the shareholders by ordinary resolution, the directors shall be entitled to such remuneration as the directors may determine.

The shareholding qualification for directors may be fixed by our shareholders by ordinary resolution and unless and until so fixed no share qualification shall be required.

Unless removed or re-appointed, each director shall be appointed for a term expiring at the next-following annual general meeting, if one is held. At any annual general meeting held, our directors will be elected by an ordinary resolution of our shareholders. At each annual general meeting, each director so elected shall hold office for a one-year term and until the election of their respective successors in office or removed.

A director may be removed by ordinary resolution.

A director may at any time resign or retire from office by giving us notice in writing. Unless the notice specifies a different date, the director shall be deemed to have resigned on the date that the notice is delivered to us.

Subject to the provisions of the articles, the office of a director may be terminated forthwith if:

- (a) he is prohibited by the law of the Cayman Islands from acting as a director;
- (b) he is made bankrupt or makes an arrangement or composition with his creditors generally;
- (c) he resigns his office by notice to us;
- (d) he only held office as a director for a fixed term and such term expires;
- (e) in the opinion of a registered medical practitioner by whom he is being treated he becomes physically or mentally incapable of acting as a director;
- (f) he is given notice by the majority of the other directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such director);
- (g) he is made subject to any law relating to mental health or incompetence, whether by court order or otherwise; or
- (h) without the consent of the other directors, he is absent from meetings of directors for continuous period of six months.

Each of the compensation committee and the nominating and corporate governance committee shall consist of at least three directors and the majority of the committee members shall be independent within the meaning of Section 5605(a)(2) of the Nasdaq listing rules. The audit committee shall consist of at least three directors, all of whom shall be independent within the meaning of Section 5605(a)(2) of the Nasdaq listing rules and will meet the criteria for independence set forth in Rule 10A-3 or Rule 10C-1 of the Exchange Act.

Powers and Duties of Directors

Subject to the provisions of the Cayman Companies Act and our memorandum and articles of association, our business shall be managed by the directors, who may exercise all our powers. No prior act of the directors shall be invalidated by any subsequent alteration of our memorandum or articles of association. To the extent allowed by the Cayman Companies Act, however, shareholders may by special resolution validate any prior or future act of the directors which would otherwise be in breach of their duties.

The directors may delegate any of their powers to any committee consisting of one or more persons who need not be shareholders and may include non-directors so long as the majority of those persons are directors; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the directors. Upon the initial closing of this offering, our board of directors will have established an audit committee, compensation committee, and nomination and corporate governance committee.

The board of directors may establish any local or divisional board of directors or agency and delegate to it its powers and authorities (with power to sub-delegate) for managing any of our affairs whether in the Cayman Islands or elsewhere and may appoint any persons to be members of a local or divisional board of directors, or to be managers or agents, and may fix their remuneration.

The directors may from time to time and at any time by power of attorney or in any other manner they determine appoint any person, either generally or in respect of any specific matter, to be our agent with or without authority for that person to delegate all or any of that person's powers.

The directors may from time to time and at any time by power of attorney or in any other manner they determine appoint any person, whether nominated directly or indirectly by the directors, to be our attorney or our authorized signatory and for such period and subject to such conditions as they may think fit. The powers, authorities and discretions, however, must not exceed those vested in, or exercisable, by the directors under the articles.

The board of directors may remove any person so appointed and may revoke or vary the delegation.

The directors may exercise all of our powers to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital or any part thereof, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of ours or our parent undertaking (if any) or any subsidiary undertaking of us or of any third party.

A director shall not, as a director, vote in respect of any contract, transaction, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is a material interest (otherwise than by virtue of his interests, direct or indirect, in shares or debentures or other securities of, or otherwise in or through, us) and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting, but (in the absence of some other material interest than is mentioned below) none of these prohibitions shall apply to:

- (a) the giving of any security, guarantee or indemnity in respect of:
 - (i) money lent or obligations incurred by him or by any other person for our benefit or any of our subsidiaries; or
 - (ii) a debt or obligation of ours or any of our subsidiaries for which the director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (b) where we or any of our subsidiaries is offering securities in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to or may participate;
- (c) any contract, transaction, arrangement or proposal affecting any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise howsoever, provided that he (together with persons connected with him) does not to his knowledge hold an interest representing one percent or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to shareholders of the relevant body corporate;
- (d) any act or thing done or to be done in respect of any arrangement for the benefit of the employees of us or any of our subsidiaries under which he is not accorded as a director any privilege or advantage not generally accorded to the employees to whom such arrangement relates; or
- (e) any matter connected with the purchase or maintenance for any director of insurance against any liability or (to the extent permitted by the Cayman Companies Act) indemnities in favor of directors, the funding of expenditure by one or more directors in defending proceedings against him or them or the doing of anything to enable such director or directors to avoid incurring such expenditure.

A director may, as a director, vote (and be counted in the quorum) in respect of any contract, transaction, arrangement or proposal in which he has an interest which is not a material interest or as described above.

Capitalization of Profits

The directors may resolve to capitalize:

- (a) any part of our profits not required for paying any preferential dividend (whether or not those profits are available for distribution); or
- (b) any sum standing to the credit of our share premium account or capital redemption reserve, if any.

The amount resolved to be capitalized must be appropriated to the shareholders who would have been entitled to it had it been distributed by way of dividend and in the same proportions.

Liquidation Rights

If we are wound up, the shareholders may, subject to the articles and any other sanction required by the Cayman Companies Act, pass a special resolution allowing the liquidator to do either or both of the following:

- (a) to divide in specie among the shareholders the whole or any part of our assets and, for that purpose, to value any assets and to determine how the division shall be carried out as between the shareholders or different classes of shareholders; and
- (b) to vest the whole or any part of the assets in trustees for the benefit of shareholders and those liable to contribute to the winding up.

The directors have the authority to present a petition for our winding up to the Grand Court of the Cayman Islands on our behalf without the sanction of a resolution passed at a general meeting.

Register of Members

Under the Cayman Companies Act, we must keep a register of members and there should be entered therein:

- the names and addresses of the members of the company, a statement of the shares held by each member, which:
 - distinguishes each share by its number (so long as the share has a number);
 - confirms the amount paid, or agreed to be considered as paid, on the shares of each member;
 - confirms the number and category of shares held by each member; and
 - confirms whether each relevant category of shares held by a member carries voting rights under the Articles, and if so, whether such voting rights are conditional;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

For these purposes, “voting rights” means rights conferred on shareholders, including the right to appoint or remove directors, in respect of their shares to vote at general meetings of the company on all or substantially all matters. A voting right is conditional where the voting right arises only in certain circumstances.

Under the Cayman Companies Act, the register of members of our company is prima facie evidence of the matters set out therein (that is, the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a shareholder registered in the register of members is deemed as a matter of the Cayman Companies Act to have legal title to the shares as set against its name in the register of members. Upon the completion of this offering, the register of members will be immediately updated to record and give effect to the issuance of shares by us to the custodian or its nominee. Once our register of members has been updated, the shareholders recorded in the register of members will be deemed to have legal title to the shares set against their name.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a shareholder of our company, the person or shareholder aggrieved (or any shareholder of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Differences in Corporate Law (Item 10.B.9 of Form 20-F)

The Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England and Wales but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Cayman Companies Act and the current Companies Act of England and Wales. In addition, the Cayman Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Cayman Companies Act applicable to us and the comparable laws applicable to companies incorporated in the State of Delaware in the United States.

Mergers and Similar Arrangements

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The plan must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the shareholders and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman Islands parent company and its Cayman Islands subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose, a subsidiary is a company of which at least 90% of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest of a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Except in certain limited circumstances, a dissenting shareholder of a Cayman Islands constituent company is entitled to payment of the fair value of his or her shares upon dissenting from a merger or consolidation. The exercise of such dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, except for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- (a) the statutory provisions as to the required majority vote have been met;

- (b) the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- (c) the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- (d) the arrangement is not one that would more properly be sanctioned under some other provision of the Cayman Companies Act.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion. If an arrangement and reconstruction is thus approved, or if a takeover offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company and as a general rule, a derivative action may not be brought by a minority shareholder. However, based on English law authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge:

- (a) an act which is illegal or ultra vires with respect to the company and is therefore incapable of ratification by the shareholders;
- (b) an act which, although not ultra vires, requires authorization by a qualified (or special) majority (that is, more than a simple majority) which has not been obtained; and
- (c) an act which constitutes a "fraud on the minority" where the wrongdoers are themselves in control of the company.

Indemnification of Directors and Executive Officers and Limitation of Liability

The Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our articles of association provide to the extent permitted by law, we shall indemnify each existing or former secretary, director (including alternate director), and any of our other officers (including an investment adviser or an administrator or liquidator) and their personal representatives against:

- (a) all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by the existing or former director (including alternate director), secretary or officer in or about the conduct of our business or affairs or in the execution or discharge of the existing or former director (including alternate director), secretary's or officer's duties, powers, authorities or discretions; and
- (b) without limitation to paragraph (a) above, all costs, expenses, losses or liabilities incurred by the existing or former director (including alternate director), secretary or officer in defending (whether successfully or otherwise) any civil, criminal, administrative or investigative proceedings (whether threatened, pending or completed) concerning us or our affairs in any court or tribunal, whether in the Cayman Islands or elsewhere.

No such existing or former director (including alternate director), secretary or officer, however, shall be indemnified in respect of any matter arising out of his own dishonesty.

To the extent permitted by law, we may make a payment, or agree to make a payment, whether by way of advance, loan or otherwise, for any legal costs incurred by an existing or former director (including alternate director), secretary or any of our officers in respect of any matter identified in above on condition that the director (including alternate director), secretary or officer must repay the amount paid by us to the extent that it is ultimately found not liable to indemnify the director (including alternate director), the secretary or that officer for those legal costs.

This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and executive officers that will provide such persons with additional indemnification beyond that provided in our articles of association.

Anti-Takeover Provisions in Our Articles

Some provisions of our articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue shares at such times and on such terms and conditions as the board of directors may decide without any further vote or action by our shareholders.

Under the Cayman Companies Act, our directors may only exercise the rights and powers granted to them under our articles of association for what they believe in good faith to be in the best interests of our company and for a proper purpose.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director owes three types of duties to the company: (i) statutory duties, (ii) fiduciary duties, and (iii) common law duties. The Cayman Companies Act imposes a number of statutory duties on a director. A Cayman Islands director's fiduciary duties are not codified, however the courts of the Cayman Islands have held that a director owes the following fiduciary duties (a) a duty to act in what the director bona fide considers to be in the best interests of the company, (b) a duty to exercise their powers for the purposes they were conferred, (c) a duty to avoid fettering his or her discretion in the future and (d) a duty to avoid conflicts of interest and of duty. The common law duties owed by a director are those to act with skill, care and diligence that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and, also, to act with the skill, care and diligence in keeping with a standard of care commensurate with any particular skill they have which enables them to meet a higher standard than a director without those skills. In fulfilling their duty of care to us, our directors must ensure compliance with our articles of association, as amended and restated from time to time. We have the right to seek damages if a duty owed by any of our directors is breached.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Cayman Companies Act provides shareholders with only limited rights to requisition a general meeting and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our articles of association provide that general meetings shall be convened on the written requisition of one or more of the shareholders entitled to attend and vote at our general meetings who (together) hold not less than 10 percent of the rights to vote at such general meeting in accordance with the notice provisions in the articles of association, specifying the purpose of the meeting and signed by each of the shareholders making the requisition. If the directors do not convene such meeting for a date not later than twenty-one clear days' after the date of receipt of the written requisition, those shareholders who requested the meeting may convene the general meeting themselves within three months after the end of such period of twenty-one clear days in which case reasonable expenses incurred by them as a result of the directors failing to convene a meeting shall be reimbursed by us. Our articles of association provide no other right to put any proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obligated by law to call shareholders' annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under the Cayman Companies Act, our articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Subject to the provisions of our articles of association (which include the removal of a director by ordinary resolution), the office of a director may be terminated forthwith if (a) he is prohibited by the laws of the Cayman Islands from acting as a director, (b) he is made bankrupt or makes an arrangement or composition with his creditors generally, (c) he resigns his office by notice to us, (d) he only held office as a director for a fixed term and such term expires, (e) in the opinion of a registered medical practitioner by whom he is being treated he becomes physically or mentally incapable of acting as a director, (f) he is given notice by the majority of the other directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such director), (g) he is made subject to any law relating to mental health or incompetence, whether by court order or otherwise, or (h) without the consent of the other directors, he is absent from meetings of directors for continuous period of six months.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

The Cayman Companies Act has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although the Cayman Companies Act does not regulate transactions between a company and its significant shareholders, under Cayman Islands law such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board of directors.

Under the Cayman Companies Act and our articles of association, the Company may be wound up by a special resolution of our shareholders, or if the winding up is initiated by our board of directors, by either a special resolution of our members or, if our company is unable to pay its debts as they fall due, by an ordinary resolution of our members. In addition, a company may be wound up by an order of the courts of the Cayman Islands. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under the Cayman Companies Act and our articles of association, if our share capital is divided into more than one class of shares, the rights attaching to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may be varied either with the consent in writing of the holders of not less than two-thirds of the issued shares of that class, or with the sanction of a resolution passed by a majority of not less than two-thirds of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under the Cayman Companies Act, our articles of association may only be amended by special resolution of our shareholders.

Anti-money Laundering—Cayman Islands

In order to comply with legislation or regulations aimed at the prevention of money laundering, we may be required to adopt and maintain anti-money laundering procedures and may require subscribers to provide evidence to verify their identity. Where permitted, and subject to certain conditions, we may also delegate the maintenance of our anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person.

We reserve the right to request such information as is necessary to verify the identity of a subscriber. In the event of delay or failure on the part of the subscriber in producing any information required for verification purposes, we may refuse to accept the application, in which case any funds received will be returned without interest to the account from which they were originally debited.

We also reserve the right to refuse to make any redemption payment to a shareholder if our directors or officers suspect or are advised that the payment of redemption proceeds to such shareholder might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure our compliance with any such laws or regulations in any applicable jurisdiction.

If any person resident in the Cayman Islands knows or suspects or has reason for knowing or suspecting that another person is engaged in criminal conduct or is involved with terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of their business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) a nominated officer (appointed in accordance with the Proceeds of Crime Act (Revised) of the Cayman Islands) or the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Crime Act (Revised), if the disclosure relates to criminal conduct or money laundering or (ii) to a police constable or a nominated officer (pursuant to the Terrorism Act (Revised) of the Cayman Islands) or the Financial Reporting Authority, pursuant to the Terrorism Act (Revised), if the disclosure relates to involvement with terrorism or terrorist financing and terrorist property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

Data Protection in the Cayman Islands – Privacy Notice

This privacy notice explains the manner in which the Company collects, processes and maintains personal data about investors of the Company pursuant to the Data Protection Act (Revised) of the Cayman Islands, as amended from time to time and any regulations, codes of practice or orders promulgated pursuant thereto (DPA).

The Company is committed to processing personal data in accordance with the DPA. In its use of personal data, the Company will be characterized under the DPA as a ‘data controller’, whilst certain of the Company’s service providers, affiliates and delegates may act as ‘data processors’ under the DPA. These service providers may process personal information for their own lawful purposes in connection with services provided to the Company.

By virtue of making an investment in the Company, the Company and certain of the Company’s service providers may collect, record, store, transfer and otherwise process personal data by which individuals may be directly or indirectly identified.

Your personal data will be processed fairly and for lawful purposes, including (a) where the processing is necessary for the Company to perform a contract to which you are a party or for taking pre-contractual steps at your request (b) where the processing is necessary for compliance with any legal, tax or regulatory obligation to which the Company is subject or (c) where the processing is for the purposes of legitimate interests pursued by the Company or by a service provider to whom the data are disclosed. As a data controller, we will only use your personal data for the purposes for which we collected it. If we need to use your personal data for an unrelated purpose, we will contact you.

We anticipate that we will share your personal data with the Company’s service providers for the purposes set out in this privacy notice. We may also share relevant personal data where it is lawful to do so and necessary to comply with our contractual obligations or your instructions or where it is necessary or desirable to do so in connection with any regulatory reporting obligations. In exceptional circumstances, we will share your personal data with regulatory, prosecuting and other governmental agencies or departments, and parties to litigation (whether pending or threatened), in any country or territory including to any other person where we have a public or legal duty to do so (e.g. to assist with detecting and preventing fraud, tax evasion and financial crime or compliance with a court order). Your personal data shall not be held by the Company for longer than necessary with regard to the purposes of the data processing.

We will not sell your personal data. Any transfer of personal data outside of the Cayman Islands shall be in accordance with the requirements of the DPA. Where necessary, we will ensure that separate and appropriate legal agreements are put in place with the recipient of that data.

The Company will only transfer personal data in accordance with the requirements of the DPA, and will apply appropriate technical and organizational information security measures designed to protect against unauthorized or unlawful processing of the personal data and against the accidental loss, destruction or damage to the personal data.

If you are a natural person, this will affect you directly. If you are a corporate investor (including, for these purposes, legal arrangements such as trusts or exempted limited partnerships) that provides us with personal data on individuals connected to you for any reason in relation to your investment into the Company, this will be relevant for those individuals and you should inform such individuals of the content.

You have certain rights under the DPA, including (a) the right to be informed as to how we collect and use your personal data (and this privacy notice fulfils the Company's obligation in this respect) (b) the right to obtain a copy of your personal data (c) the right to require us to stop direct marketing (d) the right to have inaccurate or incomplete personal data corrected (e) the right to withdraw your consent and require us to stop processing or restrict the processing, or not begin the processing of your personal data (f) the right to be notified of a data breach (unless the breach is unlikely to be prejudicial) (g) the right to obtain information as to any countries or territories outside the Cayman Islands to which we, whether directly or indirectly, transfer, intend to transfer or wish to transfer your personal data, general measures we take to ensure the security of personal data and any information available to us as to the source of your personal data (h) the right to complain to the Office of the Ombudsman of the Cayman Islands and (i) the right to require us to delete your personal data in some limited circumstances.

If you consider that your personal data has not been handled correctly, or you are not satisfied with the Company's responses to any requests you have made regarding the use of your personal data, you have the right to complain to the Cayman Islands' Ombudsman. The Ombudsman can be contacted by calling +1 (345) 946-6283 or by email at info@ombudsman.ky.

Principal Subsidiaries and Consolidated Affiliated Entities of the Registrant

Entity	Date of incorporation	Place of incorporation	Percentage of direct or indirect economic ownership	Principal activities
Sentage Holdings Inc.	September 16, 2019	Cayman Islands	Parent, 100%	Investment holding
Sentage Hongkong Limited	September 25, 2019	Hong Kong	100%	Investment holding
Shanghai Santeng Technology Co., Ltd.	December 17, 2019	Shanghai, PRC	100%	WFOE, Consultancy and information technology support
Daxin Wealth Investment Management (Shanghai) Co., Ltd.	August 13, 2014	Shanghai, PRC	VIE	Consumer loan repayment and collection management services; and loan recommendation services to assist borrowers to obtain loans from various financial institutions services
Daxin Zhuohui Financial Information Services (Shanghai) Co., Ltd. (“Daxin Zhuohui”)	January 9, 2015	Shanghai, PRC	VIE	Consumer loan repayment and collection management services; and loan recommendation services to assist borrowers to obtain loans from various financial institutions services
Qingdao Buytop Payment Services Co., Ltd.	August 4, 2009	Qingdao, Shandong, PRC	VIE	Prepaid payment network services
Zhenyi Information Technology (Shanghai) Co., Ltd.	August 29, 2017	Shanghai, PRC	VIE	Provide technology and system development and support

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Qiaoling Lu, certify that:

- (1) I have reviewed this Form 20-F for the fiscal year ended December 31, 2023 of Sentage Holdings Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2024

By: /s/ Qiaoling Lu
Qiaoling Lu
Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jianhua Chen, certify that:

- (1) I have reviewed this Form 20-F for the fiscal year ended December 31, 2023 of Sentage Holdings Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2024

By: /s/ Jianhua Chen
Jianhua Chen
Chief Financial Officer

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Qiaoling Lu, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Sentage Holdings Inc. on Form 20-F for the fiscal year ended December 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 20-F fairly presents in all material respects the financial condition and results of operations of Sentage Holdings Inc. at the dates and for the periods indicated.

Date: April 26, 2024

By: /s/ Qiaoling Lu
Qiaoling Lu
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Sentage Holdings Inc. and will be retained by Sentage Holdings Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATIONS OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jianhua Chen, certify, as of the date hereof, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Sentage Holdings Inc. on Form 20-F for the fiscal year ended December 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 20-F fairly presents in all material respects the financial condition and results of operations of Sentage Holdings Inc. at the dates and for the periods indicated.

Date: April 26, 2024

By: /s/ Jianhua Chen
Jianhua Chen
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Sentage Holdings Inc. and will be retained by Sentage Holdings Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

April 26, 2024

Sentage Holdings Inc.

501, Platinum Tower 233 Taicang Road

HuangPu, Shanghai City 200001

People's Republic of China

Consent Letter on Sentage Holdings Inc.–FORM 20-F

Dear Sirs or Madams,

We are qualified lawyers of the People's Republic of China (the "PRC", for the purpose of this consent only, the PRC shall not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan).

We act as the PRC counsel to Sentage Holdings Inc. (the "Company"), a company incorporated under the laws of the Cayman Islands, in connection with the filing of Annual Report on Form 20-F for the year ended December 31, 2023.

We hereby consent to the reference to our name and the inclusion of our opinion in such annual report.

This consent is rendered solely to you for the filing on Form 20-F and may not be used for any other purpose.

Yours faithfully,

/s/ Beijing Dacheng Law Offices, LLP (Fuzhou)

Beijing Dacheng Law Offices, LLP (Fuzhou)

SENTAGE HOLDINGS INC.
THE “COMPANY”
COMPENSATION RECOVERY POLICY

Effective December 1, 2023

In accordance with Section 10D of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), Exchange Act Rule 10D-1, and the listing standards of The Nasdaq Stock Market (the “**Exchange**”), the Company’s Board of Directors (the “**Board**”) has adopted this Compensation Recovery Policy (the “**Policy**”).

Capitalized terms used in the Policy are defined in Section I below. The application of the Policy to Executive Officers is not discretionary, except to the limited extent provided in Section G below, and applies without regard to whether an Executive Officer was at fault.

A. Persons Covered by the Policy

The Policy is binding and enforceable against all Executive Officers. Each Executive Officer will be required to sign and return to the Company an acknowledgement that such Executive Officer will be bound by the terms and comply with the Policy. The failure to obtain such acknowledgement will have no impact on the applicability or enforceability of the Policy.

B. Administration of the Policy

The Compensation Committee of the Board (the “**Committee**”) has full-delegated authority to administer the Policy. The Committee is authorized to interpret and construe the Policy and to make all determinations necessary, appropriate, or advisable for the administration of the Policy. In addition, if determined in the discretion of the Board, the Policy may be administered by the independent members of the Board or another committee of the Board made up of independent members of the Board, in which case all references to the Committee will be deemed to refer to such independent members of the Board or such other Board committee. All determinations of the Committee will be final and binding and will be given the maximum deference permitted by law.

C. Accounting Restatements Requiring Application of the Policy

If the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (an “**Accounting Restatement**”), then the Committee must determine the excess compensation, if any, that must be recovered (the “**Excess Compensation**”). The Company’s obligation to recover Excess Compensation is not dependent on if or when the restated financial statements are filed.

D. Compensation Covered by the Policy

The Policy applies to all Incentive-Based Compensation Received by an Executive Officer:

- (a) after beginning service as an Executive Officer;
- (b) who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation;
- (c) while the Company has a class of securities listed on the Exchange;
- (d) during the three completed fiscal years immediately preceding the Accounting Restatement Determination Date. In addition to these last three completed fiscal years, the Policy must apply to any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years. However, a transition period between the last day of the Company's previous fiscal year end and the first day of the Company's new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year; and
- (e) on or after October 2, 2023.

E. Excess Compensation Subject to Recovery of the Policy

Excess Compensation is the amount of Incentive-Based Compensation Received that exceeds the amount of Incentive-Based Compensation that otherwise would have been Received had such Incentive-Based Compensation been determined based on the restated amounts (this is referred to in the listings standards as "erroneously awarded incentive-based compensation") and must be computed without regard to any taxes paid.

To determine the amount of Excess Compensation for Incentive-Based Compensation based on stock price or total shareholder return, where it is not subject to mathematical recalculation directly from the information in an Accounting Restatement, the amount must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was Received and the Company must maintain documentation of the determination of that reasonable estimate and provide the documentation to the Exchange.

F. Repayment of Excess Compensation

The Company must recover Excess Compensation reasonably promptly and Executive Officers are required to repay Excess Compensation to the Company. Subject to applicable law, the Company may recover Excess Compensation by requiring the Executive Officer to repay such amount to the Company by direct payment to the Company or such other means or combination of means as the Committee determines to be appropriate (these determinations do not need to be identical as to each Executive Officer). These means may include:

- (a) requiring reimbursement of cash Incentive-Based Compensation previously paid;
- (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of any equity-based awards;
- (c) offsetting the amount to be recovered from any unpaid or future compensation to be paid by the Company or any affiliate of the Company to the Executive Officer;

- (d) cancelling outstanding vested or unvested equity awards; and/or
- (e) taking any other remedial and recovery action permitted by law, as determined by the Committee.

The repayment of Excess Compensation must be made by an Executive Officer notwithstanding any Executive Officer's belief (whether or not legitimate) that the Excess Compensation had been previously earned under applicable law and therefore is not subject to recovery.

In addition to its rights to recovery under the Policy, the Company or any affiliate of the Company may take any legal actions it determines appropriate to enforce an Executive Officer's obligations to the Company or its affiliate or to discipline an Executive Officer, including (without limitation) termination of employment, institution of civil proceedings, reporting of misconduct to appropriate governmental authorities, reduction of future compensation opportunities, or change in role. The decision to take any actions described in the preceding sentence will not be subject to the approval of the Committee and can be made by the Board, any committee of the Board, or any duly authorized officer of the Company or of any applicable affiliate of the Company.

G. Limited Exceptions to the Policy

The Company must recover Excess Compensation in accordance with the Policy except to the limited extent that any of the conditions set forth below are met, and the Committee determines that recovery of the Excess Compensation would be impracticable:

- (a) The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before reaching this conclusion, the Company must make a reasonable attempt to recover the Excess Compensation, document the reasonable attempt(s) taken to so recover, and provide that documentation to the Exchange;
- (b) Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before reaching this conclusion, the Company must obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation, and must provide such opinion to the Exchange; or
- (c) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the legal requirements as such;

H. Other Important Information in the Policy

Notwithstanding the terms of any of the Company's organizational documents (including, but not limited to, the Company's articles of association), any corporate policy or any contract (including, but not limited to, any indemnification agreement), neither the Company nor any affiliate of the Company will indemnify or provide advancement for any Executive Officer against any loss of Excess Compensation, or any claims relating to the Company's enforcement of its rights under the Policy. Neither the Company nor any affiliate of the Company will pay for or reimburse insurance premiums for an insurance policy that covers potential recovery obligations. In the event that pursuant to the Policy the Company is required to recover Excess Compensation from an Executive Officer who is no longer an employee, the Company will be entitled to seek recovery in order to comply with applicable law, regardless of the terms of any release of claims or separation agreement such individual may have signed. Neither the Company nor any affiliate of the Company will enter into any agreement that exempts any Incentive-Based Compensation that is granted, paid, or awarded to an Executive Officer from the application of the Policy or that waives the Company's right to recovery of any Excess Compensation, and the Policy shall supersede any such agreement (whether entered into before, on, or after the adoption of the Policy).

The Committee or Board may review and modify the Policy from time to time.

If any provision of the Policy or the application of any such provision to any Executive Officer is adjudicated to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability will not affect any other provisions of the Policy or the application of such provision to another Executive Officer, and the invalid, illegal or unenforceable provisions will be deemed amended to the minimum extent necessary to render any such provision or application enforceable.

The Policy will terminate and no longer be enforceable when the Company ceases to be a listed issuer within the meaning of Section 10D of the Exchange Act.

I. Definitions

“**Accounting Restatement Determination Date**” means the earlier to occur of: (a) the date the Board, a committee of the Board, or one or more of the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; and (b) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

“**Executive Officer**” means each individual who is or was ever designated as an “officer” by the Board in accordance with Exchange Act Rule 16a-1(f).

“**Financial Reporting Measures**” means measures that are determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also Financial Reporting Measures. A Financial Reporting Measure need not be presented within the financial statements or included in a filing with the Securities and Exchange Commission.

“**Incentive-Based Compensation**” means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure (for the avoidance of doubt, no compensation that is potentially subject to recovery under the Policy will be earned until the Company’s right to recover under the Policy has lapsed) and excludes the following: salaries, bonuses paid solely at the discretion of the Committee or Board that are not paid from a bonus pool that is determined by satisfying a Financial Reporting Measure, bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment period, non-equity incentive plan awards earned solely upon satisfying one or more strategic measures or operational measures, and equity awards for which the grant is not contingent upon achieving any Financial Reporting Measure performance goal and vesting is contingent solely upon completion of a specified employment period (e.g., time-based vesting equity awards) and/or attaining one or more non-Financial Reporting Measures.

“**Received**” means, with respect to any Incentive-based Compensation, actual or deemed receipt, and Incentive-Based Compensation is “Received” under the Policy in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period. For the avoidance of doubt, the Policy does not apply to Incentive-Based Compensation for which the Financial Reporting Measure is attained prior to October 2, 2023.

ACKNOWLEDGEMENT & AGREEMENT

This Acknowledgment & Agreement (the "Acknowledgment") is delivered by the undersigned employee ("Executive"), as of the date set forth below, to Sentage Holdings Inc. (the "Company"). Effective as of December 1, 2023, the Board of Directors (the "Board") of the Company adopted the COMPENSATION RECOVERY POLICY (as amended, restated, supplemented or otherwise modified from time to time by the Board, the "Policy").

In consideration of the continued benefits to be received from the Company (and/or any subsidiary of the Company) and Executive's right to participate in, and as a condition to the receipt of, Incentive-based Compensation (as defined in the Policy), Executive hereby acknowledges and agrees to the following:

I acknowledge that I have received and read the Policy.

I understand and acknowledge that the Policy applies to me, and all of my beneficiaries, heirs, executors, administrators, or other legal representatives and that the Company's right to recovery in order to comply with applicable law will apply, regardless of the terms of any release of claims or separation agreement I have signed or will sign in the future.

I agree to be bound by and to comply with the Policy and understand that determinations of the Committee (as such term is used in the Policy) will be final and binding and will be given the maximum deference permitted by law.

I understand and agree that my current indemnification rights, whether in an individual agreement or the Company's organizational documents, exclude the right to be indemnified for amounts required to be recovered under the Policy.

I understand that my failure to comply in all respects with the Policy is a basis for termination of my employment with the Company and any affiliate of the Company, as well as any other appropriate discipline.

I understand that neither the Policy, nor the application of the Policy to me, gives rise to a resignation for good reason (or similar concept) by me under any applicable employment agreement or arrangement.

I acknowledge that if I have questions concerning the meaning or application of the Policy, it is my responsibility to seek guidance from the Company's legal department or my own personal advisers.

I acknowledge that neither this Acknowledgement nor the Policy is meant to constitute an employment contract.

Please review, sign, and return this form to the Company.

(mm/dd/yyyy)

(print name and title)

(signature)