Application Proof of

IVF Hospital Management Group Limited
爱维艾夫医院管理集团有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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IVF Hospital Management Group Limited
爱维艾夫医院管理集团有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**[HK$0.0001] per Share**
Stock Code	**:**	**[REDACTED]**

***Sole Sponsor,* [REDACTED]**

CITIC SECURITIES

[REDACTED]

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The **[REDACTED]** is expected to be fixed by agreement by the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and us on the **[REDACTED]**. The **[REDACTED]** is expected to be on or around **[REDACTED]** (Hong Kong time). The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**, unless otherwise announced. Applicants for **[REDACTED]** are required to pay, on application, the maximum **[REDACTED]** of HK$**[REDACTED]** for each **[REDACTED]** together with brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the **[REDACTED]** as finally determined is less than HK$**[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed by 12:00 noon on **[REDACTED]** (Hong Kong time) by the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and us, the **[REDACTED]** will not proceed and will lapse.

The **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) may, with the consent of our Company, reduce the number of **[REDACTED]** and/or the indicative **[REDACTED]** range below that stated in this document (which is HK$**[REDACTED]** to HK$**[REDACTED]**) per **[REDACTED]** at any time prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, a notice of the reduction in the number of **[REDACTED]** and/or the indicative **[REDACTED]** range will be published on the websites of our Company at **www.ivfchina.net** and the Stock Exchange at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the **[REDACTED]**. Further details are set forth in "**[REDACTED]**" and "**[REDACTED]**" in this document. If applications for **[REDACTED]** have been submitted prior to the day which is the last day for lodging applications under the **[REDACTED]**, then such applications can be subsequently withdrawn if the number of **[REDACTED]** and/or the indicative **[REDACTED]** range is so reduced.

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[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

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

OVERVIEW

We are a leading one-stop assisted reproductive technology (ART) and ancillary service provider in China. Through our four licensed hospitals in Guangdong, Tianjin and Yunnan, we focus on providing ART and ancillary services with a large geographical coverage, extending to patients with infertility across 15 surrounding provinces and municipalities in China. In 2022, our hospitals ranked fourth among China's private ART service providers with 6,706 IVF cycles performed, representing approximately 0.9% of the total number of IVF cycles performed in China in the same year, according to Frost & Sullivan. China's ART and ancillary service market is relatively fragmented, with the top five ART and ancillary service providers in aggregate accounting for approximately 13.8% of the total market share, according to the same source. In recent years, the increasing prevalence of infertile couples and the low penetration rate of ART services in China have led to a significant unmet demand and brought considerable market opportunities.

As one of the pioneers in the ART service industry in China, we have been steadfastly devoted to the provision of ART and ancillary services for over a decade. Leveraging our internationally advanced medical technologies and equipment, we are able to provide our patients with quality services. We have reinforced our leading market position through maintaining our superior success rate and live birth rate, the two widely accepted indicators in the industry to assess the quality of an ART service provider's treatment, according to Frost & Sullivan. In 2021 (being the year in which the most recent national industry data is available), the average success rate (representing the aggregate number of resulting clinical pregnancies divided by the aggregate number of embryo transfers) and the live birth rate of our hospitals reached 58.2% and 46.5%, respectively, largely outperforming the industry average of 51.5% and 41.3%, respectively, according to Frost & Sullivan.

Led by our visionary leader and a team of experienced medical experts, we have earned a high reputation and achieved steady business performance over the years. Our revenue generated from providing ART and ancillary services increased from RMB369.4 million in 2020 to RMB407.2 million in 2022 at a CAGR of 5.0%, and increased by 29.8% from RMB177.4 million for the six months ended June 30, 2022 to RMB230.4 million for the six months ended June 30, 2023. We constantly maintained high gross profit margin at 42.4%, 45.9%, 43.3%, 40.6% and 43.5% in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively. Contributed by the high gross profit margin and operational efficiency, our gross profit increased from RMB156.5 million in 2020 to RMB176.4 million in 2022, representing a CAGR of 6.2%, and increased by 39.0% from RMB72.0 million for the six months ended June 30, 2022 to RMB100.2 million for the six months ended June 30, 2023. Our profit for the year/period increased from RMB46.0 million in 2020 to RMB64.5 million in 2022 at a CAGR of 18.5%, and increased significantly by 148.3% from RMB13.6 million for the six months ended June 30, 2022 to RMB33.9 million for the six months ended June 30, 2023.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors, and will help drive our growth in the future:

- We are a leading ART and ancillary service provider in China with a prominent market position, enjoying a high reputation in the industry.
- The favorable policies and high entry barriers have well positioned us to benefit from the huge unmet market demand in China.
- Our medical team-based operation model and differentiated service programs optimize the treatment process, improve our service capabilities, and enhance patient experience.
- Our relentless pursuit of adopting internationally advanced medical technologies and equipment helps us stay at the forefront of the ART service industry in China.
- Standardized, efficient and scalable operational systems effectively reduce our operating costs and support our smooth operations.
- A visionary leader, a robust, pragmatic and efficient management organizational system and a team of seasoned medical experts underpins the sustainable development of our business.

See "Business — Our Competitive Strengths."

OUR STRATEGIES

We are devoted to the application, research and dissemination of ART, and providing professional personalized diagnostic and treatment plans for more infertile patients to realize their dreams of having babies. We endeavor to achieve this vision through the following five aspects:

- We are committed to further enhancing the quality of our ART and ancillary services, and continuously improving patients' medical experience to meet their diverse needs.

- We strive to create a smart healthcare group, comprehensively upgrading and implementing digitalization to improve our overall operational efficiency and management capabilities.

- We will continue to expand our medical network and actively establish a presence in overseas markets.

- We aim to continuously attract, cultivate and retain exceptional medical, operational and managerial staff, and develop into a platform-based healthcare group.

- We target to continuously optimize our customer acquisition and enhance our brand visibility and influence.

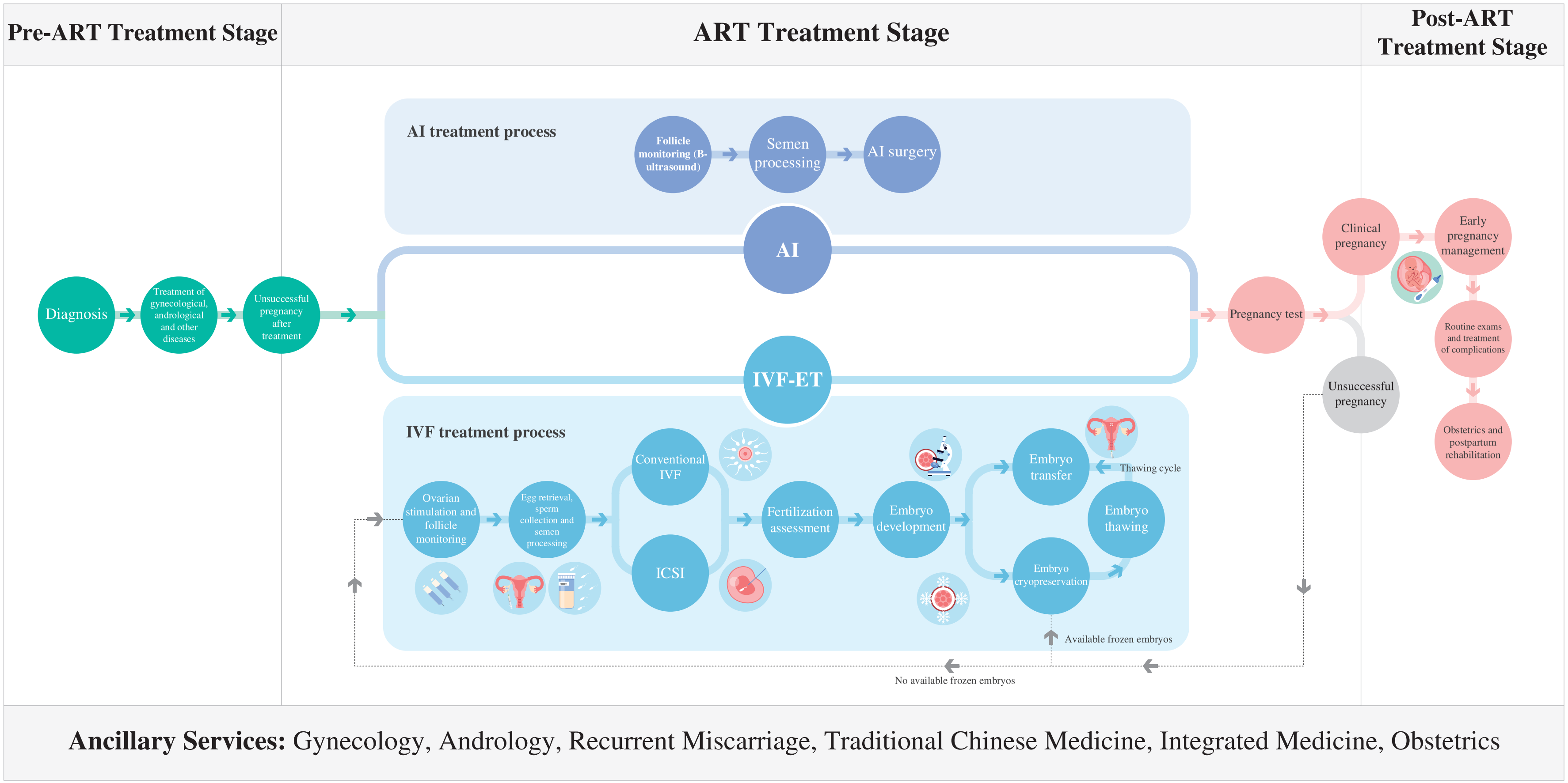
See "Business — Our Strategies."

OUR BUSINESS MODEL

Our services are primarily the provision of ART treatment to patients. ART is one of the three main types of infertility treatments. It assists the natural reproductive process by directly bypassing the causes of infertility and implementing ART procedures to achieve fertilization and early embryonic development under the optimal conditions through highly controlled laboratory settings. As a result, infertile patients can effectively achieve the highest success rate through ART treatment as compared to the other two types, medication and surgery. ART treatment includes two major solutions: (i) artificial insemination (AI), which can be performed with either the husband's sperm (AIH) or a donor's sperm (AID); and (ii) *in vitro* fertilization and embryo transfer (IVF-ET), whereby fertilization is achieved through conventional IVF or intracytoplasmic sperm injection (ICSI), as well as preimplantation genetic testing of embryos (PGT), where genetic disease screening of embryos is performed. All of our hospitals are able to perform AIH, conventional IVF and ICSI on patients. During the Track Record Period, a majority of our patients underwent IVF-ET treatment.

Our services also include various ancillary medical services to support our AI and IVF-ET treatment processes. These services include tailor-made treatment solutions for the pre-ART treatment physical conditioning of patients with underlying medical conditions that may affect reproduction. Our service solutions include, among others, psychological support, nutritional guidance, weight loss counseling and traditional Chinese medicine physiotherapy to improve patients' overall physical and mental health, which helps increase the success rate in their subsequent ART treatment.

The following chart illustrates our business model underpinned by our specialized expertise and professional service offerings:



OUR MEDICAL NETWORK

As of the Latest Practicable Date, we owned and operated four hospitals in China, namely Zhanjiang Hospital in Guangdong, Tianjin Hospital in Tianjin, Jieyang Hospital in Guangdong and Kunming Hospital in Yunnan. All of our hospitals are for-profit specialty hospital wholly owned and managed by our Group under a centralized operation and maintenance system, covering R&D, finance, internal audit, database, and human resources. Meanwhile, the head of each of our hospitals is responsible for the daily operations, and report to our Group-level senior management. The following table sets forth a summary of the key information of our hospitals as of June 30, 2023:

Hospital	Location	Time of obtaining the ART licenses(1)	Accumulated number of IVF cycles performed during the Track Record Period	Range of the success rate during the Track Record Period	Number of major medical professionals as of June 30, 2023(2)
Zhanjiang Hospital (湛江久和醫院)	Zhanjiang, Guangdong, China	AIH approval: July 27, 2010 Conventional IVF and ICSI approval: September 14, 2010	12,184	53.6% - 57.0%	96
Tianjin Hospital (天津爱維醫院)	Tianjin, China	AIH approval: April 24, 2014 Conventional IVF and ICSI approval: July 5, 2016	4,627	55.1% - 58.1%	84
Jieyang Hospital (揭陽爱維艾夫醫院). .	Jieyang, Guangdong, China	AIH approval: March 27, 2012 Conventional IVF and ICSI approval: April 2, 2013	2,871	65.1% - 66.5%	35
Kunming Hospital (昆明爱維艾夫醫院). .	Kunming, Yunnan, China	AIH approval: August 23, 2013 Conventional IVF and ICSI approval: August 23, 2013	3,887	53.6% - 56.6%	39

Notes:

(1) Where local regulations require a trial operation before official operation, the date refers to the time for obtaining the trial operation license.

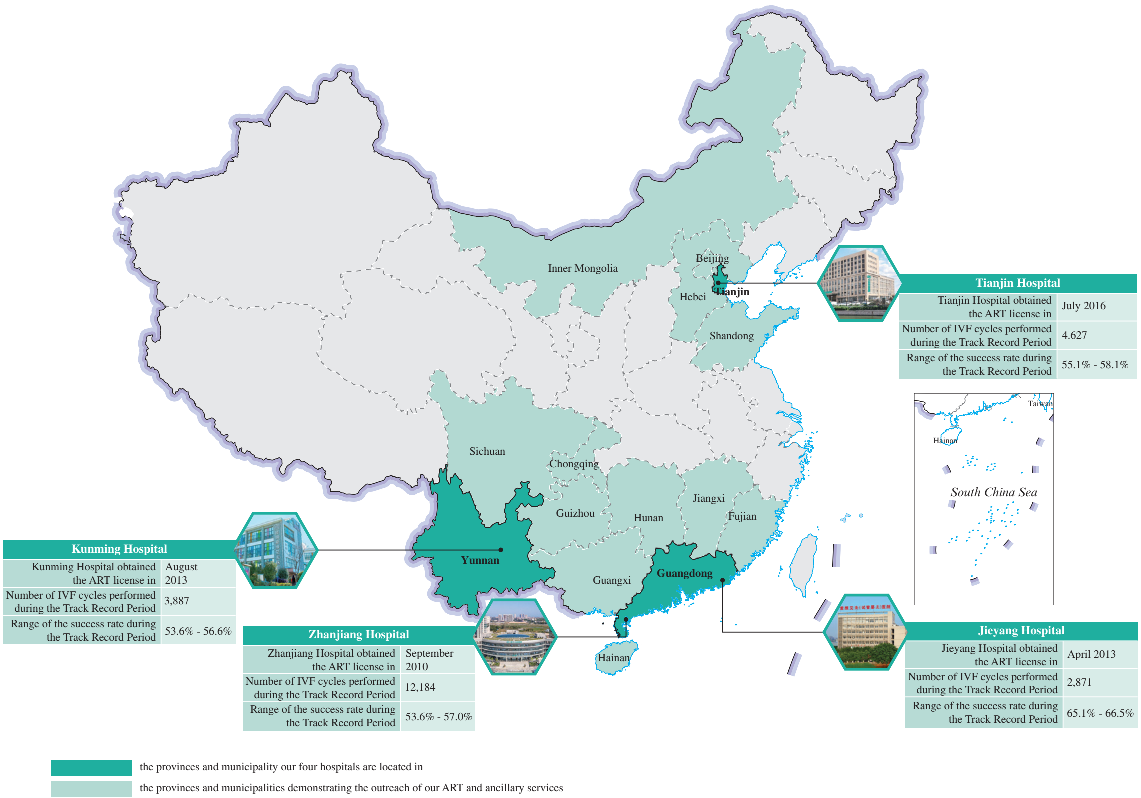
(2) Medical professionals refer to our full-time physicians, embryology lab staff and nurses.

In each of our hospitals, we group our medical professionals into ART service teams and adopt a medical team-based operation model. Each ART service team specializes in a specific area of focus. When a patient is admitted, we select and assign an ART service team that is best suited to the patient's needs and condition, and such ART service team will be responsible for the patient's whole treatment process to keep the patient from having to visit different ART service teams or medical departments for different treatment procedures. Each ART service team consists of two to six medical professionals, including one to two experienced fertility physicians, one to two medical assistants and/or one to two nurses. One of the physicians, typically a chief physician or associate chief physician, acts as the team leader who oversees the daily medical activities of the team.

In each of our hospitals, our technical staff in the embryology laboratories carry out all embryology and andrology procedures, including egg collection, semen preparation, insemination including ICSI, embryo culture, monitoring and transferring, and cryopreservation including egg, sperm and embryo freezing and thawing. Our embryology laboratories are equipped with advanced equipment, including culturing systems such as tri-gas incubators and time-lapse incubators that generate artificial intelligence analysis and evaluation of embryonic development parameters, facilitating embryo selection. We offer such technology to all of our patients at all of our hospitals. Other equipment and facilities are also necessary in our treatment process, including, among others, air purification systems, continuous quality control monitoring systems, liquid nitrogen storage systems for storing of all frozen specimens, and patient identification verification systems. Over the years, we have accumulated extensive expertise and know-how in ART.

We perform comprehensive and scientific infertility examinations for male patients in our andrology laboratories. Our andrology laboratories are mainly equipped with computer-aided sperm analyzers (CASA), incubators, flow cytometers, seminal plasma biochemical analyzers, microscopes and fully automatic sperm staining instruments. We conduct routine semen examination, sperm morphology analysis, and seminal plasma biochemical examination in our andrology laboratories, which are of great significance for evaluating male fertility, screening infertility factors, and selecting assisted conception methods.

Through our four hospitals, we provide ART treatment solutions and ancillary medical services with a large geographical coverage, extending to patients across 15 surrounding provinces and municipalities, including Beijing, Tianjin, Hebei, Shandong, Inner Mongolia, Yunnan, Guizhou, Sichuan, Chongqing, Guangdong, Guangxi, Hunan, Jiangxi, Fujian and Hainan. The following map demonstrates the geographical reach of each of our hospitals:



During the Track Record Period, we have achieved a steady and sustainable business growth. The table below sets forth certain operating data and revenue generated from our medical network during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
Zhanjiang Hospital					
Number of IVF cycles performed	3,108	3,696	3,638	1,486	1,742
Average spending per IVF cycle(1) (RMB)	56,523	57,440	58,820	62,076	61,491
Success rate	53.7%	57.0%	55.7%	55.1%	53.6%
Revenue (*RMB'000*)	**175,672**	**212,297**	**213,988**	**92,245**	**107,117**

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
Tianjin Hospital					
Number of IVF cycles performed	1,289	1,333	1,146	436	859
Average spending per IVF cycle(1) (RMB)	52,185	59,736	67,034	69,115	69,870
Success rate	56.7%	58.1%	55.2%	56.2%	55.1%
Revenue (*RMB'000*)	**67,266**	**79,628**	**76,821**	**30,134**	**60,018**
Jieyang Hospital					
Number of IVF cycles performed	753	849	843	407	426
Average spending per IVF cycle(1) (RMB)	65,251	65,602	71,204	69,037	69,894
Success rate	65.7%	65.1%	65.3%	64.9%	66.5%
Revenue (*RMB'000*)	**49,134**	**55,696**	**60,025**	**28,098**	**29,775**
Kunming Hospital					
Number of IVF cycles performed	1,052	1,145	1,079	475	611
Average spending per IVF cycle(1) (RMB)	52,482	54,745	52,218	56,718	54,761
Success rate	56.1%	56.6%	56.6%	56.4%	53.6%
Revenue (*RMB'000*)	**55,211**	**62,683**	**56,343**	**26,941**	**33,459**
Total revenue (*RMB'000*)	**347,283(2)**	**410,304(2)**	**407,177**	**177,418**	**230,369**

Notes:

(1) Average spending per IVF cycle represents our revenue in a given year (including revenue generated from ART and ancillary services) divided by the number of IVF cycles performed in that year, which has taken into account of the spending by patients who receive AI, IVF and/or ancillary treatments.

(2) Our revenue for the years ended December 31, 2020 and 2021 did not include revenue generated from our Shenzhen Gynecological Hospital, which did not obtain any ART license and was deregistered in 2022.

See "Business — Our Medical Network" for a detailed description and analysis of the operational data of our four hospitals during the Track Record Period.

OUR SERVICE PROGRAMS

In addition to our regular ART and ancillary services, we have launched diversified service programs to comprehensively cover our patients' differentiated demands. Our services programs include packaged ART and ancillary services, and "first-class" VIP services.

We offer packaged ART and ancillary service programs which cover the whole diagnostic and treatment process. Patients who participate in our packaged ART and ancillary service programs enjoy multiple embryo transfers under a lump-sum payment arrangement. Under our packaged ART and ancillary service programs, if a patient fails to achieve clinical pregnancy after the pre-agreed number of embryo transfers in our hospitals within a specified period of time, the patient is entitled to receive a refund of the lump-sum payment. Depending on the numbers of egg retrievals and embryo transfer procedures, we offer different types of packaged ART and ancillary service programs. We believe our packaged ART and ancillary service programs can reduce the financial and psychological burden on our patients in circumstances where the PRC government does not currently include ART services in the national social medical insurance program.

We have also introduced a "first-class" VIP service program ("頭等艙"服務工程) to provide high-value patients with customized one-on-one butler-style services in our Zhanjiang Hospital. The customized value-added services include green channel for medical appointments, medical consultation with senior, experienced experts, and exclusive accompanying services during the whole diagnostic and treatment process. With our VIP service program, we aim to provide our VIP patients with the best medical experience all round.

OUR CUSTOMERS

Our customers are primarily individual patients. Substantially all of our customers were individual patients during the Track Record Period. We generally do not enter into long-term agreements with our individual patients, and nor do we grant any credit term to them. All of the five largest customers during each year/period comprising the Track Record Period were individual patient. In 2020, 2021, 2022 and for the six months ended June 30, 2023, the aggregate revenue generated from our five largest customers accounted for 0.17%, 0.16%, 0.18% and 0.25% of our total revenue in the corresponding years/period, respectively.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year/period were Independent Third Parties. During the Track Record Period, we did not have any material disputes with, nor did we receive any material complaints from, our customers.

OUR SUPPLIERS

We primarily procure pharmaceuticals and medical consumables for our provision of medical services. Each of our hospitals has its own procurement department, which is responsible for collecting procurement needs within each hospital and submitting the procurement plans to the general procurement manager at the Group level. We generally maintain three to four distributors for each of our major pharmaceutical or medical consumables to ensure sufficient and quality supplies. We purchase pharmaceuticals based on the price set by the national centralized procurement program, and medical consumables based on the bidding price set by the government and price adopted by public hospitals.

Our suppliers mainly include providers of pharmaceuticals, medical consumables and equipment, construction service company and insurance service providers in China. In 2020, 2021, 2022 and for the six months ended June 30, 2023, purchases from our five largest suppliers amounted to RMB200.6 million, RMB156.6 million, RMB104.1 million and RMB52.7 million, respectively, accounting for 77.2%, 65.2%, 45.5% and 49.3% of our total purchases in the same years/periods. For the same years/periods, purchases attributable to our largest supplier amounted to RMB121.7 million, RMB66.2 million, RMB37.1 million and RMB21.7 million, respectively, accounting for 46.8%, 27.6%, 16.2% and 20.3% of our total purchases. During the Track Record Period, our suppliers generally granted us a credit term of 30 to 90 days. See "Business — Supply and Procurement."

COMPETITION

We primarily compete with public and private hospitals which provide ART and ancillary services in China. China's ART and ancillary service market is relatively fragmented, with the top five ART and ancillary service providers accounting for approximately 13.8% of the market share, according to Frost & Sullivan. We believe that there are high barriers for our competitors to enter into the ART and ancillary service market, which include, among other things, difficulties in obtaining requisite licenses to provide ART and ancillary services, brand recognition, corporate image and reputation, seasoned qualified medical professionals, and access to abundant capital. For more information on the competitive landscape of our industry, see "Industry Overview."

SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our audited financial statements, including the accompanying notes, set forth in the Accountants' Report attached as Appendix I to this document, as well as the information set forth in "Financial Information." Our financial information was prepared in accordance with IFRSs.

Summary of Combined Statements of Profit or Loss

The following table sets forth a summary of our combined statements of profit or loss, with line items in absolute amounts and as a percentage of our revenue for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(unaudited)			
Revenue	369,439	100.0	419,520	100.0	407,177	100.0	177,418	100.0	230,369	100.0
Cost of revenue	(212,939)	(57.6)	(226,893)	(54.1)	(230,775)	(56.7)	(105,369)	(59.4)	(130,201)	(56.5)
Gross profit	156,500	42.4	192,627	45.9	176,402	43.3	72,049	40.6	100,168	43.5
Profit before taxation	71,294	19.3	105,228	25.1	86,970	21.4	19,124	10.8	45,107	19.6
Profit for the year/period	45,957	12.4	94,562	22.5	64,517	15.8	13,647	7.7	33,883	14.7

During the Track Record Period, we generated our revenue by providing ART and ancillary services to patients with infertility in China mainly through our four hospitals in Guangdong, Tianjin and Yunnan. Revenue from provision of ART and ancillary services increased from RMB369.4 million in 2020 to RMB419.5 million in 2021, and decreased to RMB407.2 million in 2022, and increased from RMB177.4 million for the six months ended June 30, 2022 to RMB230.4 million for the six months ended June 30, 2023. Our revenue from each hospital is primarily affected by local economic development, the perception of medical treatment prevailing in the local market, the number of local competitors, the hospital's reputation, the quality of hospital services, and technical skills of professional physicians.

In 2020, 2021 and 2022, and for the six months ended June 30, 2022 and 2023, our gross profit was RMB156.5 million, RMB192.6 million, RMB176.4 million, RMB72.0 million and RMB100.2 million, respectively. Our gross profit is primarily driven by the increase in the number of IVF cycles.

For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, we recorded profit for the year or period of RMB46.0 million, RMB94.6 million, RMB64.5 million, RMB13.6 million and RMB33.9 million, respectively.

Summary of Combined Statements of Financial Position

	As of December 31,			As of June 30,
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	428,876	567,137	581,370	591,071
Total current assets	204,437	235,561	168,743	186,207
Total current liabilities	255,532	144,718	101,533	121,582
Total non-current liabilities	146,003	113,934	85,606	58,834
Net current (liabilities)/assets	(51,095)	90,843	67,210	64,625
Total assets less current liabilities	377,781	657,980	648,580	655,696

We recorded net current assets of RMB90.8 million as of December 31, 2021, as compared to net current liabilities of RMB51.1 million as of December 31, 2020, primarily due to the significant decrease in our current liabilities resulting from a decrease of RMB159.6 million in financial instruments issued to investors, which was reclassified from financial liabilities to equity in 2021.

Our net current assets decreased from RMB90.8 million as of December 31, 2021 to RMB67.2 million as of December 31, 2022, primarily due to a decrease of other financial assets of RMB96.4 million, partially offset by an increase of RMB13.0 million in restricted deposits and an increase of RMB11.1 million in cash and cash equivalents.

Our net current assets remained relatively stable at RMB67.2 million as of December 31, 2022 and RMB64.6 million as of June 30, 2023.

Summary of Combined Statements of Cash Flows

	Years ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Operating cash flows before movements in working capital	114,353	135,207	103,360	37,765	62,779
Changes in working capital	7,128	(13,240)	3,854	6,450	16,184
Tax paid	(22,386)	(26,907)	(19,226)	(9,832)	(5,363)
Net cash generated from operating activities	99,095	95,060	87,988	34,383	73,600
Net cash used in investing activities	(52,235)	(87,427)	(5,869)	(42,204)	(45,942)
Net cash (used in)/ generated from financing activities	(75,234)	17,344	(70,974)	(8,196)	(1,447)
Net (decrease)/increase in cash and cash equivalents	(28,374)	24,977	11,145	(16,017)	26,211
Cash and cash equivalents as of January 1	73,611	45,237	70,214	70,214	81,359
Cash and cash equivalents as of December 31/June 30	45,237	70,214	81,359	54,197	107,570

During the Track Record Period, we financed our cash requirements primarily through cash generated from our business operations and bank loans. In the future, we expect to continue primarily relying on cash flows from operating activities, bank loans and net [**REDACTED**] from the [**REDACTED**] to fund our working capital needs. See "Financial Information — Liquidity and Capital Resources."

Summary of Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates or for the years/periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2020	2021	2022	2023
Profitability ratios				
Gross profit margin	42.4%	45.9%	43.3%	43.5%
Net profit margin	12.4%	22.5%	15.8%	14.7%
Return on equity	21.8%	24.4%	11.7%	5.8%
Return on assets	7.2%	13.2%	8.3%	4.4%
Liquidity ratios				
Current ratio	0.8	1.6	1.7	1.5
Quick ratio	0.7	1.5	1.5	1.4
Capital adequacy ratios				
Gearing ratio	13.7%	3.4%	2.1%	0.0%

See "Financial Information — Key Financial Ratios."

SUMMARY OF MATERIAL RISK FACTORS

We believe there are certain risks and uncertainties involved in investing in our Shares, some of which are beyond our control. See "Risk Factors" for details of our risk factors. Some of the major risks we face include the followings:

- We are subject to various laws and regulations in China. Any failure to comply with relevant laws and regulations may adversely affect our business, financial condition and results of operations.

- During the Track Record Period, we derived a significant portion of our revenue from Zhanjiang Hospital, and expect to continue to derive substantial amount of revenue from Zhanjiang Hospital in the near future. Any failure to successfully operate Zhanjiang Hospital could materially and adversely affect our results of operations and financial condition.

- If we are unable to attract and retain a sufficient number of qualified physicians, embryology lab staff and other medical professionals, our business, results of operations and financial results could be materially and adversely affected.

- Any failure to obtain or maintain any license, including the ART license, may subject our hospitals to penalties and may adversely affect our business.

- We primarily operate our hospitals in Guangdong, Tianjin and Yunnan, and may be particularly affected by adverse developments with respect to local conditions and changes in these regions.

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

- Our Contractual Arrangements may result in adverse tax consequences to us.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we have complied, in all material respects, with all the relevant PRC laws and regulations relating to our business operations, except as otherwise disclosed in "Business — Land and Properties — Leased Properties," which our Directors consider would not have a material and adverse effect on our business, financial condition, or results of operations.

In addition, we are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws and regulations, and we did not experience any non-compliance incident of the laws and regulations, which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business, results of operations or financial condition. See "Business — Legal Proceedings and Compliance."

[REDACTED] STATISTICS

	Based on the minimum [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on the maximum [REDACTED] of HK$[REDACTED] per [REDACTED]
[**REDACTED**] of our Shares(1) (in HK$ millions)	[**REDACTED**]	[**REDACTED**]
Unaudited pro forma adjusted net tangible assets per Share (HK$)(2)	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**] and [**REDACTED**].

(2) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments as specified in "Appendix II — Unaudited Pro Forma Financial Information" and on the basis that [**REDACTED**] Shares were in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**].

DIVIDENDS

No dividend had been proposed, paid or declared by our Company since its incorporation or our subsidiaries during the Track Record Period. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend payout ratio, our Board may declare dividends in the future after taking into account various factors, including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. See "Financial Information — Dividends."

[REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this document), after deducting the [**REDACTED**] commissions and estimated expenses paid or payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised.

In line with our strategies, we intend to apply the net [**REDACTED**] from the [**REDACTED**] for the following purposes and in the amounts set forth below:

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to expand our operation capability and enhance the quality of our ART and ancillary services, including (i) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used for the expansion, renovation and decoration of Jieyang Hospital and Kunming Hospital; and (ii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to upgrade medical equipment of Jieyang Hospital, Kunming Hospital and Tianjin Hospital.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to obtain the Class III specialized hospital qualification for the purpose of obtaining PGT license for our Zhanjiang Hospital.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to upgrade our management information system to improve overall operational and management efficiency, including (i) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to develop intelligence systems in our four hospitals; and (ii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to upgrade our intelligent weak current systems in Kunming Hospital and Jieyang Hospital.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to optimize our customer acquisition and enhance our brand visibility.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used for the international expansion of our medical network.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to recruit two physician-in-chief, two to three management personnel overseeing and managing our provision of medical services and marketing activities, and a management personnel overseeing the implementation of our international expansion plans.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used for working capital and general corporate purposes.

See "Future Plans and [**REDACTED**]."

[REDACTED] EXPENSES

Based on the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] per Share, the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] are RMB[**REDACTED**] million (HK$[**REDACTED**] million), assuming the [**REDACTED**] is not exercised, which constitute approximately [**REDACTED**]% of the gross [**REDACTED**]. Our total estimated [**REDACTED**] expenses consist of (i) [**REDACTED**] related expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), and (ii) non-[**REDACTED**]-related expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), including (a) fees payable to our legal advisors and Reporting Accountants of RMB[**REDACTED**] million (HK$[**REDACTED**] million) and (b) other fees and expenses, including fees payable to the Sole Sponsor and the fees of other professional parties, of RMB[**REDACTED**] million (HK$[**REDACTED**] million). During the Track Record Period, we did not incur [**REDACTED**] expenses. Subsequent to the Track Record Period, we expect to further incur [**REDACTED**] expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million) prior to and upon completion of the [**REDACTED**], of which RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be recognized as expenses in our combined statements of profit or loss, and RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be accounted for as a deduction from equity upon the completion of the [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] and [**REDACTED**] (assuming the [**REDACTED**] is not exercised), LBRS Holdings, Jiuhe BVI and Suda BVI will hold in aggregate approximately [**REDACTED**]% of the [**REDACTED**] share capital of our Company. Each of LBRS Holdings and Jiuhe BVI is wholly owned by Mr. Ren as an investment holding entity with no business activity. Suda BVI is legally owned by Mr. Ren who is the administrator of the RSU Scheme for holding the Shares underlying the RSU Scheme. Ms. Zhang, our non-executive Director, is the spouse of Mr. Ren. Mr. Ren and Ms. Zhang have managed their equity interests in the Company jointly and consistent with the PRC Marriage Law, they consider their interests in the Company as jointly owned marital assets. They make key decisions and reach consensus regarding such assets on a joint basis through obtaining each other's concurrence. As such, Ms. Zhang will also constitute a Controlling Shareholder of our Company upon completion of the [**REDACTED**] and [**REDACTED**]. Accordingly, Mr. Ren, Ms. Zhang LBRS Holdings, Jiuhe BVI, and Suda BVI will be a group of Controlling Shareholders of our Company under the Listing Rules after the [**REDACTED**]. Details of their respective shareholding structure immediately before and after the [**REDACTED**], see "History, Reorganization and Corporate Structure" in this document.

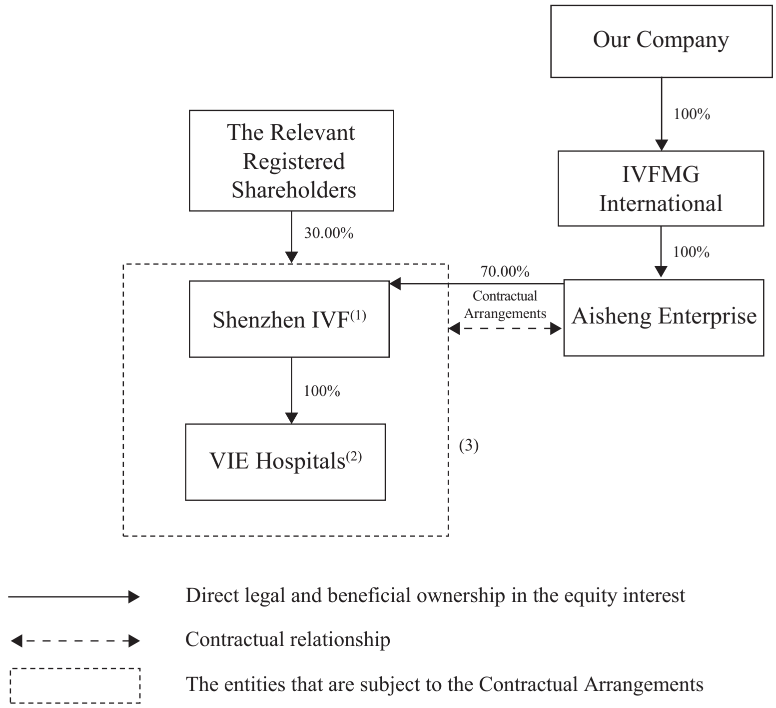
PRE-[REDACTED] INVESTMENTS

We have attracted certain Pre-[**REDACTED**] Investors to raise funds for the development of our business. For further details of the identity and background of the Pre-[**REDACTED**] Investors, see "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investments — Information Relating to our Pre-[**REDACTED**] Investors."

CONTRACTUAL ARRANGEMENTS

We primarily engage in the provision of ART and ancillary services to patients with infertility in China. According to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施(負面清單)(2021 年版)) and Interim Measures on the Administration of Sino-foreign Invested and Sino-foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法), medical institutions fall within the "restricted" investment category and foreign investments in medical institutions are restricted to no more than 70% equity interest in the medical institutions in the PRC (the "**Foreign Ownership Restriction**"). In light of the Foreign Ownership Restriction, and in order to comply with PRC laws and regulations and maintain full control over all of our operations, we entered into the Contractual Arrangements on November 16, 2023. Through our shareholdings and the Contractual Arrangements, Aisheng Enterprise (our wholly-owned subsidiary) has acquired full control over the financial and operational policies of Shenzhen IVF, and has become entitled to all the economic benefits from the operations of Shenzhen IVF and our VIE Hospitals.

The following simplified diagram illustrates the flow of economic benefits from Shenzhen IVF and our VIE Hospitals to our Group under the Contractual Arrangements:



Notes:

(1) Shenzhen IVF is owned as to approximately 70.00%, 16.63%, 9.13%, 2.61%, 0.65%, 0.65% and 0.33% by Aisheng Enterprise, Aiwei Zhengyuan, Ms. Zhang, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu, respectively. Aiwei Zhengyuan is in currently owned as to 99% by Ms. Zhang and 1% by Ms. Ren Hongqiao (任泓僑), the daughter of Mr. Ren and Ms. Zhang. Each of Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu is currently owned as to 99% by Aiwei Zhongjiu (wholly-owned by Ms. Zhang) as a general partner and 1% by Ms. Zhang as a limited partner.

(2) The VIE Hospitals include Zhanjiang Hospital, Jieyang Hospital, Kunming Hospital and Tianjin Hospital.

(3) The Exclusive Operation Services Agreement, Exclusive Option Agreement, Shareholders' Right Entrustment Agreement and Powers of Attorney, Equity Pledge Agreement and Spouse Undertakings together form the legal relationship under the Contractual Arrangements.

CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the [**REDACTED**]. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in the section headed "Connected Transactions" of this document.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**] in, (a) the Shares in issue and to be issued pursuant to the [**REDACTED**] and the [**REDACTED**] (including any Shares which may be issued pursuant to the exercise of the [**REDACTED**]) and (b) the Shares which may be issued under the Post-[**REDACTED**] Share Scheme.

No part of our Shares or loan capital is [**REDACTED**] on or [**REDACTED**] in on any other stock exchange and no such [**REDACTED**] or permission to [**REDACTED**] is being or proposed to be sought as of the date of this Document. All [**REDACTED**] will be registered on the Hong Kong Share Register of our Company in order to enable them to be [**REDACTED**] on the Stock Exchange.

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

COVID-19 PANDEMIC AND ITS EFFECTS

The COVID-19 pandemic has caused and may continue to cause an adverse impact on the economy and social conditions, which may have an indirect impact on the industry we operate in, and in turn may adversely affect our business operations and future prospects. During the Track Record Period, our operations were affected by the COVID-19 in various ways, including the decrease of the number of out-patient visits, IVF cycles performed and embryo transfers in certain of our hospitals.

Our Directors have carried out a holistic review of the impact of the COVID-19 pandemic on our operations and confirmed that as of the Latest Practicable Date, the COVID-19 pandemic did not bring permanent interruption to our operations. As the situation in China has gradually been eased since December 2022, we have experienced an increase in the demand for our ART and ancillary services in our hospitals. The number of our out-patient visits for our four hospitals increased from 143,082 in the six months ended June 30, 2022 to 179,886 in the same period in 2023. Our revenue generated from our four hospitals also increased by 29.8% from RMB177.4 million in the six months ended June 30, 2022 to RMB230.4 million in the six months ended June 30, 2023.

We are closely monitoring health pandemics, natural disasters and extraordinary events, and continuously evaluating any potential impact on our business, results of operations and financial condition. It is difficult to predict the impact that the COVID-19 pandemic will have on our business, as our business could be impacted by future continuance or reoccurrence of COVID-19 in numerous ways. See "Risk Factors — Risks Relating to our Business and Industry — An occurrence of natural disasters, widespread health epidemics or other outbreaks could have a material adverse effect on our business and results of operations."

RECENT DEVELOPMENT

No Material Adverse Change

Based on our unaudited management accounts, our revenue and net profit for the ten months ended October 31, 2023 increased as compared to the same period in 2022 due to the revenue growth of our four hospitals, especially Zhanjiang Hospital and Tianjin Hospital. In addition, the number of IVF cycles performed increased from 5,495 for the ten months ended October 31, 2022 to 6,552 for the same period in 2023.

Our Directors have confirmed that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since June 30, 2023, being the end date of our latest audited financial statements, and there had been no event since June 30, 2023 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

We [have included] in Appendix III to this document the unaudited preliminary financial information of our Group for the year ended December 31, 2023, which is prepared in compliance with the content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules and [has been] agreed with the Reporting Accountants, following their work under Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this document.

"Accountants' Report"	the accountants' report of our Company for the Track Record Period, the text of which is set out in Appendix I to this document
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Aisheng Enterprise"	Aisheng Enterprise Headquarters Management (Shenzhen) Co., Ltd. (愛生企業總部管理(深圳)有限公司), a company established in the PRC with limited liability on October 11, 2023 and a subsidiary of our Company
"Aiwei Feiqing"	Shenzhen Aiwei Feiqing Investment Partnership (Limited Partnership) (深圳愛維飛慶投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 13, 2019 and one of the Relevant Registered Shareholders, which is held by Aiwei Zhongjiu (wholly owned by Ms. Zhang) as a general partner and Ms. Zhang as the sole limited partner as to 99% and 1%, respectively
"Aiwei Sancai"	Shenzhen Aiwei Sancai Investment Partnership (Limited Partnership) (深圳艾維三才投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 7, 2019 and one of the Relevant Registered Shareholders, which is held by Aiwei Zhongjiu (wholly owned by Ms. Zhang) as a general partner and Ms. Zhang as the sole limited partner as to 99% and 1%, respectively
"Aiwei Zhenglu"	Shenzhen Aiwei Zhenglu Investment Partnership (Limited Partnership) (深圳艾維正祿投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 7, 2019 and one of the Relevant Registered Shareholders, which is held by Aiwei Zhongjiu (wholly owned by Ms. Zhang) as a general partner and Ms. Zhang as the sole limited partner as to 99% and 1%, respectively

"Aiwei Zhengyuan"	Shenzhen Aiwei Zhengyuan Investment Co., Ltd. (深圳艾維正元投資有限公司), a company established in the PRC with limited liability on November 1, 2019 and one of the Relevant Registered Shareholders, which is owned as to 99% by Ms. Zhang and 1% by Ms. Ren Hongqiao (任泓僑), the daughter of Mr. Ren and Ms. Zhang
"Aiwei Zhongjiu"	Shenzhen Aiwei Zhongjiu Investment Co., Ltd.* (深圳艾維中久投資有限公司), a company established in the PRC with limited liability on November 20, 2019, which is wholly owned by Ms. Zhang
"Aiwei Zhongyuan"	Shenzhen Aiwei Zhongyuan Investment Partnership (Limited Partnership) (深圳愛維中元投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 7, 2019 and one of the Relevant Registered Shareholders, which is held by Aiwei Zhongjiu (wholly owned by Ms. Zhang) as a general partner and Ms. Zhang as the sole limited partner as to 99% and 1%, respectively
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company, conditionally adopted on [●], 2024 and will come into effect upon [**REDACTED**], a summary of which is set out in Appendix V to this document, as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day" or "business day"	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAC"	the Cyberspace Administration of China (中國國家互聯網信息辦公室)
"CAGR"	compounded annual growth rate

[**REDACTED**]

"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap 22 (As Revised) of the Cayman Islands
"China" or "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not apply to Hong Kong, the Macao Special Administrative Region or Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Code" or "Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "our Company" or "the Company"	IVF Hospital Management Group Limited (爱维艾夫医院管理集团有限公司), an exempted company incorporated in the Cayman Islands with limited liability on September 8, 2023
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by Aisheng Enterprise, Shenzhen IVF, Ms. Zhang, Aiwei Zhengyuan, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu, details of which are described in the section headed "Contractual Arrangements" in this document
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, refers to Mr. Ren, Ms. Zhang, Jiuhe BVI, LBRS Holdings and Suda BVI
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"COVID-19"	an infectious disease caused by the severe acute respiratory syndrome coronavirus 2, first reported in December 2019
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Customer Service Centre"	the location specified by HKSCC from time to time at which Investor Participants may give instructions (in such form as HKSCC may require) in connection with the HKSCC services available to them to HKSCC
["Deed of Indemnity"]	[the deed of indemnity dated [●] and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries), as further described in "Statutory and General Information — F. Other Information — 1. Indemnities" in Appendix VI to this document]
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as enacted by the NPC on March 16, 2007, effective on January 1, 2008, and latest amended on December 29, 2018, as amended, supplemented or otherwise modified from time to time

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"Frost & Sullivan" or "Industry Consultant"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co, an Independent Third Party, and a market research firm engaged by our Company to prepare an industry report, the details of which are set out in "Industry Overview"
"Frost & Sullivan Report"	an independent market research report commissioned by our Company and prepared by Frost & Sullivan for the purpose of this document

[**REDACTED**]

"Group" "our Group", "the Group", "we", "our" or "us"	our Company, its subsidiaries, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)

[**REDACTED**]

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited

[**REDACTED**]

"IASB"	International Accounting Standards Board
"IFRS(s)"	International Financial Reporting Standards, and related amendments and interpretations issued by the IASB
"Independent Third Party(ies)"	individual(s) or company(ies) who or which, to the best of our Directors' knowledge, information, and belief, having made all due and careful enquiries, is/are not a connected person(s) of our Company under the Listing Rules

[**REDACTED**]

"IVFMG International"	IVFMG International Limited, a company incorporated in Hong Kong with limited liability on September 24, 2021 and a subsidiary of our Company
"Jieyang Hospital"	Jieyang IVF Hospital Co., Ltd. (揭陽愛維艾夫醫院有限公司), a company established in the PRC with limited liability on December 21, 2012 and a subsidiary of our Company

"Jiuhe BVI"	Jiuhe Company Limited (久和有限公司), a company incorporated in the BVI with limited liability on August 31, 2023, a Controlling Shareholder which is wholly owned by Mr. Ren

[**REDACTED**]

"Kunming Hospital"	Kunming IVF Hospital Co., Ltd. (昆明愛維艾夫醫院有限公司), a company established in the PRC with limited liability on November 9, 2012 and a subsidiary of our Company
"Latest Practicable Date"	December 13, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"LBRS Holdings"	LBRS Family Investment Holdings Company Limited (LBRS家族投資控股有限公司), a company incorporated in the BVI with limited liability on August 31, 2023, a Controlling Shareholder which is wholly owned by Mr. Ren

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"M&A Rules"	the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission, the STA, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association adopted on September 8, 2023, a summary of which is set out in the Appendix V to this document, as amended, supplemented or otherwise modified form time to time
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Ren"	Mr. Ren Jizhong (任吉忠), a Controlling Shareholder, executive Director, chief executive officer, president, chairman of our Board and the spouse of Ms. Zhang
"Ms. Zhang"	Ms. Zhang Xiaowen (張曉文), a Controlling Shareholder, non-executive Director and the spouse of Mr. Ren
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NHFPC"	the National Health and Family Planning Commission (中華人民共和國國家衛生和計劃生育委員會)
"Nomination Committee"	the nomination committee of the Board

"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"ODI"	overseas direct investments

[**REDACTED**]

"Ovovo Group"	Ovovo Group INC., a company incorporated in the State of Delaware, the U.S., with limited liability on October 13, 2021 and a subsidiary of our Company
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC

"Post-[**REDACTED**] Share Scheme"	the post-[**REDACTED**] share scheme conditionally approved and adopted by our Company on [●], the principal terms of which are summarized in "Statutory and General Information — E. Post-[**REDACTED**] Share Scheme" in Appendix VI to this document
"PRC Company Law"	Company Law of the PRC (中華人民共和國公司法) enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and latest amended on October 26, 2018, as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisors"	Jingtian & Gongcheng, the legal advisors to our Company on PRC laws in connection with the [**REDACTED**]
"Pre-[**REDACTED**] Investment(s)"	the investment(s) in our Company undertaken by the Pre-[**REDACTED**] Investors prior to our [**REDACTED**], the details of which are set out in "History, Reorganization and Corporate Structure"
"Pre-[**REDACTED**] Investor(s)"	the investors in our Company prior to our [**REDACTED**], as set out in "History, Reorganization and Corporate Structure"

[**REDACTED**]

"Province" or "province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC government
"Regulation S"	Regulation S under the U.S. Securities Act

"Relevant Registered Shareholders"	certain registered shareholders of Shenzhen IVF, namely Ms. Zhang, Aiwei Zhengyuan, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	the lawful currency of the PRC
"Reorganization"	the reorganization of our Group in preparation of the [**REDACTED**], details of which are described in "History, Reorganization and Corporate Structure — Reorganization"
"Reporting Accountants"	KPMG
"RSU"	a restricted share unit award granted to a participant under the RSU Scheme
"RSU Scheme"	the restricted share award scheme conditionally adopted by our Company on October 30, the principal terms of which are summarized in "Statutory and General Information — D. RSU Scheme" in Appendix VI to this document
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration for Industry and Commerce (國家工商行政管理總局)
"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局)
"SCNPC"	the Standing Committee of the National People's Congress of the PRC (全國人民代表大會常務委員會)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Share(s)"	ordinary share(s) with nominal value of [HK$0.0001] each in the share capital of our Company
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen IVF"	Shenzhen IVF Hospital Management Group Limited (深圳愛維艾夫醫院管理集團有限公司) (formerly known as Shenzhen IVF Hospital Management Co., Ltd. (深圳艾維艾夫醫院管理有限公司), Shenzhen IVF Hospital Management Co., Ltd. (深圳愛維艾夫醫院管理有限公司) and Shenzhen IVF Hospital Management Group Co., Ltd. (深圳愛維艾夫醫院管理集團股份有限公司)), a company established in the PRC with limited liability on September 5, 2006, a subsidiary of our Company

[**REDACTED**]

"STA"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)

[**REDACTED**]

"State Council"	the State Council of the PRC (中華人民共和國國務院)

[**REDACTED**]

"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Suda BVI"	Suda Company Limited (速達有限公司), a company incorporated in the BVI with limited liability on September 15, 2023, a Controlling Shareholder which is wholly owned by Mr. Ren

"System"	CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC
"Tianjin Hospital"	Tianjin IVF Hospital (Limited Partnership) (天津愛維醫院(有限合伙)) (formerly known as Tianjin Renji Hospital (天津仁濟醫院) and Tianjin IVF Hospital (General Partnership) (天津愛維醫院(普通合伙))), a limited partnership established in the PRC on February 9, 2006 and a subsidiary of our Company
"Track Record Period"	the period comprising the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023

[**REDACTED**]

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"VAT"	the PRC value-added tax
"VIE Hospitals"	the hospitals we control through our shareholding and the Contractual Arrangements, namely Tianjin Hospital, Zhanjiang Hospital, Kunming Hospital and Jieyang Hospital. For further details of the hospitals, see "History, Reorganization and Corporate Structure" in this document

[**REDACTED**]

"Zhanjiang Hospital"	Zhanjiang Jiuhe Hospital Co., Ltd. (湛江久和醫院有限公司), a company established in the PRC with limited liability on January 26, 2010 and a subsidiary of our Company

Unless the content otherwise requires, references to "2020", "2021" and "2022" in this document refer to our financial year ended December 31 of such year, respectively.

Certain amounts and percentage figures included in this document were subjected to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

For the purpose of this document, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

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

"AI" or "artificial insemination"	artificial insemination, an in vivo fertilization process to introduce the sperms into the female reproductive system, either uterus or cervix, for the purpose of achieving pregnancy of the female through non-sexual intercourse
"AID"	artificial insemination with donor sperm
"AIH"	artificial insemination with husband's sperm
"andrology"	branch of medicine concerned with diseases and conditions specific to men
"ART"	assisted reproductive technology(ies)
"ART treatment"	all treatments or procedures that assist the natural reproductive process, including artificial insemination and *in vitro* handling of both human oocytes and sperm or of embryos for the purpose of establishing a pregnancy
"assisted hatching"	a medical procedure used during IVF to open a hole or reduce the thickness of a transparent strip for the purpose of making it easier to hatch blastocysts
"associate chief physician"	the second professional rank for physicians (副主任醫生) in the PRC; an associate chief physician may supervise attending and resident physicians, direct research work of a specific field, and typically handle complex medical cases
"attending physician"	the third professional rank for physicians (主治醫生) in the PRC; an attending physician may supervise resident physicians and typically undertake medical treatment, teaching, research and disease prevention work
"blastocyst"	a form of an embryo at the early stage after fertilization, with an inner cell mass, outer layer of trophectoderm, and a fluid-filled blastocele cavity

"chief physician"	the highest professional rank for physicians (主任醫生) in the PRC; a chief physician is generally in charge of a specific clinical department
"childbearing age"	15-49 years of age during which a woman may become pregnant
"Class II general hospital"	the regional general hospitals designated as Class II hospitals by the NHFPC hospital classification system, typically having 100 to 500 beds in operation, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
"Class III Grade A hospital"	the largest regional hospitals with the highest standard in China designated as Class III Grade A hospitals by the NHFPC hospital classification system, typically having more than 501 beds in operation, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"clinical pregnancy"	a pregnancy diagnosed by ultrasonographic visualization of one or more gestational sacs or definitive clinical signs of pregnancy
"clinical pregnancy rate" or "success rate"	calculated as the total number of resulting clinical pregnancies divided by the total number of embryo transfers (including fresh and frozen)
"cryopreservation"	the freezing or vitrification and storage of gametes, zygotes, embryos, or gonadal tissue
"egg retrieval"	surgical procedure to collect the eggs contained in the ovarian follicles
"embryo"	the product of the division of the zygote to the end of the embryonic stage, 8 weeks after fertilization
"embryo transfer"	the procedure in which one or more embryos are placed in the uterus or fallopian tube
"embryology"	branch of biology concerned with the prenatal development of gametes, fertilization, and development of embryos and fetuses

"endometriosis"	a common gynecological disease in women formed by the active endometrial cells planted outside the endometrium
"follicle"	basic functional unit in the ovary for oocyte development, which has a circular vesicular shape and is located in the ovarian cortex
"gynecology"	branch of medicine concerned with the functions and diseases specific to women
"ICSI"	intracytoplasmic sperm injection, an IVF treatment technique where a single sperm is injected into the oocyte slurry by microinjection, so that the sperm and the oocyte are passively combined and fertilized to form a fertilized egg for the purpose of pregnancy
"infertile couples"	couples failing to become pregnant after 12 months or more of regular unprotected sexual intercourse, usually as a result of one or both persons having fertility problems
"infertility"	a disease of the reproductive system characterized by the failure to achieve a clinical pregnancy after 12 months or more of regular unprotected sexual intercourse
"IVF" or "*in vitro* fertilization"	a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system to achieve pregnancy
"IVF cycle"	a cycle that starts when eggs contained in the ovarian follicles are retrieved, after which the treatment cycle usually progresses to combining the eggs with sperm to create embryos
"IVF-ET" or "*in vitro* fertilization and embryo transfer"	a process where the egg and sperm are incubated together to a fertilized embryo in an in vitro system and transfer such embryo to the uterine cavity to achieve pregnancy
"IVF patient"	patients who have started an IVF cycle
"live birth rate"	calculated as the number of deliveries that result in a live born neonate divided by the total number of embryo transfers (including fresh and frozen)

"oligospermia"	male fertility condition characterized by low sperm count
"oocyte"	female gamete (egg)
"ovarian stimulation"	pharmacological treatment with the intention of inducing the development of ovarian follicles
"ovulation"	the natural process of expulsion of a mature egg from its ovarian follicle
"penetration rate"	calculated as the total number of IVF cycles performed by women aged 15 to 49 years old divided by the number of infertile couples in a year
"PGT"	preimplantation genetic testing of embryos, used to test whether embryos have chromosomes abnormality and genetic diseases caused by monogenic disorders

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

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

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and market in which we operate;
- our financial condition and operating results and performance;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs and offer competitive prices;
- our ability to attract customers and build our brand image;
- our dividend policy;

- our ability to attract and retain senior management and key employees;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends;
- certain statements in the sections headed "Business" and "Financial Information" of this document with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- other statements in this document that are not historical facts.

This document also contains market data and projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the market price of our Shares. In addition, due to the rapidly changing nature of the PRC economy and the cross-border logistics industries, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward-looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in "Risk Factors" in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* [REDACTED] *in our Shares. These risks could materially and adversely affect our business, financial conditions and results of operations. The* [REDACTED] *of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial conditions and results of operations. You should seek professional advice from relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to various laws and regulations in China. Any failure to comply with relevant laws and regulations may adversely affect our business, financial condition and results of operations.

We are subject to various laws and regulations at the national, regional and local levels as we operate private hospitals in China. Such laws and regulations mainly relate to (i) rules and specifications in the ART service industry that may affect our capabilities to implement our existing business strategies; (ii) classification and management of hospitals, supervision on the use of pharmaceuticals in hospitals, and the governance of day-to-day operations of hospitals; (iii) rules and regulations with respect to medical incidents; (iv) the confidentiality and safekeeping of patients' medical records; (v) anti-corruption and anti-bribery; (vi) the discharge and disposal of pollutants and medical, radioactive and other hazardous waste; and (vii) data privacy and protection. The above list of certain regulated areas is non-exhaustive.

New laws and regulations relevant to ART services may be introduced in the future, or the current applicable regulations may otherwise be amended or replaced requiring our hospitals to conduct business with additional oversight and regulatory compliance. Any change in laws and regulations could require our hospitals to obtain additional licenses, permits, approvals or certificates, increase the operational expenses or result in the invalidation of licenses currently owned. We cannot assure you that our hospitals can adapt to changes in the regulatory environment in a timely or cost-efficient manner. Nor can we assure you that subsequent laws and regulations would not render our operations non-compliant or that we would always be in full compliance with applicable laws and regulations. In the event that we must remedy any violations, we may be required to modify our business models in a manner that undermines our attractiveness to our customers. In each case, our business, financial condition and results of operations may be materially and adversely affected.

Announced and unannounced inspections by regulators may be carried out periodically at our hospitals depending on the regulatory requirements applicable to us. Any failure to comply with laws or regulations, the receipt of an unsatisfactory rating in an inspection, or a determination of regulatory non-compliance or any failure to rectify any material deficiencies cited in an inspection report could, depending on the nature and severity, result in reputational damage, financial losses, judicial and administrative penalties, conditions being placed on our licenses, revocation or suspension of our licenses or downsizing or cessation of the existing services provided by us. Any of these consequences could have a material adverse effect on our business, results of operations and prospects.

During the Track Record Period, we derived a significant portion of our revenue from Zhanjiang Hospital, and expect to continue to derive substantial amount of revenue from Zhanjiang Hospital in the near future. Any failure to successfully operate Zhanjiang Hospital could materially and adversely affect our results of operations and financial condition.

During the Track Record Period, we derived a significant portion of our revenue from Zhanjiang Hospital, reaching RMB175.7 million, RMB212.3 million, RMB214.0 million, RMB92.2 million and RMB107.1 million for the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively, which represented 47.6%, 50.6%, 52.6%, 52.0% and 46.5% of our total revenue for the corresponding periods. We expect to continue to generate a substantial portion of our revenue from Zhanjiang Hospital in the near future. Any disruption to the operations of Zhanjiang Hospital, including as a result of natural disasters, negative publicity, regulatory action or otherwise, could have a disproportionate adverse effect on our business, results of operations and prospects.

If we are unable to attract and retain a sufficient number of qualified physicians, embryology lab staff and other medical professionals, our business, results of operations and financial results could be materially and adversely affected.

Our success is largely dependent on our ability to attract and retain a sufficient number of qualified physicians and embryology lab staff. We compete with other healthcare providers to recruit and retain qualified physicians and embryology lab staff. The reputation, expertise and demeanor of our physicians and embryology lab staff are instrumental to our ability to attract patients. The recruitment of qualified physicians and embryology lab staff, particularly ART specialists, is competitive in China due to shortage. The supply of specialist physicians and embryology lab staff is limited due to the length of study and training required, including academic study and clinical training, which can take years. We believe that physicians and embryology lab staff generally consider the following key factors when selecting hospitals to work at: reputation and culture, efficiency of hospital management, quality of facilities and supporting staff, number of patient visits, level of compensation, number and quality of training programs and location. We may not compete favorably with our competitors in respect of one or more of these factors and, we may not be able to attract or retain the physicians and embryology lab staff desired.

Our success is also dependent on our ability to recruit and retain other qualified medical professionals, including nurses, testing staff, radiographers and pharmacists, and the ability to train and manage such medical professionals. There is no guarantee that we will be able to recruit and retain sufficient medical professionals in the future. If we fail to recruit and retain other qualified medical personnel, we may not be able to maintain the quality of our services, and the number of patient visits at our hospitals may decrease, which may materially and adversely affect our business, financial condition and results of operations.

Any failure to obtain or maintain any license, including the ART license, may subject our hospitals to penalties and may adversely affect our business.

Our operations are subject to the license and permit requirements as well as periodic audits or inspections by relevant authorities. In particular, we are required to obtain and maintain the ART licenses for our hospitals. According to the relevant PRC regulations, relevant regulatory authorities perform on-site inspections once every two years to examine our medical safety and quality, surgery process, qualification of medical professionals, and duties performed by our ethics committees. We can only maintain the ART licenses once we pass all the inspections. Moreover, we are required to obtain and maintain the medical practice licenses for our hospitals, which are subject to renewal from time to time. If we fail to obtain, maintain or renew any license, permit or certificate required for our hospital operations, or are found to be non-compliant with any applicable law, regulation or established best practices, depending on the nature and severity of the non-compliance, we may be subject to penalties, criminal prosecution, increased compliance costs, loss of accreditation which could in turn affect our ability to operate, suspension of operations or even revocation of operating licenses, or temporary or permanent closure of business, any of which could materially and adversely affect our business, results of operations and prospects.

We primarily operate our hospitals in Guangdong, Tianjin and Yunnan, and may be particularly affected by adverse developments with respect to local conditions and changes in these regions.

As of the Latest Practicable Date, we operated four hospitals in China, including Zhanjiang Hospital and Jieyang Hospital in Guangdong, Tianjin Hospital in Tianjin and Kunming Hospital in Yunnan. Going forward, we expect to continue to generate a majority of our revenue from these hospitals. We are therefore particularly affected by the regulatory, economic, environmental and competitive conditions, as well as the public health landscape, in these regions. In addition, our business may also be materially and adversely affected if any economic downturn in these regions were to result in patients cutting back on spending on ART services. Furthermore, significant changes in the laws and regulations governing the healthcare industry in these regions may have a material adverse effect on our business operations.

In addition, if there is an outbreak of contagious disease in these regions, the service capability of our hospitals could be disrupted as a result of the need to implement heightened sanitization and quarantine procedures. Any epidemic outbreaks in these regions may disrupt the operations of the hospitals significantly. Furthermore, natural disasters or other catastrophic events that may occur in these regions, such as earthquakes, fires, droughts, typhoons, floods, outages of critical utilities, disruptions to transportation systems, including as a result of terrorist attacks, may damage or limit our ability to operate the hospitals. See "—

Risks Relating to Our Business and Industry — An occurrence of natural disasters, widespread health epidemics or other outbreaks could have a material adverse effect on our business and results of operations." Any unpredictable events could have a material adverse effect on the business, results of operations and prospects of those hospitals in our network, and thus may adversely affect our business, results of operations and financial condition.

Our operations in the ART service market depends significantly on the reputation of our hospitals. Failure to develop, maintain or enhance the reputation of our hospitals may materially and adversely affect our business, financial condition and results of operations.

The reputation of our hospitals is critical to our success in the ART service market. We believe that we are increasingly recognized among patients, both who are new to ART treatments and who have had unsuccessful experiences at other hospitals, for our service quality, technological expertise and patient experience. Many factors are important for maintaining and enhancing our reputation and may negatively affect our reputation if not properly managed, such as:

- our ability to effectively manage the quality of our medical services and hospitals, and to monitor the performance of the physicians and other medical professionals;
- our ability to provide convenient and reliable medical treatment;
- our ability to increase our brand awareness among existing and potential patients through various means of promotional activities; and
- our ability to adopt new technologies or adapt our systems to patient needs or emerging industry standards.

Our reputation could also be harmed if our services fail to meet the patients' expectation or if we fail to maintain established standards or become the subject of any negative media coverage with respect to medical disputes. The promotional efforts of hospitals may be costly and may fail to effectively enhance our reputation or generate additional revenue. Our failure, if any, to develop, maintain and enhance our reputation may result in loss of patients and decreased revenue, and in turn adversely affect our business, financial condition and results of operations.

We may also face challenges from competitors seeking to benefit from damaging our reputation. In addition, any negative publicity in relation to the services, facilities, peers or the industry, regardless of its merits, could seriously harm our public image and reputation which in turn may result in a loss of patients and have a material adverse effect on our business, financial condition and results of operations. Any negative publicity may harm the perception of the general public on the healthcare industry, including us, and in turn, our business.

We operate in a highly competitive industry. If we do not compete successfully against new or existing competitors, our business, results of operations and financial condition may be materially and adversely affected.

The healthcare service industry and, in particular, the ART service industry, is highly competitive in China. Our hospitals primarily compete with those located in the same geographic areas in which we operate. Some of these public hospitals retain a larger base of seasoned fertility physicians and possess more medical resources than our hospitals. Certain private hospitals and clinics operate a much larger medical facility network and have more financial resources than us. Our hospitals may not be able to compete favorably against their competitors in terms of the foregoing aspects in the near future, or at all.

If our hospitals are not able to maintain their growth at a pace consistent with the expansion of the ART service market, they may not be able to maintain their market share. In addition, we cannot assure you that we will compete favorably with future new market entrants. These competitors may offer greater convenience, broader services, newer or better facilities, more medical professionals, or cheaper prices, or have stronger reputation. It is also possible that there will be significant consolidation and mergers in the healthcare service industry. Our competitors may develop alliances, and these alliances may acquire significant market share. If we cannot properly address these challenges, our business and prospects would be materially and adversely affected.

Hospitals compete on various factors such as convenience, reputation, clinical excellence and patient satisfaction. Increased competition may reduce our operating margins, market share and brand recognition, or force us to incur losses. There can be no assurance that we will be able to compete successfully against current and future competitors, and competitive pressures may have a material adverse effect on our business, prospects, financial condition and results of operations.

We depend on the continued service of our management team, medical professionals and other key personnel. Any loss of their services could materially and adversely affect our business, financial condition and results of operations.

Our future success depends on the continued service of our management team and other key employees. We also rely on a number of medical professionals for the development and operation of the business. If we lose the services of one or more of the key personnel, we may not be able to replace them in a timely manner, or at all, and may incur additional expenses to recruit and onboard new personnel. Consequently, our business could be severely disrupted, and our financial condition and results of operations could be materially and adversely affected.

Individuals with industry specific experience or know-how are relatively less common in ART services as opposed to other areas of medicine, and the market for such individuals is competitive. We rely on certain well-known physicians to attract patients to our hospitals. As a result, we may not be able to attract and retain qualified personnel to replace members of our senior management or key employees, should the need arise. In addition, our business is subject to the risk of any of our management team, our executive officers or key employees joining a competitor or forming a competing business. The loss of services of one or more of our medical professionals or members of senior management or of a significant portion of any of our management staff could weaken our management expertise and our ability to deliver our services efficiently, which could in turn have a material adverse effect on our business, results of operations and prospects.

If we fail to properly manage the practice of physicians and other professionals at our hospitals, we may be subject to penalties against these hospitals, which could materially and adversely affect our business and results of operations.

Even if we are able to recruit and retain quality physicians, embryology lab staff and other medical professionals, we may not be able to manage such professionals properly. The practicing activities of medical professionals are strictly regulated under laws, rules and regulations in China. Physicians, embryology lab staff, medical assistants and nurses who practice at medical institutions must hold practicing licenses and may only practice within the scope of their licenses and at the specific medical institutions at which their licenses are registered. A physician practicing in multiple institutions must apply to register or file with competent in-charge administrative authorities and can only have the right to prescribe medicine at the registered or filed practicing institution. In addition, we have multi-site practice physicians practicing at our hospitals pursuant to the liberated physician registration regulation. If the physician issues a prescription in a medical institution not registered or filed in his or her license, the relevant medical institution would also be subject to regulatory penalties.

In practice, it may take a period of time for physicians and other medical professionals to transfer their licenses from one medical institution to another or add another medical institution to their permitted practicing institutions. We cannot assure you that any of our medical professionals transferred from a different hospital or any potential personnel to be hired by our hospitals will complete the transfer of their licenses and the required procedures on time, if at all, or that our medical professionals will not practice outside the permitted scope of their respective licenses. In addition, we cannot assure you that external physicians with whom we collaborate will all complete the related government procedures to add our relevant hospitals to their permitted practicing institutions timely or at all. Any failure to properly manage the employment or registration of our physicians and other medical professionals may subject us to administrative penalties against our hospitals, including fines, loss of licenses, or, in the worst case scenario, an order to cease practice, which could materially and adversely affect our business.

If we become subject to additional pricing guidelines on medical services, pharmaceuticals, medical equipment and medical consumables, our revenue may be adversely affected.

As a private hospital, we are affected by pricing guidelines on healthcare services and pharmaceutical products. The Notice on the Implementation of Market Adjusted Prices in Healthcare Services by Non-Public Medical Institutions (關於非公立醫療機構醫療服務實行市場調節價有關問題的通知), which was promulgated by the NDRC, the NHC and the Ministry of Human Resources and Social Security on March 25, 2014, requires the price of healthcare services provided by non-public medical institutions to be subject to market conditions. Non-public medical institutions which are for-profit in nature may set the price of services provided by their medical institutions at their own discretion, but the price must be determined reasonably according to the principles of fairness, legality, honesty and credibility and the price must be at a relatively stable level for a certain period of time. Although we may currently set the fees charged for our ART services and pharmaceuticals and consumables at our discretion, we cannot assure you that we will not be subject to restrictions on pricing in the future. For more details on our pricing policies, see "Business — Pricing."

The Opinions on Promoting Drug Pricing Reform (推進藥品價格改革意見), which was promulgated on May 4, 2015, sets forth that from June 1, 2015, except for narcotic drugs and Class I psychotropic drugs, the restrictions on the prices of the drugs that were subject to government pricing would be cancelled. Specifically, the prices of narcotic drugs and Class I psychotropic drugs are still subject to maximum factory prices and maximum retail prices set by the NDRC for the time being. The medical insurance regulatory authority shall, along with other competent departments, draw up provisions in relation to the standards, procedures, basis and methods of the payment of drugs paid by medical insurance funds. With regard to patented drugs and exclusively produced drugs, the prices thereof are set through transparent and public negotiation among multiple parties. The prices for blood products not listed in the Medical Insurance Drugs List, immunity and prevention drugs that are purchased by the PRC government in a centralized manner, and AIDS antiviral drugs and contraceptives provided by the PRC government for free, shall be set through tendering purchase or negotiation. Except as otherwise mentioned above, the prices for other drugs may be determined by the manufacturers and the operators on their own on the basis of production or operation costs and market supply and demand.

Our profitability is susceptible to fluctuations in the costs of pharmaceuticals, medical equipment and medical consumables which are subject to factors beyond our control. Any change in the pricing regime that applies to hospitals, such as reductions in the price ceilings on pharmaceutical products and medical services provided by our hospitals, may have a material adverse effect on our results of operations, cash flows, financial condition and prospects. Furthermore, we may not be able to anticipate and react to changes in medical supply costs by changing service offerings or adjusting service fees in the future, or we may be unable to pass these cost increases onto our customers, which could materially and adversely affect our margins and results of operations.

Our business and results of operations are subject to our ability to adapt to technological developments.

Our success will depend on our ability to adapt to the technological changes in the ART service industry. New services may arise out of technological developments and failure to keep pace with these developments may reduce the attractiveness of the services provided by us. Some of the competitors may have greater resources to respond to changing technology than us, and receive licenses which permit the use of such new technologies before us. Furthermore, funding the technological changes can be costly. Moreover, our ability to adapt to technological developments is subject to the effects of laws and policies, including the regulations to obtain particular items of ART licenses. If we fail to adapt successfully to technological changes or fail to obtain access to new technologies by obtaining relevant licenses or equipment, our ability to compete could be strained, and as a result, we could lose patients, which may affect our business, results of operations or financial conditions.

Any adverse change in the regulatory regime relating to the PRC healthcare industry, in particular the ART service industry, may affect our ability to provide ART services and may have a material adverse effect on our business, results of operations and financial condition.

Government policies relating to the healthcare industry in the PRC may change significantly in the future, depending on the objectives prioritized by the government, as well as the social climate, public opinion and media coverage at any given time and the continued development of the PRC healthcare industry. Any future change in the relevant government policies may affect public hospital reform or private or foreign investments in healthcare services. Such future changes or reforms, if adopted and implemented, may affect the services we are able to or intend to provide and the sources of our revenue, increase the cost of sales, limit the ability to pursue potential acquisitions and expansions, intensify competition, or otherwise negatively affect us disproportionately compared to competitors. Unfavorable public opinion or negative media coverage of the healthcare industry may also trigger implementation of more stringent policies and heightened scrutiny on best practices at medical institutions. If we fail to keep up with new policies or best practices, our standard of operation may fall short of the latest standard and we could become more prone to non-compliance, resulting in increased cost of compliance and operation.

Further, the Industry Catalogue for Guiding Foreign Investments (外商投資產業指導目錄) was amended in 2015 to, among other things, limit foreign investments in hospitals in the form of a Sino-foreign equity joint venture or cooperative joint venture. As a result, we, as a foreign company, are not permitted to own 100% of the equity interest in any medical facility in the PRC and, consequently, may face difficulties in expanding the business through equity acquisition. If foreign investments in hospitals are further restricted or even prohibited, we may be forced to sell or restructure our business, in which case our business, financial condition and results of operations may be materially and adversely affected.

In addition, the interpretation, implementation and enforcement of certain government policies and regulations may vary. We cannot ensure that our ability to provide ART services will not be affected, and our business, financial conditions and results of operations will not be materially and adversely affected, by such changes in interpreting, implementing and enforcing and changes in government policies or regulations.

We may be materially and adversely affected by unfavorable patients and social perception of, or negative developments and news regarding, the ART service industry as a whole.

Demand for ART services is affected by patient perception and social acceptance of ART services, including whether prospective patients feel negatively about using ART treatments to achieve pregnancy. For example, the potential risks and diseases of ART babies may lead to patients' sentiment and distrust in the use of ART, and thus may lead to less demand for ART services. Any similar negative perception of ART services may render potential patients reluctant to seek, or delay seeking, ART services. Should conservative perception of the use of ART services develop, prospective patients may feel that ART services are not widely accepted by society and demand for ART services could be limited, resulting in material adverse effect on the ability of our hospitals to attract patients, and the growth of our business and our results of operations may be adversely affected consequently.

From time to time, there have been negative news and publicity about the ART service industry, ART hospitals and/or medical professionals practicing in this industry. Any further negative news and publicity about the ART service industry could amplify existing concerns and misperceptions and limit market acceptance of ART services, and thus may have an adverse effect on our business, results of operations and financial conditions.

If we fail to effectively implement our business strategies, including managing business in new geographic regions through acquisitions, our business, financial condition and results of operations may be adversely affected.

As part of our business strategy, we intend to expand our service outreach to surrounding overseas market through, among others, acquisitions of local targets. See "Business — Our Strategies — We will continue to expand our medical network and actively establish a presence in overseas markets." Generally, we are subject to the following risks associated with the implementation of our business strategies:

- significant demands on our management's time and attention and diversion of resources from our existing operations;

- difficulties in identifying suitable acquisition targets for expansion and negotiating commercially acceptable terms for such expansion;

- expansion may be costly and time-consuming and may require us to obtain third party financing, which may not be available on commercially acceptable terms;

- the changes in the local laws and regulations which we may not be familiar with;

- failure to achieve the expected operating levels, target return on investment or intended benefits or operating synergies from new business opportunities;

- our due diligence may not uncover all unknown or contingent liabilities or other negative developments with respect to acquired targets;

- potential liabilities incurred by our acquisition targets prior to our acquisition arising from their non-compliance with relevant laws, rules and regulations, such as potential disputes, administrative penalties, or, in the most severe cases, loss of licenses which may be imposed by the relevant authorities retrospectively and without regard to whether the non-compliance has been rectified;

- failure to integrate acquired targets into our management structure and operations, including with respect to implementation of our standardized operating protocols, in order to provide consistently high levels of services across our hospitals; and

- failure to maintain or increase the number of patients, while complying with relevant laws and regulations.

We may not succeed in implementing our business strategies. For example, we established Shenzhen Gynecological Hospital in 2013 and deregistered it in 2022 as we intended to streamline our business operations and optimize the allocation of our resources. See "History, Reorganization and Corporate Structure — Our Corporate Developments — Major Shareholding Changes of Our Company and Our Principal Operating Subsidiaries — Deregistered Entity." Moreover, our experience in operating ART hospitals has been historically limited to Guangdong, Tianjin and Yunnan in China. We may not be successful in adapting our business model to new geographic regions. We may not be able to overcome the technological, regulatory, commercial and operational challenges relevant to the new market on a timely and cost-efficient manner, or successfully integrate the newly acquired facility or achieve expected profitability. The lack of experience in managing businesses in new geographic regions may cause uncertainty to our business, financial condition and results of operations.

There is no assurance that our business strategies will be successful. To manage and support our growth, we may need to improve our existing operational and administrative systems, as well as our financial and management controls. If we fail to expand at our expected pace, we may face capacity constraints in the future which may adversely affect our business and financial condition. Our continued success also depends on our ability to recruit, retain and train additional medical professionals and qualified administrators, particularly when we acquire hospitals or expand into new markets. We also need to continue to properly maintain our relationships with our suppliers and patients. All of these endeavors will require substantial management attention and efforts and significant additional expenditures.

We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business, financial condition and results of operations.

We are exposed to inherent risks of medical disputes and legal proceedings arising from our operations.

We are subject to patient complaints, claims, lawsuits, arbitration proceedings, government investigations and legal and regulatory proceedings in the ordinary course of our business. In conducting our business, we rely on physicians and other medical professionals of our hospitals to make proper clinical decisions regarding diagnosis and treatment of our patients. However, it is impossible for us to have direct control or oversight over all the clinical activities of our hospitals or the decisions and actions taken by physicians and other medical professionals as their diagnoses and treatments of patients are subject to their professional judgment and in many cases, must be performed swiftly under the circumstances. Any lapse of judgment on the part of our physicians and other medical professionals, or any failure by our hospitals to properly manage their clinical activities, may result in unsatisfactory treatment outcomes, patient injury or possible patient death. Through providing services to patients with various medical conditions, we are exposed to inherent risks in our operations, even in areas for which we have adopted the highest clinical standards. In addition, there are inherent risks associated with our clinical activities which may result in unfavorable medical outcomes not caused by clinical decisions. In such case, we may choose to settle with the unsatisfied parties without legal proceedings in order to minimize the negative impact on our reputation and operations.

The existence of litigation, claims, investigations and proceedings against us may harm our reputation and limit our ability to conduct our business in the affected areas. The outcome of any claims, investigations, and proceedings remains uncertain, and in any event defending against these claims could be both costly and time-consuming and could significantly divert the efforts and resources of our management and other personnel. In addition, litigation, claims, investigations and proceedings may lead to other unfavorable outcomes, such as negative publicity using the media. An adverse determination in any litigation, investigation, or proceeding could cause us to pay damages, incur legal and other costs, limit our ability to conduct business, or require us to change the manner in which we operate.

Our results of operations are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonality in our business. For details, see "Business – Seasonality." During the Track Record Period, we recorded higher revenue generation in the second and third quarter of a particular year as compared to the first quarter and fourth quarter of that year based on our unaudited management accounts. We believe this is mainly because patients are less willingly to visit hospitals in cold weather and during the Chinese New Year period, resulting in less patient visits and IVF cycles performed in the first and fourth quarter. As a result, our revenue and business performance may vary from periods to periods. The comparison of revenue and operating results from different periods in any given financial year may not be relied upon as indicators of our performance.

The discontinuation of any government grants, preferential tax treatment and other favorable policies currently available to us could adversely affect our financial position, results of operations, cash flows and prospects.

We recognized government grants of RMB0.4 million, RMB0.5 million, RMB0.4 million, RMB0.1 million and RMB5,000 in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, respectively. During the same periods, we also enjoyed preferential tax treatment. See "Financial Information — Description of Selected Items from Combined Statements of Profit or Loss — Income Tax." Furthermore, according to the relevant tax regulations with respect to medical institutions, our hospitals benefited from the preferential value-added tax exemption policy as of the Latest Practicable Date. Our eligibility to receive government grants, preferential tax treatment and other favorable policies is dependent on a variety of factors. The timing, amount and criteria of these favorable policies are determined by the local government authorities in accordance with the relevant regulations then in force and cannot be predicted with certainty before we actually receive any financial incentive. Some of the government grants, preferential tax treatment and other favorable policies are subject to the satisfaction of certain conditions, including compliance with the applicable government policies. The local government authorities may also choose to discontinue or refuse to renew such favorable policies. We cannot assure you of the continued availability of such financial incentives and subsidies in the future. The discontinuation of the government grants, preferential tax treatment and other favorable policies currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows and prospects.

We may not obtain adequate or timely financing for our growth and development within our budget, or at all.

In order to finance our growth and development, including any potential investments and upgrades of our hospitals, we will require additional cash resources. If our internal resources are insufficient to satisfy our cash requirements, we may seek additional financing. If we raise additional financing by issuing additional equity, our shareholders may experience dilution in their shareholdings.

To the extent we engage in debt financing, the indebtedness we incur would result in debt service obligations and may impose operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Serving our debt obligations could also be burdensome for our operations. In the event that we fail to service any debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and materially and adversely affect our liquidity and financial condition. Our ability to obtain capital on acceptable terms is subject to a variety of uncertainties, some of which are beyond our control, including general economic and capital market conditions, credit availability from banks or other lenders, receipt of necessary government approvals, building investors' confidence, the general performance of the healthcare industry, and in particular, our operating and financial performance. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. In the event that financing is not available or is not available on terms acceptable to us, our business, results of operations and prospects may be adversely affected.

We rely on major suppliers for a large portion of our procurement for supplies.

During the Track Record Period, we made procurement from a limited number of suppliers for pharmaceuticals, medical devices and consumables and other suppliers. In 2020, 2021, 2022 and the six months ended June 30, 2023, our purchases from our five largest suppliers accounted for 77.2%, 65.2%, 45.5% and 49.3% of our total purchases, respectively, and our purchases from our single largest supplier in each year/period during the Track Record Period accounted for 46.8%, 27.6%, 16.2% and 20.3% of our total purchases, respectively. See "Business — Supply and Procurement." We are subject to the concentration risk of making substantial part of the purchases from major suppliers. If any of these major suppliers decide to substantially reduce the supply or terminate their cooperation with us in the future, we may not be able to find suitable alternative suppliers in a timely manner, or at all, in order to guarantee the supplies in our hospitals, and our business, financial conditions and results of operations would be materially and adversely affected.

Our ability to provide ART services may be harmed if we fail to secure adequate supplies at reasonable costs or experience any supply interruptions.

We depend on third parties for different aspects of our business, such as supplying pharmaceuticals, medical equipment, medical consumables, and other supplies. The availability of the medical supplies can fluctuate from time to time and are subject to factors beyond our control, including supply, demand, general economic conditions and governmental regulations, each of which may affect the procurement costs or cause a disruption in the supply. Any interruptions or changes in the medical supplies, or our inability to obtain substitute suppliers and service providers meeting our quality standards at acceptable prices in a timely manner may impair our ability to meet the demands of our patients. Moreover, we expect our demand for such supplies to increase as we continuously expand our business scale. We cannot guarantee that our current suppliers and service providers have the capacity to meet our increasing demand going forward. In addition, we cannot assure you that our suppliers and service providers will continue their business relationships with us on commercially reasonable terms or at all. In the event that these third parties do not continue to maintain or expand their cooperation with us, or fail to provide us with adequate supply to meet our needs, we may not be able to find suitable alternative suppliers and service providers within a short period of time, which could disrupt our operations and adversely affect our results of operations.

We cannot assure you that we will be able to anticipate and react to changes in medical supply costs in the future by locating substitute suppliers or adjusting service offerings in a timely manner, or that we will be able to pass these cost increases onto the patients. Any of these factors may have a material and adverse effect on our profitability and results of operations.

We have limited control over the quality of the pharmaceuticals, medical equipment, medical consumables and other supplies used in our operations, and cannot guarantee that the products in use are not defective or counterfeit.

We procure a variety of pharmaceuticals, medical equipment, consumables and other supplies in our operations from third-party suppliers. As we do not engage in the direct manufacture of such supplies, we cannot assure you that such supplies are free of defects and meet relevant quality standards or, in the case of imported supplies, verify the origin of such products. In addition, there are counterfeit pharmaceutical products manufactured without proper licenses or approvals or fraudulently mislabeled with respect to their contents or manufacturers. In some cases these products are very similar in appearance to the authentic products. Our quality control checks and processes may not be able to identify all counterfeit pharmaceutical products in the inventory. Any sale of such products by our hospitals, regardless of our knowledge as to their authenticity, may subject us to administrative sanctions, civil claims, negative publicity or reputational damage. We cannot assure you that we will be able to successfully claim full indemnity from such manufacturers of counterfeit pharmaceutical products.

Nor can we assure you that we will not encounter incidents relating to defective products, or that such incidents will not materially and adversely affect our hospitals. If the products provided by our suppliers are defective, of poor quality or are otherwise unsafe or ineffective, we could be subject to liability claims, complaints or adverse publicity, any of which would materially and adversely affect our results of operations and reputation. We cannot assure you that we will find suitable replacement suppliers on commercially acceptable terms, or at all.

The suppliers are also subject to extensive laws, rules and regulations. If any suppliers violate applicable laws, rules and regulations, our reputation or procurement may be materially and adversely affected. In addition, we may be exposed to reputational damages or even liabilities for defective goods provided by the suppliers or negative publicity associated with any suppliers, and our business and results of operations could suffer as a result.

Our operations are susceptible to fluctuations in the costs of medical materials, which could adversely affect our profitability and results of operations.

The profitability of our business is influenced by fluctuations in the costs of medical materials, including pharmaceutical products, reagents and medical consumables. The availability and prices of the pharmaceutical products, reagents and medical consumables used in our business fluctuate from time to time and are subject to factors beyond our control, including supply, demand, general economic conditions and governmental regulations, each of which may affect our procurement costs or cause a disruption in our supply stability. We cannot assure you that we will be able to anticipate and react to changes in medical supply costs by replacing suppliers or adjusting our service fees in the future, or that we will be able to pass these cost increases onto our patients. Any of these factors may have a material adverse effect on our business, results of operations and prospects.

Our historical financial and operating results may not be indicative of our future performance, and we may not be able to achieve and sustain the historical level of revenue growth and profitability.

Our past performance is not necessarily indicative of future results and our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenue, cost, expenses, and operating results may vary from period to period as it could be affected by various factors beyond our control. Such factors may include, but are not limited to, changes in the general economic conditions, new trends in the PRC healthcare and ART service market, and our ability to control costs and operating expenses. Historically, our operations have largely depended on our ability to treat patients effectively and leveraging our success and reputation to attract new patients. To maintain our growth and profitability, we must continue to strengthen our reputation, attract quality talent, adopt innovative technologies and treatment processes, and enhance patients' experience. We will also need to successfully expand our footprint into new geographical locations where we have limited experience. We cannot assure you that we will achieve any of the above. As a result, we believe that period-to-period comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on them to predict the future performance of our operating results.

If we cannot manage our inventory level efficiently, our liquidity and cash flow may be adversely affected.

Our inventory comprises primarily the inventory of pharmaceutical products and consumables and others. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had inventories of RMB13.7 million, RMB13.7 million, RMB18.4 million and RMB18.2 million, respectively. Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. Further, rapid technological advances in the healthcare industry and in other hospitals could also, at times, lead to earlier-than-planned obsolescence or redundancy of equipment and result in asset impairment charges, which may materially adversely affect our business, results of operations and prospects.

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

We recognize a contract liability when the customer pays non-refundable consideration before we recognize the related revenue, and when we have an unconditional right to receive non-refundable consideration before we recognize the related revenue. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our contract liabilities amounted to RMB15.0 million, RMB18.5 million, RMB25.9 million and RMB35.4 million, respectively. See "Financial Information — Description of Certain Items of Combined Statements of Financial Position — Contract Liabilities." If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the payments we have received, which could adversely affect our cash flow and liquidity condition, our results of operations and financial condition.

We are uncertain about the recoverability of our deferred tax assets, which may materially and adversely affect our financial condition.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our deferred tax assets amounted to RMB5.0 million, RMB20.6 million, RMB14.1 million and RMB11.6 million, respectively, which mainly arose from unused tax losses, lease liabilities, unrealized fair value gains and losses and impairment provisions. For details of the movements of our deferred tax assets during the Track Record Period, please refer to note 24(b) to the Accountants' Report set out in Appendix I to this document.

We recognize deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. This requires significant judgment on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. We cannot guarantee the recoverability or predict the movement of our deferred tax assets. If we fail to recover our deferred tax assets, this may adversely affect our financial condition and results of operations in the future.

We have incurred net current liabilities in the past and may not be able to maintain net current assets in the future.

We incurred net current liabilities of RMB51.1 million as of December 31, 2020. As of December 31, 2021 and 2022 and June 30, 2023, we recorded net current assets of RMB90.8 million, RMB67.2 million and RMB64.6 million, respectively. See "Financial Information — Net Current Assets." There can be no assurance that we will be able to maintain the net current assets status and will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

Our business operations may be extensively affected by the laws and regulations regarding data privacy and protection in China.

On December 28, 2021, the Cyberspace Administration of China (the "**CAC**"), jointly with other 12 governmental authorities, issued the revised Measures for Cybersecurity Review (網絡安全審查辦法) (the "**CAC Measures**"), which became effective from February 15, 2022. According to the CAC Measures, a cybersecurity review is required when national security has been or may be affected when a critical information infrastructure operator (the "**CIIO**") purchases network products and services. Moreover, the CAC Measures also provide that an internet platform operator possessing personal information of more than one million users that applies for listing abroad, shall make declaration for cybersecurity review with the Office of

Cybersecurity Review. Furthermore, the relevant PRC governmental authorities may initiate cybersecurity review if such governmental authorities believe that the network products or services, or data processing activities affect or may affect national security according to the CAC Measures. On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (關鍵信息基礎設施安全保護條例) (the "**CII Regulation**") which came into effect on September 1, 2021. Pursuant to the CII Regulation, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests. The CII Regulation also stipulates the procedures for determining critical information infrastructure. It provides that competent authorities shall promulgate detailed rules in designating critical information infrastructure, identify critical information infrastructure in the relevant industries, and notify operators of such critical information infrastructure in a timely manner. On November 14, 2021, the CAC issued the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the "**Draft Data Security Regulations**"). Pursuant to Article 13 of the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the activities including (i) seeking to be listed in Hong Kong that will affect or may affect national security; and (ii) other data processing activities that will affect or may affect national security. As of the Latest Practicable Date, the Draft Data Security Regulations had been released for consultation purposes, and we will continue to closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review when and once the Draft Data Security Regulations is formally promulgated. We cannot assure you whether we will be subject to the cybersecurity review in the future if we are considered to be falling into the scope of activities or data which "affect or may affect national security" as interpreted under the regulatory regime.

The proper functioning of our computer network infrastructure and centralized information technology systems is essential to our business operation. Any technological failure, security breach or other disruptions could have a material adverse effect on our business.

The proper maintenance of a functioning computer network infrastructure and centralized information technology systems is essential to our business operation. The computer network infrastructure and information technology system help operate and monitor the operational performance of our hospitals, such as patient services, billing, financial data, patient records and inventory. Any technical failures associated with the information technology systems, including those caused by power loss, natural disasters, network failures, computer viruses or other unauthorized tampering, may cause interruptions in our ability to provide services to the patients, keep accurate records, receive payment from insurance reimbursements and maintain normal business operations.

We may not be able to protect the information and data of our patients from leakage or improper use, which could expose us to claims, regulatory actions or litigations.

We collect and maintain medical data from the diagnosis and treatment of our patients. We acknowledge that the personal information and privacy of our patients are particularly essential to our operation and that they expect us to keep their information strictly confidential. Our hospitals and employees are also subject to, among others, regulations on personal information protection, which limit the use of personal information of our patients collected by us for such purposes for which they were collected or for a directly related purpose or for which are required or allowed by relevant laws and regulations. We cannot assure you that we will be able to adapt to potential changes in relevant laws and regulations. Our ability to collect, store or use patients' data for current permitted purposes may be affected and we may also incur additional costs and labors.

We may be subject to liability as a result of any theft or misuse of personal information stored on the systems due to willful misconduct or gross negligence. PRC laws and regulations generally require healthcare institutions to protect the privacy of their patients and prohibit unauthorized disclosure of personal information. The measures we have adopted in this regard may not be sufficient in protecting the patients' medical information. Failure to protect patients' medical information could have a material adverse effect on our business and reputation.

Failure to comply with anti-corruption and anti-bribery laws, rules and regulations could subject us to investigations, sanctions or fines, which may harm our reputation and materially and adversely affect our business, financial condition and results of operations.

We are subject to risks in relation to actions taken by us, our employees, affiliates and business partners that constitute violations of the anti-corruption and anti-bribery laws and regulations. The PRC government has recently increased its anti-bribery efforts by introducing a range of measures. We cannot assure you that our management and staff will fully comply with anti-corruption regulations at all times, or that our management will be able to detect and identify all instances of bribery involving our hospitals. There is also no assurance that our internal policies and procedures will effectively prevent any non-compliance with relevant anti-corruption laws, rules and regulations. We may be subject to adverse publicity based on allegations of bribery or corruption within our hospitals. In the event that any bribery incident involving our management or employees materializes, we may be subject to investigations, sanctions or fines, and our reputation could be significantly harmed by any negative publicity stemming from such incidents, which may have a material adverse effect on our business, results of operations and prospects.

We are subject to environmental laws and regulations, including those in relation to the dealing of medical wastes, drainage and sewage disposal. In addition, we are subject to requirements relating to fire safety and building construction.

Our operations are subject to PRC environmental laws and regulations that, among other matters, require filing and reporting of environmental impact assessment documents, and impose limitations on the discharge of pollutants and require enterprises that engage in certain activities, including medical treatment, to apply to the competent urban drainage department for permission. For example, according to the Regulations on Urban Drainage and Sewage Disposal (城鎮排水與污水處理條例), enterprises that engage in the activities of medical treatment, among others, that discharge sewage into urban drainage facilities shall apply to the competent urban drainage department for permission. In addition, the PRC regulations have implemented the sewage disposal license management system. Enterprises that fail to obtain the sewage disposal license are not allowed to discharge sewage. As part of our normal business operations, we produce and store medical wastes, which may produce effects harmful to the environment or human health. Our medical waste disposal services are outsourced. If the relevant service providers fail to comply with these regulations, we could face sanctions or fines which could adversely affect our brand, reputation, business, results of operation or prospects.

Health and safety risks are inherent in the services we provide and are constantly present in our hospitals. A health and safety incident could be particularly serious as the patients at our hospitals tend to be highly vulnerable. Some of our activities are especially susceptible to medical risks, including disease management, operation of medical equipment and prescription and administration of drugs. Our business operations are also subject to requirements relating to health and safety, primarily in respect of fire safety, building construction and subject to risk that patients may cause harm to themselves, other patients or our employees. For example, according to the Fire Control Law of the PRC (中華人民共和國消防法) and the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (建設工程消防設計審查驗收管理暫行規定), a construction enterprise shall file an application for fire protection final inspection of an as-built construction project with the housing and urban-rural development authority, or report for recordation of fire protection design review to the housing and urban-rural development authority after final inspection. According to the Measures for the Administration of Construction Project Permits (建築工程施工許可管理辦法) and Regulations on Quality Management of Construction Projects (建設工程質量管理條例), enterprises that perform construction or redecoration of buildings, facilities and equipment shall obtain building construction permits, and shall conduct completion acceptance before delivery of the building for use.

As of the Latest Practicable Date, one of our leased properties had not conducted the relevant environmental impact assessment filing procedure, or obtained the drainage permit and sewage disposal approval, or obtained the building construction permit or conducted project completion acceptance, and two of our leased properties had not conducted the relevant fire safety inspection procedure. See "Business — Land and Properties — Leased Properties — Non-compliance Issues Relating to Our Leased Properties." Our lack of relevant approvals and permits may subject us to fines or even suspension of use of the leased properties. Any of these consequences may have a material adverse effect on our business, results of operations, financial conditions and prospects.

We may incur additional costs as a result of any dispute or claim arising from the title defects of our leased properties.

As of the Latest Practicable Date, we leased six properties in the PRC with a total GFA of approximately 21,087 sq.m. Such leased properties are primarily utilized for our hospital premises, offices and equipment and inventory warehouse. For details, see "Business — Land and Properties — Leased Properties." As of the same date, the lessors of two of our leased properties were unable to provide valid ownership certificates or other sufficient ownership documents evidencing the right to lease the property to us. As a result, we cannot continue to use such properties if the lessors' rights to lease such properties are successfully challenged by any third party. Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our hospitals or offices. In addition, as of the Latest Practicable Date, the actual land use of two of our leased properties was different from the approved land use. Relevant government authorities may impose penalties on the owners of such leased properties and we could be required to vacate such properties. See "Business — Land and Properties — Leased Properties — Non-compliance Issues Relating to Our Leased Properties."

If any of our leases are terminated or voided as a result of challenges from third parties or the government, or if we are required to vacate the properties due to the exercise of the mortgage right by the mortgagee or difference in the actual land use and the approved land use, we would need to seek alternative premises and incur relocation costs. If we fail to find suitable replacement properties on terms acceptable to us, or if we are subject to any material liability resulting from third-party challenges for our lease of properties for which we or our lessors do not hold valid title certificates or authorizations, our business, financial position, results of operations and growth prospects may be adversely affected.

We may be liable for failure to register our lease agreements, which may subject us to penalties.

Pursuant to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, four of our lease agreements had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. See "Business — Land and Properties — Leased Properties — Non-compliance Issues Relating to Our Leased Properties." We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisors have advised us that failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements under PRC laws, but we may be subject to a maximum penalty of RMB10,000 for each non-registered lease if we fail to register such lease agreements within the time frame prescribed by the relevant PRC government authorities. As a result, any imposition of fines due to such failure may adversely affect our business operations and financial condition.

Any early termination or non-renewal of our leases may adversely affect our business, results of operations and prospects.

Operating our business in commercially attractive locations is important to our profitability and business expansion. As of the Latest Practicable Date, we leased six properties in the PRC with a total of approximately 21,087 sq.m., primarily for our hospital premises, offices and equipment and inventory warehouse. Our lease agreements with the lessors typically have a term ranging from three to 19 years. See "Business — Land and Properties — Leased Properties." However, our landlords may exercise early termination of our leases, or may refuse to renew our leases on favorable terms following expiration. As there has been a general increase in rents for commercial property in recent years, we cannot assure you that we will be able to obtain or renew our leases on similar or favorable terms, including term of lease and rental prices, in the future, if at all. If under extreme circumstances any of our leases were to be terminated or not to be renewed upon expiration, we may be forced to relocate our hospitals in operation in such leased properties, and our operations will be severely disrupted or suspended. We may incur significant costs in securing alternative sites for relocation and relocating our operations to such alternative sites and we may lose income in regard to the affected hospitals during the relocation period. All of these consequences could materially and adversely affect our business, financial condition and results of operations.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

Companies operating in China are required to participate in various employee benefit plans, including social insurance, housing provident funds and other welfare-oriented payment obligations. The amounts of contributions should be equal to the prescribed percentages of salaries, including bonuses and allowances, of the employees up to a maximum amount specified by the local governments from time to time, at the locations where the companies operate their businesses. The contributions shall be paid under the company's own accounts instead of making payments under third-party accounts. According to the relevant PRC laws and regulations, an employer who fails to social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by social insurance contributions collection institutions to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late payment fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue. In addition, an employer that has not made housing provident fund contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by the housing provident fund management center to rectify the noncompliance and pay the required contributions within a stipulated deadline. If the employer still fails to rectify the failure to make housing provident contributions within the stipulated deadline, it may be subject to the court's compulsory enforcement.

During the Track Record Period, we did not make full social security insurance and housing provident fund contributions for certain employees. For details, see "Business — Employees — Social Insurance and Housing Provident Fund Contributions." We also engaged a third-party human resources agency to pay social insurance and housing provident funds for one of our employees, which may not be viewed as contributions made by us. We cannot assure you that the competent government authorities will not require us to pay the outstanding amount and impose late payment fees or fines on us. If we are subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

We may not carry adequate insurance for professional and other liabilities which may arise in the course of business.

During the Track Record Period and up to the Latest Practicable Date, we maintained insurance policies that are required under PRC laws and regulations as well as those based on our assessment of our operational needs and industry practice. See "Business — Insurance." We are exposed to potential liabilities that are inherent to the provision of medical services, and we may not carry adequate insurance for such liabilities. We may face claims in excess of the insurance coverage or claims which are not covered by insurance due to other policy limitations or exclusions or where our hospitals have failed to comply with the terms of the policy. There are only a limited number of medical liability insurance providers in the market and our hospitals may experience gaps in coverage when seeking to renew the insurance policies or to change insurance providers. We cannot assure you that we will be able to obtain and/or maintain medical liability insurance on acceptable terms or without substantial premium increases or at all in the future.

In addition, as our business expands, the cost for us to maintain an adequate level of insurance may become increasingly high. We cannot ensure that our hospitals will be able to locate or purchase appropriate insurance to cover the expanding operations in time, on commercially reasonable terms or at all. Any significant uninsured loss could have material and adverse effects on our financial condition and results of operations.

Unauthorized use of our intellectual property rights by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business and competitive position.

We regard our patents, trademarks, know-how, domain names and other intellectual property rights as critical to our competitiveness and success. For details of our material intellectual property rights, see "Appendix VI Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group." We rely on relevant rules and regulations and confidentiality agreements with our employees to protect our proprietary rights. We have taken, and will continue to take, a variety of actions to combat infringement of our intellectual property. Nevertheless, it can be difficult and expensive to police unauthorized use of intellectual property that we own or are entitled to use. Infringement of our intellectual property rights by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business, financial condition and results of operations.

We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, may materially disrupt our business.

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties during the course of our operations. We may also be subject to litigation involving claims of trademark infringement or violation of other intellectual property rights of third parties. Defense against any of these or other claims would be both costly and time-consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the provision and marketing of the relevant brand or services. To the extent that licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources sourcing alternative technologies or rebranding our services, if any, or we may be forced to delay or suspend the relevant services or the promotion of our brand. We may incur substantial expenses and require significant attention of management in defending against these third-party infringement claims, regardless of their merit. Protracted litigation could also result in our patients or potential patients deferring or canceling their visits to our hospitals. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, financial condition and results of operations could be materially and adversely affected.

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

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

Any non-compliance with medical and advertising laws, rules and regulations could subject us to penalties or fines.

We are obligated to ensure all of our advertising content complies with applicable laws, rules and regulations. According to the Administrative Measures on Medical Advertisement (醫療廣告管理辦法) and Notice on Further Strengthening the Administration of Medical Advertisements (關於進一步加強醫療廣告管理的通知), our hospitals must obtain a Medical

Advertisement Examination Certificate before publishing a medical advertisement. Violation of these regulations may result in penalties against the non-compliant hospital, including rectification, orders, warnings, suspension of operations, revocation of relevant permits to engage in the provision of specific medical services, and even the revocation of the practicing license of such medical facility. In addition, if the content of the published advertisement deviates from what is approved and documented in the Medical Advertisement Examination Certificate, the competent authority may revoke the Medical Advertisement Examination Certificate and suspend any application for advertisement examination.

Failure to comply with PRC regulations regarding the registration requirements for our RSU Scheme and our Post-[REDACTED] Share Scheme may subject the PRC plan participants or us to fines and other legal or administrative penalties.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) ("**SAFE Circular 7**"). Under SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches or commercial banks and complete certain other procedures.

Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by a PRC subsidiary, to conduct SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend its SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC employees who are granted options and/or restricted share unit will be subject to these regulations upon the completion of this [**REDACTED**]. Failure to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal penalties and may also affect our ability to contribute additional capital into our PRC subsidiary, affect our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business.

The PRC tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise.

On February 3, 2015, the STA issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) ("**Bulletin 7**"), which has been further amended by the Bulletin on Issues Concerning the Withholding of Non-PRC Resident

Enterprise Income Tax at Source ("**Bulletin 37**") issued by the STA on October 17, 2017 and amended on June 15, 2018. Pursuant to these bulletins, an "indirect transfer" of PRC assets, including a transfer of equity interests in a non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprise may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax (the "**PRC Taxable Assets**").

For example, Bulletin 7 provides that where a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, PRC tax authorities may disregard the existence of the overseas holding company and re-characterize the nature of the indirect transfer of PRC Taxable Assets as a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and without any other reasonable commercial purpose.

Although Bulletin 7 contains certain exemptions, it is unclear whether any exemptions under Bulletin 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transactions by applying Bulletin 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Current PRC regulations on loans provided by, and foreign direct investment by, an offshore holding company to PRC subsidiaries may affect our ability to finance our PRC subsidiaries effectively with the net [REDACTED] from the [REDACTED].

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and our VIE. We may make loans to our PRC subsidiaries and VIE subject to the approval from governmental authorities and foreign exchange loan registrations and limitation of amount, or we may make additional capital contributions to our PRC subsidiaries. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE, and medium or long-term loans by us to our PRC subsidiaries must be recorded and registered with the NDRC. If we provide funding to our wholly foreign-owned subsidiaries through shareholder loans, in the event that the foreign debt management mechanism as provided in the Administrative Measures for Foreign Debts Registration (外債登記管理辦法) and other relevant rules applies, the balance of such loans cannot exceed the difference between the total investment and the registered capital of the subsidiaries and we will need to register such loans with the SAFE or its local branches. In addition, a foreign-invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope.

SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or SAFE Circular 19, effective June 2015. According to SAFE Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for equity investments, the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. SAFE Circular 19 may significantly affect our ability to transfer any foreign currency we hold, including the net [**REDACTED**] from the [**REDACTED**], to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

We may not be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or VIE or future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the [**REDACTED**] we expect to receive from the [**REDACTED**] and to [**REDACTED**] or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Non-compliance with PRC rules on mergers and acquisitions may affect our growth through acquisitions in China.

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定), or the M&A Rules, and other regulations and rules with respect to mergers and acquisitions established statutory procedures and requirements. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, according to the Anti-Monopoly Law of PRC promulgated on August 30, 2007 and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings (國務院關於經營者集中申報標準的規定) issued by the State Council in August 2008 and amended in September 2018, the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be filed in advance with the anti-monopoly enforcement agency of the State Council when the threshold is crossed and such concentration shall not be implemented without the clearance of prior notification. In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知), also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (外商投資安全審查辦法), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the "**Office of the Working Mechanism**") will be established under NDRC, who will lead the task together with MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from competent government authorities may affect our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the NDRC, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be further reviewed. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

We rely on dividends paid by our PRC subsidiaries for funding. Non-compliance with the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.

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

We may be deemed to be a PRC tax resident under the EIT Law and may be subject to PRC corporate withholding tax on our worldwide income.

Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and its implementation rules, an enterprise established outside of the PRC with "de facto management body" within China is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the SAT issued the Circular of the State Administration of Taxation on Issues Relating to Identification of PRC-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance With the De Facto Standards of Organizational Management (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知), or SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect SAT's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

The tax resident status of an enterprise is subject to determination by the PRC tax authorities and changes remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could materially reduce our net income, and we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises (or 20% in the case of non-resident individuals). In addition, non-resident enterprise shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, any gain realized on the transfer of our Shares by individual shareholders or holders of our Shares may be subject to PRC tax at a rate of 20%. Any PRC tax imposed on dividends or gains may be subject to a reduction under an applicable tax treaty. However, it is unclear whether non-PRC shareholders of our Company would be able to obtain 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.

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

Under the EIT law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

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

If we are treated as a PRC resident enterprise as described above, dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected.

Fluctuations in exchange rates could have an adverse effect on our business, results of operations and prospects.

The conversion of RMB into foreign currencies, including Hong Kong dollars and U.S. dollars, is based on rates set by the People's Bank of China. It is difficult to predict how market forces or policies may impact the exchange rate between the RMB and the Hong Kong dollars, the U.S. dollar or other currencies in the future. The value of RMB against the Hong Kong dollars, U.S. dollar and other currencies is affected by changes in social and economic conditions and relevant foreign exchange policies, among other things. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars and the U.S. dollar in the future.

Any significant appreciation or depreciation of RMB may materially and adversely affect our revenue, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars and U.S. dollars we receive into RMB to pay our operating expenses, appreciation of RMB against the Hong Kong dollars and the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against the Hong Kong dollars and the U.S. dollar may significantly reduce the Hong Kong dollars or the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares.

An occurrence of natural disasters, widespread health epidemics or other outbreaks could have a material adverse effect on our business and results of operations.

Natural disasters, acts of war, terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

In addition, any epidemic outbreaks in the regions where our hospitals are located may disrupt the operations of the hospitals significantly. If any of our employees, especially our physicians and other medical professionals, has contracted any contagious disease or condition, our patients may expose to infection risks, and we may be short of medical professionals to support day-to-day operations. Such restrictions may limit our ability to provide healthcare services. As a result, our business operations would be materially and adversely affected.

RISKS RELATING TO OUR CORPORATE STRUCTURE

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

Foreign ownership of certain business in PRC is subject to restrictions under current PRC laws and regulations. For example, except for qualified service providers from Hong Kong, Macao and Taiwan, foreign investors are not allowed to own 100% of the equity interest in medical institutions. We are an exempted company incorporated in the Cayman Islands, and as such, we are classified as a foreign enterprise under PRC laws and regulations. Through our wholly owned PRC subsidiary, Aisheng Enterprise, we have entered into a series of Contractual Arrangements with Shenzhen IVF and the Relevant Registered Shareholders. See "Contractual Arrangements" for a detailed description of the Contractual Arrangements. Through our shareholdings and the Contractual Arrangements, we can receive all of the economic benefits generated by the VIE Hospitals.

As advised by our PRC Legal Advisors, save as disclosed in "Contractual Arrangements — Legality of the Contractual Arrangements," the Contractual Arrangements are legal, valid, enforceable and binding upon the parties thereto under the current laws and regulations, subject to further interpretation and application of current or future PRC laws and regulations, according to our PRC Legal Advisors. Accordingly, there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC Legal Advisors.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) (the "**FIL**") which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as "**Foreign Investors**"), subject to further interpretation and application. In addition, the FIL stipulates that foreign investment includes "Foreign Investors investing in PRC through many other methods under laws, administrative regulations or provisions prescribed by the State Council." We cannot assure you that the Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be determined by the laws and regulations then in force whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the Contractual Arrangements.

If our ownership structure, Contractual Arrangements or the business of Shenzhen IVF and its subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violations, including:

- levying fines on us;
- confiscating our income or the income of the VIE Hospitals;
- revoking our business licenses and/or operating licenses;
- shutting down our institutions;
- discontinuing or imposing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring; and

- taking other regulatory or enforcement actions that could be harmful to our business.

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

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and the Contractual Arrangements. In addition, if any equity interest held by Aisheng Enterprise in the VIE Hospitals is held in the court custody in connection with its litigation, arbitration or other judicial or dispute resolution proceedings, we cannot assure you that the equity interest will be disposed of to us in such proceedings in accordance with the Contractual Arrangements. The occurrence of any of these events could adversely affect our business, financial condition and results of operations.

Our Contractual Arrangements may result in adverse tax consequences to us.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not made on an arm's length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could materially and adversely affect us by (i) increasing the tax liabilities of Shenzhen IVF and the VIE Hospitals without reducing the tax liability of Aisheng Enterprise; or (ii) limiting the ability of Shenzhen IVF and the VIE Hospitals to obtain or maintain preferential tax treatments and other financial incentives.

The shareholders of Shenzhen IVF and the VIE Hospitals may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

The Relevant Registered Shareholders may potentially have a conflict of interest with us, and they may breach the Contractual Arrangements with us, if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and Shenzhen IVF and the VIE Hospitals, the Relevant Registered Shareholders will act in our interests or that the conflicts of interest will be resolved in our favor.

In addition, the Relevant Registered Shareholders may breach or cause Shenzhen IVF and the VIE Hospitals to breach the Contractual Arrangements. If Shenzhen IVF and the VIE Hospitals or the Relevant Registered Shareholders breach the Contractual Arrangements with us or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control Shenzhen IVF and the VIE Hospitals and otherwise result in negative publicity. We cannot assure you that the outcome of any such dispute or proceeding will be in our favor.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Shenzhen IVF and the Relevant Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.

Through Aisheng Enterprise, we have 70% equity ownership interests in Shenzhen IVF and the VIE Hospitals and rely on the Contractual Arrangements to control the remaining equity ownership interests in these entities, and has become entitled to all the economic benefits from the operations of Shenzhen IVF and the VIE Hospitals. See "Contractual Arrangements." These Contractual Arrangements may not be as effective in providing us with control over Shenzhen IVF and the VIE Hospitals as direct ownership. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of Shenzhen IVF and the VIE Hospitals which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level.

If Shenzhen IVF or the Relevant Registered Shareholders fail(s) to perform its or their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these Contractual Arrangements will be resolved through arbitration or litigation in China. However, there remain uncertainties regarding the outcome of arbitration or litigation, which may limit our ability to enforce these Contractual Arrangements. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Shenzhen IVF or the VIE Hospitals, injunctive relief and/or winding up of these entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. Under the PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over Shenzhen IVF or the VIE Hospitals and may not prevent leakage of equity and values to the minority shareholder of Shenzhen IVF or the VIE Hospitals or obtain the full economic benefits of the same. Our ability to conduct our business may be negatively affected.

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

Pursuant to the Contractual Arrangements, (i) Aisheng Enterprise has the exclusive right to purchase all or any part of its 30% equity interests in Shenzhen IVF itself or through its designated person(s); and (ii) Aisheng Enterprise has the exclusive right to purchase 30% of all or part of the assets of Shenzhen IVF and the VIE Hospitals attributable to the Relevant Registered Shareholders itself or through its designated person(s), at a transfer price which shall be the minimum purchase price permitted under the PRC laws. See "Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Option Agreement."

The equity transfer may be subject to approvals from and filings with the MOFCOM and SAMR and/or their local counterparts. In addition, the equity transfer price may be subject to review and tax adjustment with reference to its market value by the relevant tax authority. The Relevant Registered Shareholders will pay the transfer price they receive to Aisheng Enterprise or its designated person(s) under the Contractual Arrangements. The amount to be received by Aisheng Enterprise may also be subject to EIT, in which case such tax amounts could be substantial.

RISKS RELATING TO THE [REDACTED]

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

No public market currently exists for our Shares. The initial [**REDACTED**] for our Shares to the public will be the result of negotiations between our Company and the [**REDACTED**] (on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] of the Shares following the [**REDACTED**]. We have applied to the Hong Kong Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the Shares. A [**REDACTED**] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] market for our Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the Shares will rise following the [**REDACTED**].

The [REDACTED] and [REDACTED] volume of our Shares may be volatile, which could result in substantial losses for investors who purchase our Shares in the [REDACTED].

The [**REDACTED**] and [**REDACTED**] volume of our Shares may be highly volatile. Several factors beyond our control such as variations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on share transactions or volatility in [**REDACTED**] and changes in demand for our products may cause significant and sudden changes to the [**REDACTED**] and [**REDACTED**] volume of our Shares. Furthermore, the [**REDACTED**] of our Shares could also decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or share-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant [**REDACTED**] and [**REDACTED**] volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the [**REDACTED**] of our Shares.

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

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

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

Potential investors will pay a price per Share in the [**REDACTED**] that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities as of June 30, 2023. Therefore, purchasers of our Shares in the [**REDACTED**] will experience a substantial immediate dilution, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the [**REDACTED**], potential investors would receive less than the amount they paid for their Shares. For more information, see "Unaudited Pro Forma Financial Information" in Appendix II to this document.

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing [REDACTED] of our Shares and our ability to raise additional capital in the future.

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

The filing or regulatory review of the [REDACTED] by the CSRC or other PRC government authorities may be required under PRC laws.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "**Overseas Listing Trial Measures**") and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the previous regulatory regime for overseas [**REDACTED**] and [**REDACTED**] of PRC domestic companies' securities and regulate both direct and indirect overseas [**REDACTED**] and [**REDACTED**] of PRC domestic companies' securities. Any domestic company that is deemed to conduct overseas [**REDACTED**] and [**REDACTED**] activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

As advised by our PRC Legal Advisors, the [**REDACTED**] will be considered an indirect overseas [**REDACTED**] and [**REDACTED**] activity by a PRC domestic company under the Overseas Listing Trial Measures. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for [**REDACTED**] to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

Accordingly, our PRC Legal Advisors are of the view that we will be required to conduct the filing procedures with the CSRC in connection with the [**REDACTED**] within three business days after our application is submitted. We cannot assure you that we could meet such requirements or complete such filing in accordance with the Overseas Listing Trial Measures in a timely manner. Any failure may restrict our ability to complete the [**REDACTED**] or any future equity capital raising activities.

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

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

There is no assurance whether and when we will pay dividends.

No dividend had been paid or declared by us during the Track Record Period. We cannot assure you that the dividends will be declared or paid in the future. A decision to declare or pay any dividend and the amount of dividends is subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, our constitutional documents and applicable law. In addition, as a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. The calculation of our operating subsidiaries' profit under applicable accounting standards differs in certain aspects from the calculation under IFRS. Accordingly, we may not have sufficient or any profit to enable us to make dividend distributions to our Shareholders in the future, even if our IFRS financial statements indicate that our operations have been profitable.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.

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

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources or other sources contained in this document.

Certain facts, statistics and data contained in this document relating to China, Hong Kong and the industries in which we operate have been derived from various official government publications, industry associations, independent research institutions, third party reports and/or other publicly available sources we generally believe to be reliable. Such information has not been prepared or independently verified by us, the [**REDACTED**] or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials.

Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced with respect to other economies and should not be relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Hong Kong Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise.

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

Prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [**REDACTED**], there may have been or may be press and media coverage regarding us, our business, our industry and the [**REDACTED**]. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this document, we expressly disclaim responsibility for them. Accordingly, prospective investors should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to invest in our [**REDACTED**]. By applying to purchase our Shares in the [**REDACTED**], you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this document, the [**REDACTED**], and any formal announcements made by us in Hong Kong in relation to our [**REDACTED**].

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with certain provisions of the Listing Rules and the Companies (Winding UP and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our headquarters and our major business operations are based in the PRC and all of our management have been, are and will continue to be based in the PRC. We believe it would be more effective and efficient for our management to be based in a location where we have significant operations. As such, we will not be able to comply with the requirements of Rule 8.12 of the Listing Rules for sufficient management presence in Hong Kong.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules subject to the following conditions:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, Ms. Huang Yaqin (黃亞琴), our executive Director, and Ms. Suen Ka Yan (孫嘉恩), one of our joint company secretaries, who will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. Ms. Suen Ka Yan is ordinarily resident in Hong Kong. Each of our authorized representatives will be available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Hong Kong Stock Exchange and will be readily contactable by telephone, facsimile and/or email. Each of the two authorized representatives is authorized to communicate on our behalf with the Hong Kong Stock Exchange; Our Company has been registered as a non-Hong Kong Company under part 16 of the Companies Ordinance and Ms. Suen Ka Yan has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;

(b) both our authorized representatives have the means to contact all members of our Board (including our independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the members of our Board for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Hong Kong Stock Exchange within a reasonable period of time, when required. All Directors have provided his/her mobile phone numbers, fax numbers and e-mail addresses (where available) to our authorized representatives. In the event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone and all Directors and authorized representatives have provided his/her mobile numbers, office phone numbers, fax numbers and email addresses (where available) to the Hong Kong Stock Exchange;

(c) pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Gram Capital Limited as our compliance advisor, which has access at all times to our authorized representatives, Directors, senior management and other officers, and will act as an additional channel of communication with the Hong Kong Stock Exchange in addition to the authorized representatives of our Company; and

(d) meetings between the Hong Kong Stock Exchange and our Directors could be arranged through our authorized representatives or the compliance adviser, or directly with our Directors within a reasonable time frame. We will promptly inform the Hong Kong Stock Exchange of any changes of our authorized representatives and/or the compliance adviser.

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules and the guidance letter HKEX-GL 108-20 issued by the Stock Exchange, the secretary of an issuer must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or a barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong), or (ii) an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. According to the Guidance Letter HKEx-GL108-20, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time, but in any case, will not exceed three years from the [**REDACTED**] (the "**Waiver Period**") and on the conditions that (i) the company secretary in question must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the Company.

We have appointed Ms. Huang Yaqin (黃亞琴) and Ms. Suen Ka Yan (孫嘉恩) as our joint company secretaries. Our Directors are of the view that, having regard to Ms. Huang Yaqin's thorough understanding of the business, operations and overall management of our Group, she is a suitable person to act as a company secretary of the Company. In addition, as our headquarters and principal business operations are located in the PRC, our Directors believe that it is necessary to appoint Ms. Huang Yaqin as a company secretary whose presence in the PRC will enable her to attend to the day-to-day corporate secretarial matters concerning our Group. However, given that Ms. Huang Yaqin does not possess the qualification stipulated in

Rule 3.28 of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a [**REDACTED**] issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Therefore, our Company has appointed Ms. Suen Ka Yan, a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom who is qualified under Rule 3.28 of the Listing Rules, to act as the other joint company secretary to provide support to Ms. Huang Yaqin on an ongoing basis.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules on the condition that Ms. Huang Yaqin will be assisted by Ms. Suen Ka Yan as our joint company secretary throughout the Waiver Period. Having over 7 years of professional experience in corporate secretarial field and has been providing corporate secretarial services to both listed and private companies incorporated in Hong Kong and overseas, Ms. Suen Ka Yan is, in our Company's opinion, a person who is qualified and suitable to provide assistance to Ms. Huang Yaqin, for the Waiver Period so as to enable her to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to duly discharge her duties. In addition, Ms. Huang Yaqin will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the Waiver Period. Our Company will further ensure that Ms. Huang Yaqin has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer [**REDACTED**] on the Stock Exchange.

Such waiver will be revoked immediately if and when Ms. Suen Ka Yan ceases to provide such assistance or if our Company commits any material breaches of the Listing Rules during the Waiver Period. We will liaise with the Hong Kong Stock Exchange before the end of the Waiver Period to enable it to assess whether Ms. Huang Yaqin, having had the benefit of Ms. Suen Ka Yan's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**]. We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details of such continuing connected transactions and the waiver, see "Connected Transactions".

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in this document must include the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this document or such shorter period as may be acceptable to the Stock Exchange.

According to Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this document shall include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this document as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this document a report by our auditor with respect to profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this document.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Guidance Letter HKEx-GL25-11 issued by the Stock Exchange has provided the conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules as follows:

1. the document must include the financial information for the latest financial year and a commentary on the results for the year. The financial information to be included in the document must (a) follow the same content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (b) be agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants;

2. the applicant must list on the Stock Exchange within three months after the latest year end; and

3. the applicant must obtain a certificate of exemption from the SFC on compliance with the requirements of Section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The Accountants' Report for each of the three years ended December 31, 2020, 2021, 2022 and the [nine months ended September 30, 2023] [has been] prepared and set out in Appendix I to this document.

Pursuant to the relevant requirements set out above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2021, 2022 and 2023.

As such, an application was made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver [has been granted] by the Stock Exchange on the conditions that:

(a) this document will include the preliminary unaudited financial information for the year ended December 31, 2023 and a commentary on the results for the year. The financial information to be included in this document must (a) follow the same content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (b) be agreed with the Reporting Accountants following their work performed under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants;

(b) the Shares of our Company must be [**REDACTED**] on the Stock Exchange on or before [**REDACTED**] (i.e. within three months after the latest financial year end of our Company);

(c) our Company obtains a certificate of exemption from the SFC on strict compliance with the requirements under section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(d) our Company will not be in breach of our constitutional documents or laws and regulations of the Cayman Islands, where our Company is incorporated, or other regulatory requirements regarding our obligation to publish preliminary results announcements.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption [has been granted] by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption are set out in this document; (ii) this document will be issued on or before [**REDACTED**]; and (iii) Shares of our Company will be [**REDACTED**] on the Stock Exchange on or before [**REDACTED**] (i.e. three months after the latest financial year end of our Company).

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interest of the investing public as:

(a) there would not be sufficient time for our Company and the Reporting Accountants to finalize the audited financial statements for the year ended December 31, 2023 for inclusion in this document. If the financial information for the year ended December 31, 2023 is required to be audited, our Company and the Reporting Accountants would have to carry out substantial work to prepare, update and finalize the Accountants' Report and this document and the relevant sections of this document will need to be updated to cover such additional period within a short period of time and will lead to the delay of the current [**REDACTED**] timetable;

(b) our Directors and the Sole Sponsor confirm herein that, after performing all reasonable due diligence work which they consider appropriate, up to the date of this document, there has been no material adverse change to the financial and trading positions or prospects of the Company since [September 30], 2023 (immediately following the date of the latest audited statement of financial position in the Accountants' Report set out in Appendix I to this document) to the date of this document and there has been no event since [September 30], 2023 which would materially affect the information shown in the Accountants' Report set out in

Appendix I to this document, the unaudited preliminary financial information of our Group for the year ended December 31, 2023 as set out in Appendix III to this document and "Financial Information" and other parts of this document;

(c) our Company has included in this document (a) the Accountants' Report covering the three years ended December 31, 2022 and the [nine months ended September 30, 2023]; (b) the unaudited preliminary financial information of our Group for the year ended December 31, 2023 as set out in Appendix III to this document, [which has been agreed with the Reporting Accountants], following their work performed under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and a commentary on the results for the year as set out in Appendix III to this document, and such disclosure is no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (c) the information regarding the recent development of our Group subsequent to the Track Record Period and up to the Latest Practicable Date. As such, our Company and the Sole Sponsor are of the view that all material information have been provided to potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Group, and all material information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and profitability of our Company has been included in this document. Our Directors believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and the exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance would not prejudice the interests of the investing public;

(d) our Company will not breach its Articles of Association or Cayman Islands laws and regulations regarding its obligation to publish annual results announcements if our Company does not publish its preliminary results announcement for the year ended December 31, 2023 in accordance with Rule 13.49(1) of the Listing Rules. Pursuant to the note to Rule 13.49(1) of the Listing Rules, our Company will publish an announcement after the [**REDACTED**] and no later than [**REDACTED**] stating that the relevant financial information has been included in this document; and

(e) our Company will comply with the requirements under Rules 13.46(2) of the Listing Rules in respect of the publication of our annual report within the time prescribed. Our Company currently expects to issue its annual report for the year ended December 31, 2023 on or before [**REDACTED**]. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of the Group for the year ended December 31, 2023.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Ren Jizhong (任吉忠)	Room 1111 and 1911 Unit 1, Building 1 Zhongxin Longsheng Square Longxin Community Baolong Street Longgang District, Shenzhen Guangdong Province PRC	Grenadian
Ms. Huang Yaqin (黃亞琴)	9/F, Building 3 Shenguotou Square No. 69, Nonglin Road Futian District, Shenzhen Guangdong Province PRC	Chinese
Ms. Zhang Lianyue (張連悅)	2-11-208 Zhongyuan Li Jinzhong Road Hebei District, Tianjin PRC	Chinese
Non-Executive Director		
Ms. Zhang Xiaowen (張曉文)	Room 1111 and 1911 Unit 1, Building 1 Zhongxin Longsheng Square Longxin Community Baolong Street Longgang District, Shenzhen Guangdong Province PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Ms. Chen Ling (陳伶)	Room 307 No. 33, Middle Foshan Avenue Chancheng District, Foshan Guangdong Province PRC	Chinese
Ms. Zhao Guiying (趙貴英)	Room 1301 Building 7 Taiyueyuan Community Haidian District, Beijing PRC	Chinese
Ms. Sun Wei (孫偉)	Room 401, Unit 2, Building 5 No. 1, Jingjiu Road Shizhong District, Jinan Shandong Province PRC	Chinese

Please refer to the section headed "Directors and Senior Management" in this document for further details of our Directors.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong

[REDACTED]

Legal Advisors to our Company	*As to Hong Kong and United States laws:* **Sidley Austin** Level 39 Two International Finance Centre 8 Finance Street Central Hong Kong

	As to Cayman Islands laws: **Conyers Dill & Pearman** 29th Floor One Exchange Square 8 Connaught Place Central Hong Kong
	As to PRC laws: **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing PRC
	As to PRC data compliance laws: **Han Kun Law Offices** Beijing office 9/F, Office Tower C1 Oriental Plaza No. 1 East Chang An Ave Beijing 100738 PRC
Legal Advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong and United States laws:* **Herbert Smith Freehills** 23rd Floor, Gloucester Tower 15 Queen's Road Central Hong Kong
	As to PRC laws: **Commerce & Finance Law Offices** 12-14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Beijing PRC
Reporting Accountants and Auditors	**KPMG** *Certified Public Accountants* 8/F, Prince's Building 10 Chater Road Central Hong Kong

Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504-2505 Wheelock Square No. 1717 Nanjing West Road Jing'an District Shanghai PRC
Property Valuer	**Cushman & Wakefield Limited** 27th Floor One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong
Compliance Advisor	**Gram Capital Limited** Room 1209 12th Floor, Nan Fung Tower 88 Connaught Road Central/ 173 Des Voeux Road Central Central Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and Principal Place of Business in PRC	A502 Tian'an Innovation and Technology Square Chegongmiao Futian District Shenzhen Guangdong Province PRC
Principal Place of Business in Hong Kong	40th Floor Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.ivfchina.net** *(information contained in this website does not form part of this document)*
Joint Company Secretaries	**Ms. Huang Yaqin (黃亞琴)** 9/F, Building 3 Shenguotou Square No. 69, Nonglin Road Futian District, Shenzhen Guangdong Province PRC **Ms. Suen Ka Yan (孫嘉恩)** 40th Floor Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

Authorized Representatives	**Ms. Huang Yaqin (黃亞琴)** 9/F, Building 3 Shenguotou Square No. 69, Nonglin Road Futian District, Shenzhen Guangdong Province PRC
	Ms. Suen Ka Yan (孫嘉恩) 40th Floor Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Ms. Chen Ling (陳伶) *(Chairlady)* Ms. Zhang Xiaowen (張曉文) Ms. Zhao Guiying (趙貴英)
Remuneration Committee	Ms. Zhao Guiying (趙貴英) *(Chairlady)* Mr. Ren Jizhong (任吉忠) Ms. Chen Ling (陳伶)
Nomination Committee	Mr. Ren Jizhong (任吉忠) *(Chairman)* Ms. Chen Ling (陳伶) Ms. Zhao Guiying (趙貴英)
Principal Banks	**Shanghai Pudong Development Bank Shenzhen Longcheng Branch** 1-2/F No. 2, Tian'an Digital Park Longgang District, Shenzhen Guangdong Province PRC
	Ping An Bank Shenzhen Branch Chegongmiao Sub-branch First Floor, Building A, Tai'anxuan Tairan Nine Road Futian District, Shenzhen Guangdong Province PRC

[**REDACTED**]

Certain information and statistics set out in this section and elsewhere in this document are derived from various official government and other publicly available sources, and from the market research report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us (the "Frost & Sullivan Report"). No independent verification has been carried out on the information from official government sources by us, the Sole Sponsor, **[REDACTED]** ***or any other parties (other than Frost & Sullivan) involved in the*** **[REDACTED]** ***or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy. Unless and except for otherwise specified, the market and industry information and data presented in this "Industry Overview" section is derived from the Frost & Sullivan Report. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of China. As a result, you are advised not to place undue reliance on such information.***

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on China's ART service markets. The report prepared by Frost & Sullivan for us is referred to in the document as the Frost & Sullivan Report. We have agreed to pay a total fee of RMB500,000 to Frost & Sullivan for the preparation of the Frost & Sullivan Report, which we believe reflects market rates for reports of this type. Frost & Sullivan is a global consulting company founded in 1961 in New York and as over 40 global offices with more than 3,000 industry consultants, market research analysts, technology analysts and economists.

During the preparation of the market research report, Frost & Sullivan performed both (i) primary research, which involved in-depth interviews with leading industry participants and industry experts; and (ii) secondary research, which involved review of company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data was obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Unless otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions (i) the social, economic, and political environment in China is expected to remain stable in the forecast period; (ii) industry key drivers are likely to drive China's healthcare market in the forecast period; and (iii) there is no extreme force majeure or unforeseen industry regulations in which the industry may be affected in either a dramatic or fundamental way.

Our Directors have confirmed that after making reasonable enquiries, there has been no adverse change in the market situation since the date of the Frost & Sullivan Report which may qualify, contradict, or have impact on the information of this section.

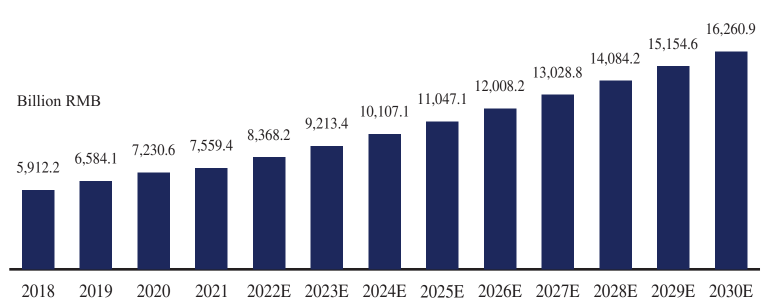
THE HEALTHCARE SERVICE MARKET IN CHINA

China's Healthcare Service Market

With the continuing economic growth, urbanization and increasing household disposable income, China's healthcare service market has experienced a steady development in recent years. China's total healthcare expenditure increased from RMB5,912.2 billion in 2018 to RMB8,368.2 billion in 2022, representing a CAGR of 9.1%. The rapid growth in China's healthcare expenditures is projected to continue in future years. According to the Frost & Sullivan Report, China's total healthcare expenditure is expected to reach RMB12,008.2 billion in 2026 and RMB16,260.9 billion in 2030, representing a CAGR of 9.4% from 2022 to 2026 and a CAGR of 7.9% from 2026 to 2030. The following chart sets forth China's total historical and projected healthcare expenditure for the periods indicated:

China Healthcare Expenditure, 2018-2030E

Period	CAGR
2018-2022E	9.1%
2022E-2026E	9.4%
2026E-2030E	7.9%

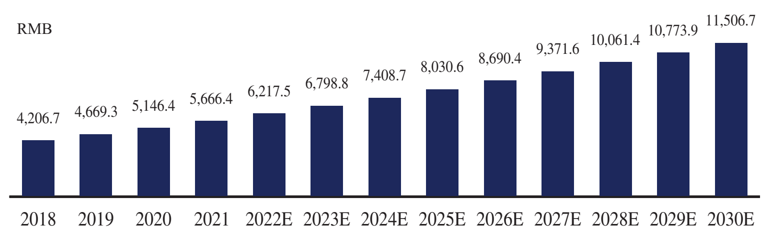


Source: Frost & Sullivan Report

The per capita healthcare expenditure in China has grown rapidly in recent years. The per capita healthcare expenditure increased from RMB4,206.7 in 2018 to RMB6,217.5 in 2022, representing a CAGR of 10.3%. The per capita healthcare expenditure is expected to reach RMB8,690.4 in 2026 and RMB11,506.7 in 2030, representing a CAGR of 8.7% from 2022 to 2026 and 7.3% from 2026 to 2030. The following chart sets forth China's total historical and projected healthcare expenditure per capita for the periods indicated:

Healthcare Expenditure Per Capita, 2018-2030E

Period	CAGR
2018-2022E	10.3%
2022E-2026E	8.7%
2026E-2030E	7.3%



Source: Frost & Sullivan Report

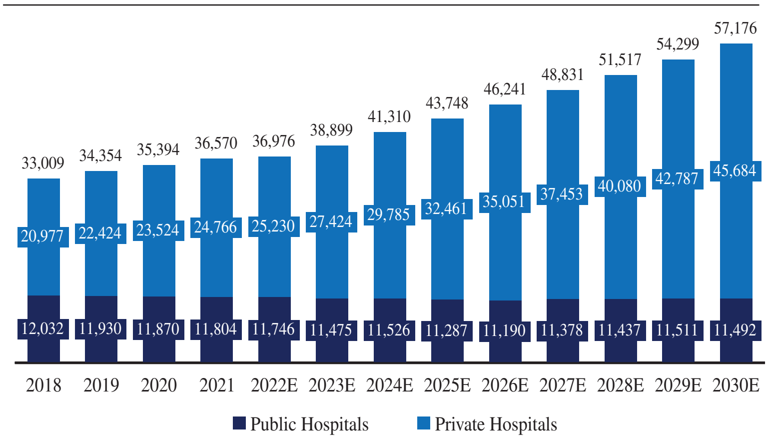
China's Healthcare Service System

Healthcare providers in China comprise hospitals, primary healthcare institutions (such as community health centers and stations, rural health centers and village clinics) and other healthcare institutions (such as centers of disease control, women & children care institutions and preventive institutions of special disease). By the end of 2021, there were 36,570 hospitals in China. By the type of ownership, China's hospitals are generally classified into public hospitals and private hospitals. By the scope of healthcare services provided, China's hospitals can be classified into general hospitals, specialty hospitals, traditional Chinese medicine hospitals and other hospitals. In addition, hospitals in China are ranked into three classes (Class I, II and III, with Class III being the highest class) and within each class, there are three sub-grades (Grade A, B and C, with Grade A being the highest sub-grade) based on the evaluation of a number of factors, such as hospital's size, technique level, medical equipment, management level and service quality.

Public healthcare institutions currently dominate China's healthcare services industry. Private healthcare institutions represent a fast growing segment in China's healthcare service industry, especially after more than a decade of national healthcare reforms since its launch in 2009. Due to the favorable government policies towards private healthcare service industry, the number of private hospitals increased with a CAGR of 4.7% from 20,977 in 2018 to 25,230 in 2022, and is expected to reach 35,051 in 2026 and 45,684 in 2030, representing a CAGR of 8.6% from 2022 to 2026 and a CAGR of 6.8% from 2026 to 2030. Meanwhile, the number of public hospitals in China decreased from 12,032 in 2018 to 11,746 in 2022, and is expected to further decrease to 11,492 in 2030.

Number of Hospitals in China, 2018-2030E

Period	CAGR		
	Public Hospitals	Private Hospitals	Total
2018-2022E	-0.6%	4.7%	2.9%
2022E-2026E	-1.2%	8.6%	5.7%
2026E-2030E	0.7%	6.8%	5.4%



Source: Frost & Sullivan Report

Note:

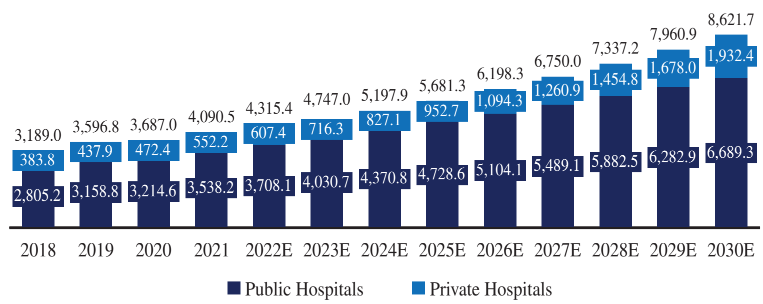
(1) Private hospitals include those that are private as well as those jointly operated by state entities and private entities.

Private hospitals in China are expected to make an increasingly larger contribution to the overall market growth. The revenue of private hospitals in China grew with a CAGR of 12.2% from RMB383.8 billion in 2018 to RMB607.4 billion in 2022, and is expected to reach RMB1,094.3 billion in 2026 and RMB1,932.4 billion in 2030, representing a CAGR of 15.9% from 2022 to 2026 and a CAGR of 15.3% from 2026 to 2030.

Revenue of Hospitals in China, 2018-2030E

Period	CAGR		
	Public Hospitals	Private Hospitals	Total
2018-2022E	7.2%	12.2%	7.9%
2022E-2026E	8.3%	15.9%	9.5%
2026E-2030E	7.0%	15.3%	8.6%

Billion RMB



Source: Frost & Sullivan Report

Note:

(1) Private hospitals include those that are private as well as those jointly operated by state entities and private entities.

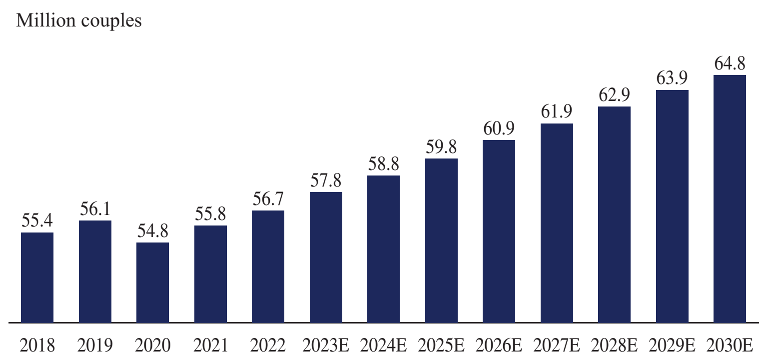
THE ART SERVICE MARKET IN CHINA

Epidemiology of Infertility and Population Challenges in China

Infertility refers to a disease of the reproductive system characterized by the failure of childbearing age couples to achieve clinical pregnancy after 12 months or more of regular unprotected sexual intercourse. Female infertility causes include, amongst others, tubal factor infertility, ovulation problems and reduced ovarian reserve. Male infertility causes include, amongst others, low sperm production, abnormal sperm function, and blockages that prevent the delivery of sperm. Infertility is becoming increasingly prevalent in China. The prevalence of infertile couples has increased over the past few years. The number of infertile couples in China has increased from 55.4 million in 2018 to 56.7 million in 2022, and is expected to increase to 64.8 million by 2030.

Number of Infertile Couples in China, 2018-2030E

Period	CAGR
2018-2022	0.6%
2022-2026E	1.8%
2026E-2030E	1.6%



Source: Frost & Sullivan Report

The infertility rate in China, which is calculated as the number of infertile couples divided by the number of couples of reproductive age, which for women is defined as between the ages of 15 and 49, has increased from approximately 9% in 1990 to 12% in 2007, and further increased to approximately 15% in 2010 and 17% in 2020, primarily due to the changing natural environment, such as environment pollution, and the changing social environment, such as later fertility age, unhealthy living habits like smoking, excessive drinking, staying up late, sedentary, and increased mental pressure.

In 2022, China's population recorded its first population regression in six decades. The new born population in China decreased from 15.2 million in 2018 to 9.6 million in 2022, representing a CAGR of negative 11.0% over the period. The birth rate, which is the ratio calculated based on newborn population of the year divided by average population of the year, also decreased from 1.1% in 2018 to 0.7% in 2022. If China's population decline in a long-term, it could result in changes in population structure and an increase in the proportion of older age groups. To reverse the trend of population decline, Chinese government has released a set of measures to encourage childbirth, such as the three-child policy. ART can be regarded as a tool to increase newborn population, and support the implementation of these measures.

Infertility Treatment

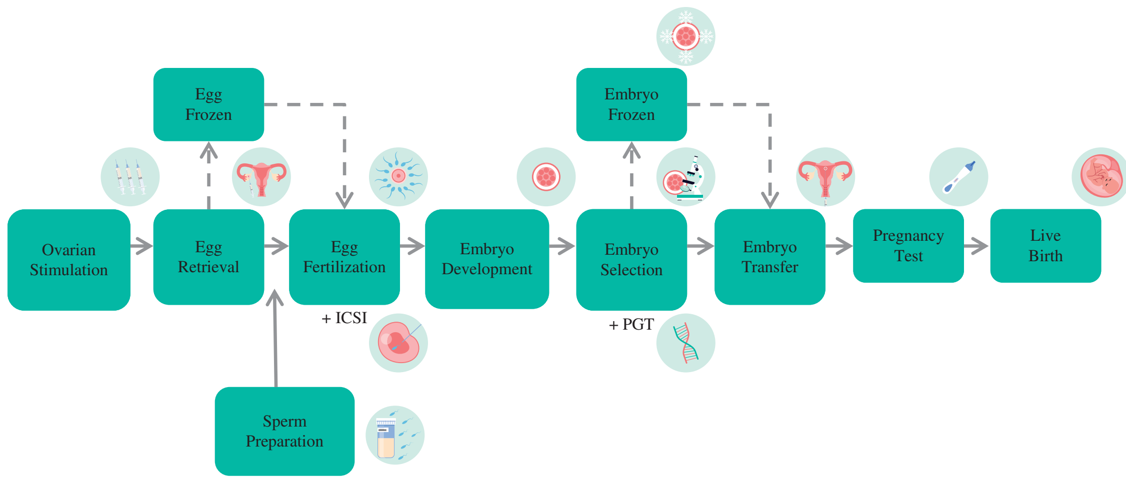
Infertility can be treated by medication, surgery and ART. As ART bypasses natural reproductive processes, and implements ART procedures under the optimal conditions for fertilization and embryo development through highly controlled laboratory settings, ART can effectively improve the success rate compared to other methods.

ART can be classified into AI and IVF-ET. AI involves the introduction of sperms into a female reproductive system, either uterus or cervix, by methods other than natural sexual intercourse. IVF involves surgically removing eggs from a woman's ovary, combining them with sperms in the laboratory and fused into an embryo, which is cultivated outside the body for three to six days, and returning them to the woman's body. The below table sets forth a comparison between three types, or generations, of IVF technologies:

Technology	Description	Main Applicable People
Conventional IVF	During the IVF process, eggs and sperms from the couple are incubated together in a laboratory to produce an embryo. The embryo then is placed into woman's uterus, where it may implant and result in a successful pregnancy.	Females with blocked, damaged, or absent fallopian tubes; individuals who faced endometriosis, male factor or other unexplained infertility.
ICSI	ICSI is performed as an additional part of an in vitro fertilization treatment cycle where a single sperm is injected into each egg to assist fertilization using micromanipulation equipment.	Males with low sperm count, abnormal shaped sperm or poorly moving sperm, azoospermia or couples with previous IVF failure.
PGT	PGT is the genetic profiling of embryos prior to embryo transfer for identifying chromosomal or genetic abnormalities in embryos created with in vitro fertilization.	Couples who have or carry a known genetic disorder; women of advanced maternal age, patients with recurrent miscarriage or repetitive implantation failures.

Source: Frost & Sullivan Report

IVF treatment process usually starts from ovarian stimulation. Patients are treated with ovulation induction drugs to adjust hormone levels to produce multiple eggs rather than a single egg that normally develops each month. Usually after one to two weeks of ovarian stimulation, eggs are mature and ready for retrieval. Retrieved eggs are fertilized by insemination for healthy sperm or ICSI for less-healthy sperm. Then embryos are developed in laboratory and the process usually takes three to six days. Patients may be recommended assisted hatching as options in certain situations before the embryos transfer procedure. If embryos are transferred successfully, embryos may implant in the lining of the patient's uterus. After eight to 14 days of embryos transfer, a sample of patient's blood will be tested to detect pregnancy.



Source: Frost & Sullivan Report

Note:

(1) The dotted lines refer to alternative process.

ART service providers primarily compete on the basis of success rate of an IVF treatment, which is determined by a number of factors:

- *Experience and Know-how of Physicians and Their Teams*. Experienced physicians can offer proper treatment solutions to patients according to their physical conditions, such as making differentiated ovulation promotion and drug modulation scheme, and also are able to ensure a smooth embryo transfer surgery by placing the embryo in a position easy for implantation and avoid surgical failure due to operational errors. In addition, other than normal infertile patients, skilled physicians are able to offer effective treatment solutions to patients with recurrent abortion and recurrent implantation failure.

- *Skilled Embryologist*. The skills of embryologists are especially important in the steps of maintenance of the embryology laboratory, egg retrieval, checking for fertilization, incubation and monitoring, assisted hatching, embryo transfer and cryopreservation. Skilled embryologists strictly control and maintain the optimal conditions of culture environment. Meanwhile, skilled embryologists carefully conduct ART procedures under microscope, especially for ICSI. The optimal conditions as well as careful and skilled manipulation both leads to higher success rate of ART.

- *Laboratory Equipment and Environments*. Operations in IVF laboratories are usually complex, difficult and require sophisticated devices. Due to the fragility of the embryo, IVF laboratories require strict control of laboratory conditions such as temperature, air quality and humidity, which are essential for embryo development. Additionally, advanced laboratory equipment can increase the success rate. For example, time-lapse incubators conducts real-time embryo monitoring through time-lapse imaging of embryos development without removing the embryos out of the incubator chambers for manual observation under microscope. The continuous embryos observation under the stable and safe environment improves both observational quality and embryo selection accurateness.

- *Total Quality Assurance System*. Patients shall be proposed with appropriate treatment plans based on their different conditions and demand. Additionally, medical staffs shall remind patients to perform procedures like egg retrieval at the proper time and also inform patients of important matters that need to be brought to the attention of patients before and after the procedures. After building trust with medical staffs through the service process, patients are more willing to extend their full cooperation in the treatment. Effective management of treatment process can enhance customer satisfaction and improve the success rate of treatment.

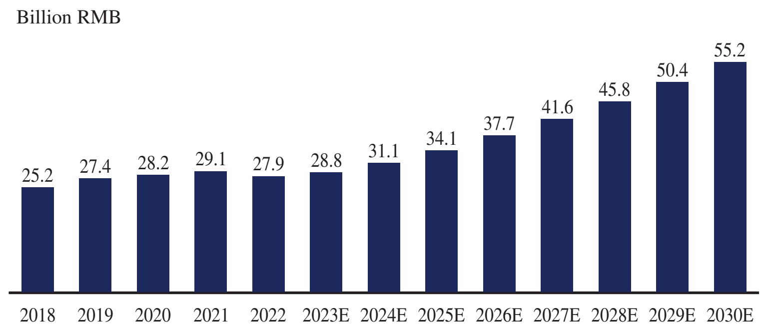
According to the Frost & Sullivan Report, in 2021, the industry average success rate (representing the total number of resulting clinical pregnancies divided by the total number of embryo transfers) in China was 51.5%, and the industry average success rate in Guangdong, Yunnan and Tianjin was 51.2%, 51.7% and 46.9%, respectively.

Development of the ART Service Market in China

The ART service market in China has risen from RMB25.2 billion in 2018 to RMB27.9 billion in 2022, representing a CAGR of 2.6%. Due to the restricted measures to prevent local transmission of COVID-19 in 2022, the ART service market in China experienced a minor decrease from 2021 to 2022. According to the Frost & Sullivan Report, with the growing demand for ART services, the ART service market in China will continue to grow rapidly and is projected to reach RMB37.7 billion in 2026 and RMB55.2 billion in 2030, with a CAGR of 7.8% and 10.0%, respectively. At present, the ART services industry is still dominated by public medical institutions in China.

ART Service Market Size in China, 2018-2030E

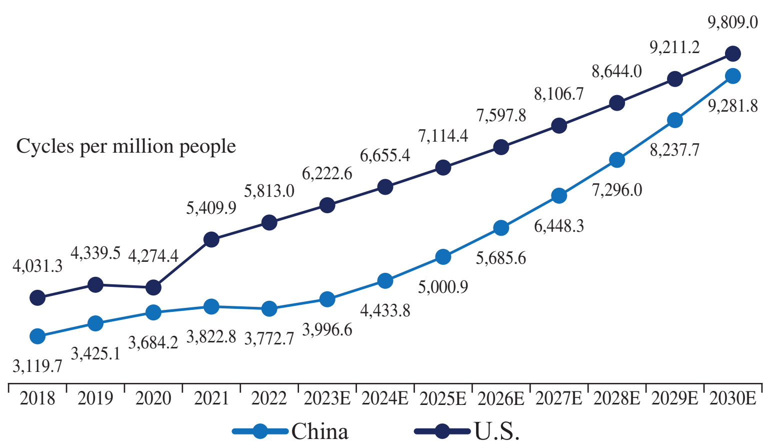
Period	CAGR
2018-2022	2.6%
2022-2026E	7.8%
2026E-2030E	10.0%



Source: Frost & Sullivan Report

The penetration rate of ART services is calculated as the total number of IVF cycles performed in a given year divided by the population of women of childbearing age in that year (i.e. women aged 15 to 49 years old). The penetration rate of ART services in China is generally lower than in the U.S. In China, the acceptance of ART services is much lower than that in the U.S. due to cultural differences and accessibility of ART services in China only to infertile population and cancer patients who have fertility preservation needs, excluding the healthy population.

Penetration Rate of ART Services in China and the U.S., 2018-2030E



Source: Frost & Sullivan Report

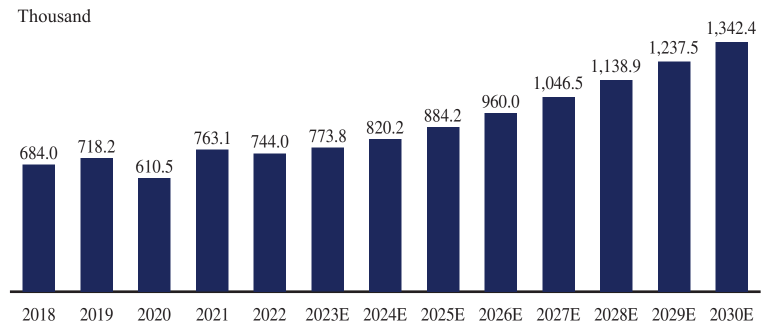
From 2018 to 2022, the total number of assisted reproductive centers in China increased from 498 to 559, with a CAGR of 2.9%. Private assisted reproductive centers have experienced a rapid growth. The number of private assisted reproductive centers increased from 51 in 2018 to 63 in 2022, representing a CAGR of 5.4%. The number of public assisted reproductive centers increased from 447 in 2018 to 496 in 2022 at a CAGR of 2.6%.

IVF Cycles

There has been significant growth in terms of IVF cycles performed in China. IVF cycles refer to egg retrieval cycles, in which the eggs contained in the ovarian follicles are collected. The total number of IVF cycles performed in China has grown from 684.0 thousand in 2018 to 744.0 thousand in 2022, representing a CAGR of 2.1%. Because of the growing demand and increasing affordability for ART services, the total number of IVF cycles is estimated to reach 960.0 thousand in 2026 and 1,342.4 thousand in 2030, representing a CAGR of 6.6% and 8.7%, respectively.

Total Number of IVF Cycles Performed in China, 2018-2030E

Period	CAGR
2018-2022	2.1%
2022-2026E	6.6%
2026E-2030E	8.7%

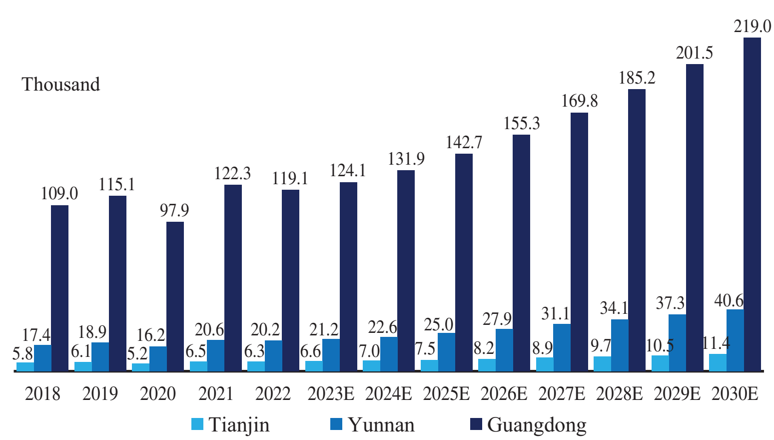


Source: Frost & Sullivan Report

Primarily affected by the local economy, culture and acceptance of IVF, the total number of IVF cycles in Guangdong is much more than that in Yunnan and Tianjin. The total number of IVF cycles in Guangdong grew from 109.0 thousand in 2018 to 119.1 thousand in 2022 and will further increase to 155.3 thousand in 2026 and 219.0 thousand in 2030, representing a CAGR of 6.9% and 9.0%, respectively. Meanwhile, the total number of IVF cycles in Tianjin increased from 5.8 thousand to 6.3 thousand between 2018 and 2022, and will further rise to 8.2 thousand in 2026 and 11.4 thousand in 2030.

Total Number of IVF Cycles Performed in Guangdong, Yunnan and Tianjin, 2018-2030E

Period	CAGR		
	Tianjin	Yunnan	Guangdong
2018-2022	2.1%	3.8%	2.2%
2022-2026E	6.7%	8.4%	6.9%
2026E-2030E	8.7%	9.9%	9.0%



Source: Frost & Sullivan Report

Competitive Landscape

In terms of IVF cycles performed in 2022, we ranked fourth among private ART service institutions in China.

Ranking	Medical Institution	Description	Listing Status	IVF Cycles Performed in 2022	Market Share by IVF Cycles in 2022
1	Company A	A Class III reproductive and genetic specialty hospital, located in Changsha	Non-listed	30,000+	4.0%
2	Company B	Private hospitals owned by a private medical group, located in Shenzhen, Chengdu, Kunming and Wuhan	Listed on the Hong Kong Stock Exchange	22,000+	3.0%
3	Company C	A Class III reproductive specialty hospital, located in Jinan	Non-listed	10,000+	1.3%
4	The Group	Private hospitals owned by a private medical group, located in Zhanjiang, Jieyang, Tianjin and Kunming	Non-listed	6,706	0.9%

Source: Frost & Sullivan Report

Note:

(1) Market share is calculated by dividing the IVF cycles of the hospital or the group by the total IVF cycles performed in China in 2022.

In Guangdong ART service market, in terms of IVF cycles performed in 2022, we ranked fifth among all ART service institutions and ranked second among private ART service institutions. In Tianjin ART service market, in terms of IVF cycles performed in 2022, we ranked second among all ART service institutions and ranked first among private ART service institutions. In Yunnan ART service market, in terms of IVF cycles performed in 2022, we ranked sixth among all ART service institutions and ranked third among private ART service institutions.

ART Services in Public and Private Hospitals

Currently, both public and private hospitals in China provide ART services, each with its own characteristics and advantages. Compared with public hospitals, private hospitals have higher flexibility in terms of operating areas, technologies and services.

	Public Hospitals	China-origin Private Hospitals
Operating Area	Public hospitals in China usually operate as single entities.	Private hospitals can expand overseas, and establish multiple hospitals and institutions.
Technology	Public hospitals use AI, conventional IVF, ICSI, and PGT in the treatment.	Private hospitals use AI, conventional IVF, ICSI in the treatment, and in a rare case get the approval to use PGT. If expanded overseas, private hospitals can also use PGT, egg freezing and surrogacy in overseas institutions.
Service and Accessibility	Due to large patient volume and limited medical resources, public hospitals can only deliver basic ART services, making it difficult to provide excellent care environment and individualized attention.	Private hospitals usually adopt patient-centered approach with enhanced individualized attention and optimal care environment, and are able to provide more personalized and adaptable treatment plans, as well as extended services such as confinement and postpartum recovery. Furthermore, private hospitals are well-equipped to provide a more comfortable and optimal care environment.
Expertise	Public hospitals have more recognized scientific research achievements and experimental resources, which serve as advantages in talent training and attraction, and have reserved talents who can fill the vacancy of retired talents.	Comprehensive talent recruitment strategies and better working environment attract superb doctors and embryologists as well as retired professionals. If expand overseas, private hospitals can attract experienced professional with attractive recruitment plan in overseas institutions.
Pricing	Public hospitals offer more affordable services, and their services are progressively included in medical insurance.	Private hospitals offer higher priced services, especially overseas services.

Source: Frost & Sullivan Report

Growth Drivers of ART Service Market in China

- *Greater Demand for ART Services from Infertile Population.* In China, with the increase of living pressure and childbearing age, the prevalence of infertility has risen compared to that of 20 years ago, resulting in an expanding infertile population. However, the penetration rate of ART services in China was only much lower than that in the developed countries, remaining a huge space for development. In addition, with the change of family planning policy, more and more families are encouraged to have more than one child, in which circumstances that the women are usually older to get pregnant for the three child, increasing the risk of pregnancy and need for ART services. The growing number of infertile population and low penetration rate will create ample demand for ART services.

- *Increasing Affordability for ART Services*. The per capita annual disposable income of Chinese residents has increased in the past few years, leading to the increased affordability for ART services expenditure. In addition, ART services are gradually covered by the medical insurance in certain regions in China, which further improved the affordability for ART services. The coverage of medical insurance is expected to continue to expand in China.

- *Favorable Governmental Policies for ART Services*. Robust government involvement fosters a conducive environment for the growth of the ART service market while simultaneously addressing social and healthcare needs related to fertility. Guidelines on Planning the Application of Human Assisted Reproductive Technology (《人類輔助生殖技術應用規劃指導原則》) provides regulatory frameworks that ensure safety, quality, and accessibility of ART services in China. In addition, to reverse the trend of newborn population decline, Chinese government has released a set of measures to encourage childbirth, including the three-child policy announced by China State Council and relevant supporting measures such as child-care subsidy.

- *Increasing Awareness of Fertility Preservation*. Due to unhealthy lifestyle habits, environmental pollutions and other negative factors, chronic disease like cancer happen among younger population, including individuals who may not have given birth yet or intend to do so in the future. Chemotherapy and radiation therapy of cancer treatment can often lead to infertility or decreased reproductive potential. Consequently, there has been a notable rise in patient awareness regarding the importance of fertility preservation, leading to an increased demand for ART services.

Entry Barriers of the ART Service Market in China

- *Brand Reputation*. Patients are cautious when choosing fertility services, preferring institutions with a proven track record. Established public and private ART service institutions with a strong and reputable brand image hold a competitive advantage as patients often associate successful outcomes and trustworthiness with well-known brands. Establishing a compelling and trustworthy brand presence is a formidable task for new entrants in the ART service market. Building a positive brand image requires time, expertise, and consistent success rate, which can deter new entrants in the ART service market.

- *Medical Licenses for ART Service Providers*. ART service providers are strictly required to obtain necessary assisted reproduction license approvals for performing the relevant types of ART services. Assisted reproduction licenses are mainly divided into five categories: AIH, AID, IVF, ICSI and PGT. The five assisted reproductive technology licenses need to be approved by the local health administrative department and reported to the National Health and Family Planning Commission for record, and shall be applied in order. It normally takes one to two years to obtain the AIH license and/or AID license, another two years to obtain IVF license and/or ICSI license, and additional five to six years to obtain PGT license. The approved licenses shall be verified every two years. According to Guiding Principles for Human Assisted Reproductive Technology Application Planning (2021 Edition) (《人類輔助生殖技術應用規劃指導原則(2021版)》), one assisted reproductive institution can be set up for every 2.3 million to three million people. As the number of assisted reproductive institutions increases, it will become more difficult to obtain the licenses.

- *Highly-qualified Talent Resources*. Due to the intricate and highly sensitive nature of ART procedures, patients often seek out renowned medical institutions with distinguished medical professionals for their treatment. The skill and experience of physicians can optimize the chances of successful conception while minimizing risks and complications. Consequently, experienced physicians have become emblematic of these institutions, shaping their brand image. However, the availability of seasoned ART physicians remains limited in China, and experienced professionals might be hesitant to engage with private ART services institutions due to concerns related to their aspiration for research and fame development. As a result, new entrants, particularly new private institutions, may encounter formidable challenges in securing access to top-tier talent resources.

- *Abundant Capital*. New entrants have to prepare abundant capital to support the operation of ART services in the early stage. New entrants usually need abundant initial capital to purchase essential medical devices and medical products necessary to perform IVF treatment, up to standards required to obtain requisite medical licenses. In addition, the ART service providers should lease or purchase laboratory and workplace to conduct clinical research and provide ART services, which may incur venue fees. Furthermore, ART service providers may need to offer competitive salary to employ prominent physicians as well as eligible medical practitioners who can provide quality medical services.

Future Trends of ART Service Market in China

- *Rapid Development of Private ART Service Providers*. At present, the ART services industry is still dominated by public medical institutions in China. With the implementation of policies for encouraging social resources to run medical institutions, such as Opinions on the Implementation for Promoting the Accelerated Development of Private Medical Institutions (《關於促進社會辦醫加快發展的實施意見》), and the open up of the issuance of relevant approval certificates, private assisted reproductive institutions will experience rapid development. In addition, private assisted reproductive institutions have higher flexibility and service quality. In the near future, more patients tend to choose private assisted reproductive institutions for ART treatment, which will promote the rapid growth of private assisted reproductive institutions.

- *Chain Operation*. In China, ART service providers are inclined to develop into medical chain due to the high reproducibility and simple specialty structure. The assisted reproductive institutions in chain operation can share medical resources as well as brand image of the medical group, thereby improving overall operational efficiency and promote synergetic development of each assisted reproductive institution.

- *Increasing Cooperation between China and Overseas Market*. As ART services are now available both in public and private hospitals in China, and some hospitals have successfully expanded to overseas market, ART service institutions are expected have more opportunities for business cooperations and academic exchanges in ART technology with overseas ART service institutions.

Our business in the PRC is subject to extensive supervision and regulatory control by the PRC government. This section sets out a summary of the major relevant laws, regulations, rules and policies which may have material impact on our business, particularly in relation to: (i) reforms of medical institutions that may affect our capabilities to implement our existing business strategies for the expansion of our medical network; (ii) the classification and management of medical institutions, human assisted reproductive technology, supervision of medical devices and pharmaceuticals in medical institutions, price of healthcare services, medical professionals, environmental protection and labor protection, and the governance of our day-to-day operations which may affect our costs of compliance; (iii) medical incidents which may affect our indebtedness arising from our day-to-day operations; (iv) foreign investors investing in the PRC; and (v) taxation and foreign exchange matters which may affect our operating results and business.

REGULATIONS ON THE REFORM OF MEDICAL INSTITUTIONS

Opinions of the Central Committee of the Communist Party and the State Council on Promoting Further Reform of the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》)

The Opinions of the Central Committee of the Communist Party and the State Council on Promoting Further Reform of the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》) (the "**Opinions**"), which was promulgated by the State Council on March 17, 2009, advocates a range of measures to reform medical institutions in China and to establish a basic healthcare system covering urban and rural residents. The Opinions encourage private capital to invest in medical institutions (including investments by foreign investors), the development of private medical institutions and the reform of public medical institutions (including those established by state-owned enterprises) through private capital investment.

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals (《關於加快發展社會辦醫的若干意見》)

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals (《關於加快發展社會辦醫的若干意見》), which was promulgated by the National Health and Family Planning Commission (the "**NHFPC**") and the State Administration of Traditional Chinese Medicine (the "**SATCM**") on December 30, 2013, stipulates the policies to support the development of private-invested healthcare institutions, including but not limited to the (i) gradual relaxation of investment in healthcare institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; and (iii) acceleration of the approval procedures regarding the establishment and operation of private hospitals.

Opinions of the General Office of the State Council on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services (《國務院辦公廳關於支持社會力量提供多層次多樣化醫療服務的意見》)

Opinions of the General Office of the State Council on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services (《國務院辦公廳關於支持社會力量提供多層次多樣化醫療服務的意見》), which was promulgated by the General Office of the State Council on May 16, 2017, stipulates the policies to actively support social forces to go deep into the niche service market, such as specialized medical services, expand the effective supply of services, and foster professionalized advantages.

The Notice of the NHC on Issuance of Guiding Principles for the Allocation Planning of Medical Institutions (2021-2025) (《國家衛生健康委關於印發<醫療機構設置規劃指導原則(2021-2025年)>的通知》)

The Notice of the NHC on Issuance of Guiding Principles for the Allocation Planning of Medical Institutions (2021-2025) (《國家衛生健康委關於印發<醫療機構設置規劃指導原則(2021-2025年)>的通知》), which was promulgated by the NHC on January 12, 2022 and effective on the same day, encourages the establishment of medical institutions by social capital and stipulates no planning restrictions on the total number and space for establishment of medical institution with social capital.

REGULATIONS ON THE CLASSIFICATION OF MEDICAL INSTITUTIONS

Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》)

The Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》), jointly promulgated by the Ministry of Health (the "**MOH**"), SATCM, Ministry of Finance (the "**MOF**") and the National Development and Reform Commission (the "**NDRC**") on July 18, 2000 and came into effect on September 1, 2000, provides that medical institutions in the PRC are mainly identified as for-profit medical institutions and not-for-profit medical institutions. Not-for-profit medical institutions and for-profit medical institutions shall be classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. Also, governments shall not operate for-profit medical institutions. On the other hand, not-for-profit medical institutions must comply with the pricing guidance for medical service stipulated by governments from time to time, and the rules and policies issued by the NHC and the MOF including Hospital Finance System and Hospital Accounting System. For-profit medical institutions may distribute their profit to their investors as economic returns. Based on its marketing needs, for-profit medical institutions have the discretion to set the fees and prices for their medical and healthcare services. In establishing internal control system, they may apply the finance and accounting system and other policies suitable for corporate enterprise. Medical institutions shall file with relevant authorities of health written statements of their not-for-profit/for-profit status when they go through the application, registration and re-examination procedures in accordance with the relevant laws, and the handling authority of health shall, jointly with other relevant authorities, decide the not-for-profit/for-profit status for such medical institution based on the source of its investment and the nature of its business.

REGULATIONS ON THE MANAGEMENT OF MEDICAL INSTITUTIONS

The Administrative Measures on Medical Institutions and its Implementation Measures (《醫療機構管理條例》及其實施細則)

The Administrative Measures on Medical Institutions (《醫療機構管理條例》), which was promulgated on February 26, 1994 by the State Council and last amended on March 29, 2022, and its Implementation Measures, which was promulgated by the MOH on August 29, 1994 and amended on November 1, 2006, June 24, 2008 and February 21, 2017, stipulate that clinics may practice after filing a record with the local health administrative department of the people's government at the county level and the establishment of other medical institution by any entity or individual must be reviewed and approved by relevant health administrative departments and obtain the Medical Institution Practicing Certificate (《醫療機構執業許可證》). Where a medical institution changes its name, premises, main person in charge, medical subjects or number of beds, it shall handle the change registration with the original registration authority or file with the original filing authority. The Medical Institution Practicing Certificate shall not be forged, altered, sold, transferred or lent. Where a medical institution violates the provisions thereof, and sells, transfers or lends the Medical Institution Practicing Certificate, it shall be penalized in accordance with the Basic Medical Care and Health Promotion Law of the PRC (《中華人民共和國基本醫療衛生與健康促進法》), pursuant to which, the health administrative department of the people's government at the county level or above shall order it to rectify and confiscate its illegal gains and may impose a fine of not less than five times but not more than 15 times of the illegal gains and if the illegal gains are less than RMB10,000, the fine shall be calculated as RMB10,000; where the circumstance is serious, the Medical Institution Practicing Certificate shall be revoked.

The Administrative Measures for Verification of Medical Institutions (For Trial Implementation) (《醫療機構校驗管理辦法(試行)》)

The Administrative Measures for Verification of Medical Institutions (For Trial Implementation) (《醫療機構校驗管理辦法(試行)》), which was promulgated by the MOH and came into effect on June 15, 2009, stipulates that the Medical Institution Practicing Certificate is subject to periodic examinations and verifications by registration authorities. Verification period shall be 3 years for general hospitals, hospitals of traditional Chinese medicine, hospitals of western medicine and traditional Chinese medicine, hospitals of ethnic minority medicine and specialized hospitals, as well as sanitariums, rehabilitation hospitals, maternity and children's health care centers, emergency centers, clinical laboratories and specialized disease prevention institutions equipped with more than 100 beds, while the verification period shall be 1 year for other medical institutions. Medical institutions shall apply for such verification within three months before the expiration of such verification period. In the event that a medical institution fails to apply for verification as required and post re-verification procedures or unsuccessful in its re-verification application, the registration authorities may cancel its Medical Institution Practicing Certificate.

Law of the PRC on Maternal and Infant Healthcare and its Implementation Measures (《中華人民共和國母嬰保健法》及其實施辦法)

According to the provisions of The Law of the PRC on Maternal and Infant Healthcare (《中華人民共和國母嬰保健法》) promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on October 27, 1994, which became effective on June 1, 1995 and amended on August 27, 2009 and November 4, 2017, and the Implementation Measures of the Law of the PRC on Maternal and Infant Healthcare (《中華人民共和國母嬰保健法實施辦法》) promulgated by the State Council on June 20, 2001 and became effective on the same date and last amended on July 20, 2023, medical institutions conducting (i) genetic diseases diagnosis and prenatal diagnosis; (ii) pre-marital medical examination; or (iii) midwife services, ligation surgery or abortion surgery services, must be approved by health administrative authorities at various levels in accordance with regulations and obtain relevant qualification certificates.

The Management Measures of Special Technology Services Licensing and Personnel Qualification of Maternal and Infant Healthcare (《母嬰保健專項技術服務許可及人員資格管理辦法》)

The Management Measures of Special Technology Services Licensing and Personnel Qualification of Maternal and Infant Healthcare 《母嬰保健專項技術服務許可及人員資格管理辦法》, which was promulgated by the MOH on August 7, 1995 and last amended by NHC on January 8, 2021, stipulates that all the medical and health institutions that carry out the technical services of pre-marital medical examination, genetic disease diagnosis, prenatal diagnosis, midwifery techniques, ligation surgery and abortion surgery services as provided by the Law of the PRC on Maternal and Infant Healthcare (《中華人民共和國母嬰保健法》) and its Implementation Measures shall meet the conditions as prescribed in these Measures, and be examined and approved by the competent health departments, and obtain the License for Practicing Technical Services of Maternal and Infant Healthcare (《母嬰保健技術服務執業許可證》).

Administrative Measures on the Radiotherapy (《放射診療管理規定》)

According to Administrative Measures on the Radiotherapy (《放射診療管理規定》), which was promulgated by the MOH on January 24, 2006 and amended on January 19, 2016 by NHFPC, medical institutions engaged in the radio diagnosis and radiotherapy shall have conditions corresponding to the radiological diagnosis and treatment services. Prior to carrying out radiodiagnosis and radiotherapy, medical institutions shall submit relevant materials, including but not limited to the Medical Institution Practicing Certificate or the Approval Certificate for Establishment of a Medical Institution, the list of radiodiagnosis and radiotherapy equipment and apply for the License for Radiotherapy (《放射診療許可證》) issued by the competent public health administrative authorities. Medical institutions shall be respectively equipped with the corresponding equipment in carrying out different kinds of radiodiagnosis and radiotherapy. After obtaining the License for Radiotherapy, medical institutions shall undertake registration of the relevant diagnosis and treatment items with health administrative and registration authorities, which issued the Medical Institution Practicing Certificate. The License for Radiotherapy and the Medical Institution Practicing Certificate shall be verified at the same time. Where a medical institution intends to change radiodiagnosis and radiotherapy places, diagnosis and radiotherapy equipment or items of diagnosis and radiotherapy, it shall apply to the health administrative authority with the authority to examine and approve the changed items to go through the formalities for such change, and submit application materials, with the content of such change indicated in such application materials.

Regulations on the Safety and Protection of Radioisotopes and Radiation-emitting Devices (《放射性同位素與射線裝置安全和防護條例》) and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》)

According to Regulations on the Safety and Protection of Radioisotopes and Radiation-emitting Devices (《放射性同位素與射線裝置安全和防護條例》), which was promulgated by the State Council on September 14, 2005 and amended on July 29, 2014 and March 2, 2019, any entity which manufactures, sells or uses the radioisotope or the radioactive ray devices shall obtain the license in accordance with the provisions thereof. Where an entity holding the license changes its name, address or legal representative, it shall, within 20 days upon the alteration registration, apply to the original organ issuing the license for going through the formalities for altering the license.

According to Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》), which was promulgated by the State Environment Protection Administration on January 18, 2006, and last amended on January 4, 2021 by the Ministry of Ecology and Environment, any entity conducts activities of production, sale, and use of radioactive isotopes and radial equipment within the territory of the PRC shall obtain the Radiation Safety Licenses (《輻射安全許可證》).

Regulations on the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》)

According to the Regulations on the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》), which was promulgated by the State Council on August 3, 2005, amended on December 7, 2013 and February 6, 2016, any medical institution needs to use narcotic drugs and the psychotropic drugs of category I shall be subject to the approval of the relevant authority, and obtain the seal card for purchasing narcotic drugs and the psychotropic drugs of category I (《麻醉藥品、第一類精神藥品購用印鑒卡》).

REGULATIONS ON HUMAN ASSISTED REPRODUCTIVE TECHNOLOGY

Management Measures on Human Assisted Reproductive Technology (《人類輔助生殖技術管理辦法》)

The MOH promulgated the Management Measures on Human Assisted Reproductive Technology (《人類輔助生殖技術管理辦法》) on February 20, 2001, which became effective on August 1, 2001. It stipulates that human assisted reproductive procedures should only be carried out in approved and registered medical institutions. No entity or individual should carry out human assisted reproductive technologies without the approval of competent health authority. Furthermore, medical institutions must obtain human assisted reproductive technology licenses, which are subject to regular examinations by the governmental approval authority. In the event the medical institution fails to pass the examination, the human assisted reproductive technology licenses would be revoked.

Notice of the Ministry of Health on Amending the Relevant Technical Regulations, Basic Standards and Ethical Principles Relating to Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於修訂人類輔助生殖技術與人類精子庫相關技術規範、基本標準和倫理原則的通知》)

The MOH promulgated the Notice of the MOH on Amending the Relevant Technical Regulations, Basic Standards and Ethical Principles Relating to Human Assisted Reproductive Technology and Sperm Bank (《衛生部關於修訂人類輔助生殖技術與人類精子庫相關技術規範、基本標準和倫理原則的通知》) and its appendixes Human Assisted Reproductive Technology Regulation(《人類輔助生殖技術規範》) and Ethical Principles on Human Assisted Reproductive Technology and Human Sperm Bank (《人類輔助生殖技術和人類精子庫倫理原則》) on June 27, 2003, which became effective on October 1, 2003. It stipulates the basic requirements, management, indications and contraindications, quality standards and quality control, and code of conduct for technicians working with the two major human assisted reproductive technologies: In Vitro Fertilization and Embryo Transfer (IVF-ET) and its derivative technologies, and Artificial Insemination (AI). Assisted reproductive technology must be implemented under the principles of it being beneficial to the patient and having the patient's informed consent and maintaining their personal issues confidential. The utilization of it should be advantageous to the social welfare and protect the future generations. Furthermore, there shall be strict precautions against commercialization and have ethical supervision when using such technologies. Among others, the principle of having strict precautions against commercialization requires assisted reproductive technology medical institutions and staff to strictly control the indications for couples who require human assisted reproductive technology and shall not abuse human assisted reproductive technology for economic gains. Sperm and egg donations are only for the purpose of helping others and are prohibited from trade. The donors can be compensated for the loss in working time and transportation and medical expenses. Medical institutions that are licensed to carry out human assisted reproductive technology are subject to these technical norms and ethical principles.

Notice of the General Office of the NHC on Issuance of the Guiding Principles of Human Assisted Reproductive Technology Application Planning (2021) (《國家衛生健康委辦公廳關於印發<人類輔助生殖技術應用規劃指導原則(2021版)>的通知》)

The Notice of the General Office of the NHC on Issuance of the Guiding Principles of Human Assisted Reproductive Technology Application Planning (2021) (《國家衛生健康委辦公廳關於印發<人類輔助生殖技術應用規劃指導原則(2021版)>的通知》), which was promulgated by the NHC on January 11, 2021, and came into effect on the same day, requires Human Assisted Reproductive Technology Application Plan (2021-2025) (《人類輔助生殖技術應用規劃(2021-2025)》) (the "**Application Plan**") to categorize areas by province (region, city), so as to meet the demands for assisted reproductive technology. The Application Plan takes the maintenance and promotion of the reproductive health of the masses as the core and the guarantee of the medical safety as the precondition to make overall planning for the application of various human auxiliary reproductive technologies.

Notice of the MOH on the Issuance of Examination, Review and Approval Management Procedures of Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於印發人類輔助生殖技術與人類精子庫評審、審核和審批管理程序的通知》)

The Notice of the MOH on the Issuance of Examination, Review and Approval Management Procedures of Human Assisted Reproductive Technology and Human sperm Bank (《衛生部關於印發人類輔助生殖技術與人類精子庫評審、審核和審批管理程序的通知》), which was promulgated by the MOH on June 27, 2003 and came into effect on the same day, requires medical institutions that provided human assisted reproductive technology services to be selected by the health departments and bureaus of each province, autonomous region and municipality based on the objective needs and affordability of people and technical capabilities of the province. It also stipulates the principles of the planning and layout of human assisted reproductive technology medical institutions, as well as the procedures for application, examination, review, filing and approval. Medical institutions must obtain licenses for human assisted reproductive technology, and the granting of such licenses requires applicants to meet the requirements of the allocation plan for human assisted reproductive technology, technical norms and ethical principles.

Supplemental Regulations of the NHFPC on Standardization of Approval of Human Assisted Reproductive Technology and Human Sperm Bank (《國家衛生計生委關於規範人類輔助生殖技術與人類精子庫審批的補充規定》)

The Supplemental Regulations of the NHFPC on Standardization of Approval of Human Assisted Reproductive Technology and Human Sperm Bank (《國家衛生計生委關於規範人類輔助生殖技術與人類精子庫審批的補充規定》), which was promulgated by the NHFPC on April 13, 2015, and came into effect on the same day, specifies the procedures for medical institutions in applying to carry out human assisted reproductive technology and that approved medical institutions shall carry out the corresponding assisted reproductive technology within the scope and in accordance with the relevant requirements. The medical institutions approved for carrying out assisted reproductive technology shall be restricted to carrying out the relevant technology services within the approved registered location of practice.

Notice of the Implementation Rules of the MOH on the Issuance of Examination of Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於印發人類輔助生殖技術與人類精子庫校驗實施細則的通知》)

The Notice of the Implementation Rules of the MOH on the Issuance of Examination of Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於印發人類輔助生殖技術與人類精子庫校驗實施細則的通知》), which was promulgated by the MOH on February 7, 2006, and came into effect on the same day, requires medical institutions that conducts sperm donation IVF-ET technology and sperm donation AI technology to enter into a sperm donation agreement with a human sperm bank that has been examined and approved by the MOH, with a clear description of the specific usage. The medical institutions with approval to carry out human assisted reproductive technology shall strictly control the implementation of egg donation technology and strictly manage the indications for accepting the egg donation. The Implementation Rules specifies the examination procedures and reinforces the standards of human assisted reproduction. Medical institutions which are permitted to carry out human assisted reproductive technology services and to establish sperm bank shall report on the circumstances, data and annual statistics of the aforementioned technologies performed in the previous year to the provincial health administrative department at the end of March of each year for preliminary statistics, which is then reported to the MOH by the provincial health administrative departments. The license for human assisted reproductive technology of medical institutions shall be periodically examined by the health administrative departments. If the examination application is not submitted on time or a medical institution fails the examination, the license for human assisted reproductive technology will be invalidated or withdrawn.

Notice of the MOH on Strengthening the Allocation Planning and Supervision and Management of Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於加強人類輔助生殖技術和人類精子庫設置規劃和監督管理的通知》)

The Notice of the MOH on Strengthening the Allocation Planning and Supervision and Management of Human Assisted Reproductive Technology and Human Sperm Bank (《衛生部關於加強人類輔助生殖技術和人類精子庫設置規劃和監督管理的通知》), which was promulgated by the MOH on May 15, 2007, and came into effect on the same day, requires provincial health administrative departments to be responsible for the allocation planning of the human assisted reproductive technology institutions in their regions and filing to the MOH for approval. New human assisted reproductive technology institutions shall comply with the allocation planning. In respect of the existing human assisted reproductive technology institutions, provincial health administrative departments shall focus on the investigation of institutions that conducts human assisted reproductive technology beyond the scope of approval, such as implementing surrogacy technology in any form; selling and purchasing of gamete, zygote or embryo, carrying out gender test for non-medical purpose without authorization, using sperm provided by unauthorised human sperm bank, illegally carrying out sperm test and collection, as well as providing sample of sperm. Such behaviours would lead to the revocation of license of human assisted reproductive technology and their human sperm bank.

Notice of Establishment of the Long-term Working Mechanism for Investigating Illegally Applying Human Assisted Reproductive Technology (《關於建立查處違法違規應用人類輔助生殖技術長效工作機制的通知》)

Notice of Establishment of the Long-term Working Mechanism for Investigating illegally applying Human Assisted Reproductive Technology (《關於建立查處違法違規應用人類輔助生殖技術長效工作機制的通知》), which was jointly promulgated by 12 departments, including the NHFPC, on September 5, 2017 and came into effect on the same day, stipulates combating against illegal acts such as illegal sperm or egg collection and supply, illegal gender test, as well as surrogacy. It establishes a mechanism for collaboration among various departments, which encourages the supervision and handling of major cases, case transfers between departments, sharing case information, guidance and cooperation and an award system. Illegal behaviors conducted by medical institutions, such as illegal donations and supplies of sperm or egg and illegal gender test, as well as "surrogate" will be strictly regulated.

REGULATIONS ON THE PRICE OF HEALTHCARE SERVICES

Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》)

According to the Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》) promulgated and implemented on March 25, 2014 by the NDRC, the NHFPC and the Ministry of Human Resources and Social Security (the "**MHRSS**"), the price of healthcare services provided by non-public medical institutions to be set with reference to the market level. Non-public medical institutions which are for-profit in nature may set the price list for their healthcare services at their own discretion. Non-public medical institutions which are non-profit in nature shall set the price list for their healthcare services according to the National Standard Price List of Healthcare Services (《全國醫療服務價格項目規範》). For non-public medical institutions qualified to become designated medical institutions covered by medical insurance, they should be included as a designated service provider covered by social insurance such as basic medical insurance for employees and urban residents, new-type rural cooperative medical insurance, work-related injury insurance and maternity insurance in accordance with relevant procedures and adopt the same payment policy as in public hospitals. To efficiently utilize funds, medical insurance agents should determine specific payment methods and standards with such non-public medical institution by ways of negotiation under the requirements of medical insurance payment system reform.

Regulations on Medical Insurance and Medical Liability Insurance for Urban Employees

According to the Interim Measures for the Administration of Medical Insurance Designated Medical Institutions and the Provision of Basic Medical Insurance for Urban Employees (《城鎮職工基本醫療保險定點醫療機構管理暫行辦法》), which was promulgated by the MOH, the Ministry of Labor and Social Security and the SATCM on May 11, 1999, and the Decision of the State Council on Canceling the First Batch of 62 Items Subject to

Administrative Examination and Approval of Local Governments Designated by the Central Government (《國務院關於第一批取消62項中央指定地方實施行政審批事項的決定》), which was promulgated by the State Council on October 11, 2015 and the Guiding Opinions of the MHRSS on Improving the Management of Designated Medical Institutions and Pharmacies of Basic Medical Insurance through Agreements (《人力資源和社會保障部關於完善基本醫療保險定點醫藥機構協議管理的指導意見》) promulgated by MHRSS on December 2, 2015, and became effective on the same day, the license for qualifying a medical institution as a designated medical institution to provide medical service to urban employees with basic medical insurance was cancelled. Agencies and the medical institutions should strictly comply with the stipulations in the service agreement and perform the agreement seriously. The defaulting party shall be held liable to the violations of the agreement.

REGULATIONS ON MEDICAL PRACTITIONERS OF MEDICAL INSTITUTIONS

The Law on Physicians of the PRC (《中華人民共和國醫師法》)

Pursuant to the Law on Physicians of the PRC (《中華人民共和國醫師法》) promulgated by the SCNPC on August 20, 2021 and became effective on March 1, 2022, medical physicians in the PRC must obtain licenses of medical professional qualifications. Anyone who has been awarded the qualifications as a medical physician may apply to the competent health department under the local people's government at or above the county level for registration. Physicians may, upon registration, work in medical and health institutions according to the registered place, category, and scope of business to engage in the corresponding medical and health services, while assistant practicing physicians should, under the supervision of Practicing physicians, practice according to the registered categories and scope of practice at medical and health institutions.

Administrative Measures for the Registration of Practicing Physicians (《醫師執業註冊管理辦法》)

Pursuant to the Administrative Measures for the Registration of Practicing Physicians (《醫師執業註冊管理辦法》) promulgated by the NHFPC on February 28, 2017 and became effective on April 1, 2017, medical physicians must register and obtain the Physician Practicing Certificate (《醫師執業證書》) before they commence practice and, those who are not registered or have not obtained the Physician Practicing Certificate are not allowed to engage in medical, preventive and healthcare services. The registration details of Practicing physicians include place of practice, type of registered specialty and scope of practice. The place of practice refers to the county and provincial administrative region of the medical, preventive and healthcare institutions where the physician is Practicing. For Practicing physician who wants to practice in multiple institutions within the same place of practice, he/she shall determine a specific institution as the main practicing institution, apply for registration with the competent health authority which approved the aforesaid institution's operation; as to other institutions where the practitioner is to practice, the Practicing physician shall apply the record filing with the health authorities competent to approve the institutions' operation and indicate the name of the institutions. If a Practicing physician intends to practice in an additional institution beyond the registered place of practice, he/she shall apply for the registration of such practice to the competent health authority which approved the practice of such institution.

Regulations on Nurses (《護士條例》)

The Regulations on Nurses (《護士條例》) which was promulgated by the State Council on January 31, 2008, came into effect on May 12, 2008 and amended on March 27, 2020, provides that for nursing practice, a nurse must obtain the Nurse Practicing Certificate, which is valid for five years. The number of nurses deployed to a medical institution shall not be less than the standard number as prescribed by the competent health administration authority.

Administrative Measures for the Registration of Practicing Nurses (《護士執業註冊管理辦法》)

Pursuant to the Administrative Measures for the Registration of Practicing Nurses (《護士執業註冊管理辦法》) promulgated by the MOH on May 6, 2008, became effective on May 12, 2008 and amended on January 8, 2021, nurses must register and obtain the Nurse Practicing Certificate before they practice nursing at the registered practicing place.

REGULATIONS ON MEDICAL INCIDENTS

Civil Code of the PRC (《中華人民共和國民法典》)

On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th National People's Congress and came into effect on January 1, 2021. According to the Civil Code of the PRC, where a patient has suffered damages in diagnosis and treatment activities, and the medical institution or its medical personnel have committed negligence, the medical institution shall bear compensation liability. Where medical personnel failed to perform medical treatment obligations corresponding to the prevailing medical standards in diagnosis and treatment activities and caused a patient to suffer damages, the medical institution shall bear compensation liability. Where a patient suffers damages due to defects in drugs or medical devices, the patient may seek compensation from the drug marketing permit holder and the manufacturer, or seek compensation from the medical institution. Where the patient seeks compensation from the medical institution, the medical institution shall have the right to seek recourse against the accountable drug marketing permit holder and the manufacturer after making compensation.

The Regulations on Handling Medical Incidents (《醫療事故處理條例》)

The Regulations on Handling Medical Incidents (《醫療事故處理條例》), which was promulgated by the State Council on April 4, 2002 and came into effect on September 1, 2002, provides a legal framework and specific regulations regarding the prevention, identification, compensation and penalties of or relating to cases involving personal injury to patients caused by medical institutions or medical personnel due to malpractice.

REGULATIONS ON MEDICAL ADVERTISEMENT

Advertising Law of the PRC (《中華人民共和國廣告法》)

Pursuant to the Advertising Law of the PRC (《中華人民共和國廣告法》) (the "**Advertising Law**") promulgated by the SCNPC on October 27, 1994 and last amended on April 29, 2021, advertisements shall not contain false statements that are deceitful or misleading to consumers and shall not publish medical, drugs, medical machinery or health food advertisements in disguised form of introduction of healthcare and wellness knowledge. Several types of advertisements are legally required to receive censorship, including but not limited to those relating to medical treatment, pharmaceuticals and medical devices, shall be reviewed by the relevant authorities in accordance with relevant rules before being distributed by broadcasting, movies, television, newspapers, journals or otherwise. No such advertisement shall be published without being reviewed. If the advertisers published such advertisements without being reviewed in violation of the provisions, the market regulation departments shall order the cessation of the publishing of advertisements, order the advertisers concerned to eliminate the ill-effects within the corresponding scope, and impose a fine equivalent to the amount to three times the amount of the advertising fees; where the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB100,000 and not more than RMB200,000 shall be imposed; where the circumstance is serious, a fine of not less than three times and not more than five times the advertising fees shall be imposed; in case that the advertising fees cannot be calculated or are significantly low, a fine of not less than RMB200,000 and not more than RMB1 million shall be imposed; and the business licenses may be revoked, and the advertisement review authorities shall revoke the approval documents for advertisement review and shall not accept the relevant party's application for advertisement review for one year.

Administrative Measures on Medical Advertisement (《醫療廣告管理辦法》)

Pursuant to the Administrative Measures on Medical Advertisement (《醫療廣告管理辦法》), which was jointly promulgated by the MOH and the State Administration of Industry and Commerce (the "**SAIC**") on September 27, 1993 and amended on September 28, 2005 and November 10, 2006 and came into effect on January 1, 2007, any medical institution that intends to publish any medical advertisement shall apply for medical advertisement examination and obtain Medical Advertisement Examination Certificate. The Medical Advertisement Examination Certificate shall be valid for one year.

Circular of the Ministry of Health on Strengthening the Medical Advertisement Administration (《衛生部關於進一步加強醫療廣告管理的通知》)

According to the Circular of the Ministry of Health on Strengthening the Medical Advertisement Administration (《衛生部關於進一步加強醫療廣告管理的通知》), which was promulgated by the MOH on July 17, 2008 and became effective on the same date, the Medical Advertisement Examination Certificate (醫療廣告審查證明) shall be examined strictly, the medical advertisement monitoring system shall be gradually established and improved and the penalty for illegal medical advertisement shall be increased.

Provisional Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》) and Measures for the Administration of Internet Advertisement (《互聯網廣告管理辦法》)

Pursuant to the Provisional Measures for the Administration of Internet Advertisement (《互聯網廣告管理暫行辦法》) promulgated by the SAIC on July 4, 2016 and became effective on September 1, 2016, no advertisement of any medical treatment, medicines, foods for special medical purpose, medical devices, pesticides, veterinary medicines, dietary supplement or other special commodities or services which are subject to examination by an advertising examination authority as stipulated by laws and regulations shall be published unless it has passed such examination. On February 25, 2023, the State Administration for Market Regulation (the "**SAMR**") promulgated the Measures for the Administration of Internet Advertisement (《互聯網廣告管理辦法》), which took effect on May 1, 2023 and simultaneously repeal the Provisional Measures for the Administration of Internet Advertisement, such measures explicitly include commercial advertisements that directly or indirectly promote goods or services by means of live Internet broadcasting and cross-border e-commerce advertisements in the scope of adjustment of such measures; further strengthen the system provisions in areas such as "one-click closure" of pop-up advertisements and implanted advertisements, and strengthened the responsibility of relevant subjects, etc. According to Measures for the Administration of Internet Advertisement, advertisements for medical treatment, medical devices and other advertisements which are subject to examination as required by laws and administrative regulations shall be examined by the advertisement examination authorities prior to publication, and such advertisements shall not be published without going through examination. An Internet advertisement shall be identifiable and can make consumers recognize it as an advertisement. For goods or services ranked according to bidding, advertisement publishers shall mark the words "advertisement" prominently in order to make a clear distinction from the natural search results.

REGULATIONS IN RELATION TO FOOD SALES AND SAFETY

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "**Food Safety Law**") promulgated by the SCNPC on February 28, 2009, most recently amended and implemented on April 29, 2021 and the Implementing Rules of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) (the "**Implementing Rules of the Food Safety Law**") promulgated by the State Council on July 20, 2009, most recently amended on October 11, 2019 and implemented on December 1, 2019, the PRC implements a licensing system for food production and trading. Entities engaging in food production, food sales and catering services shall obtain a food production license for food production and a food operation license for food sales and catering services in accordance with laws. However, a license is not required for the sale of edible agricultural products and prepackaged food. The sale of prepackaged food shall be filed with the food safety regulatory department of the people's government at or above the county level.

On August 31, 2015, the former China Food and Drug Administration promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was most recently amended and implemented on November 17, 2017. According to the Administrative Measures for Food Operation Licensing, a food operation license (食品經營許可證) shall be obtained in accordance with laws to engage in food sales and catering services within the territory of the PRC. Food and drug administrative authorities shall implement classified licensing for food operations according to food operators' types and the degree of risk of their operation items.

REGULATIONS ON PERSONAL INFORMATION AND DATA PROTECTION

On December 29, 2011, the Ministry of Industry and Information Technology (the "**MIIT**") issued Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which provides that an Internet information service provider may not collect any user's personal information or provide any such information to third parties without such user's consent. Internet information service providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users' personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users' personal information, and in case of any leak or possible leak of a user's personal information, online lending service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the "**PIPL**") promulgated by the SCNPC on August 20, 2021, effective as of November 1, 2021, personal information refers to all kinds of information related to identified or identifiable natural persons recorded by electronic or other means, excluding information after anonymisation processing. The handling of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, and deletion of personal information. The activities of handling personal information of natural persons in the PRC shall be governed by the PIPL. Furthermore, a processor of personal information may process personal information only under the following circumstances: (a) where the consent of the individual concerned is obtained; (b) where it is necessary for the conclusion or performance of a contract to which the individual is a party, or for the implementation of human resources management in accordance with the labor rules and regulations established by law and the collective contract signed in accordance with the law; (c) where it is necessary for the performance of legal duties or legal obligations; (d) where it is necessary for the response to public health emergencies, or for the protection of the life, health and property of natural persons in an emergency; (e) where such acts as news reporting, public opinion monitoring and others are implemented for the public interest, and the processing of personal information is within a reasonable range; (f) where the personal information disclosed by the individual concerned or other personal information that has been legally disclosed is processed within a reasonable scope in accordance with the provisions of PIPL; and (g) other circumstances specified in laws and administrative regulations. The processing of personal information shall obtain the consent of the individual concerned in accordance with other relevant provisions of the PIPL, however, the consent of the individual concerned is not required under the circumstances set forth in items (b) to (g) of the preceding paragraph.

On June 10, 2021, the SCNPC issued the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"), which has taken effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. In addition, it clarifies the data security protection obligations of organisations and individuals carrying out data activities. Data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. Any organisational or individual data processing activities that violate the Data Security Law shall bear the corresponding civil, administrative or criminal liabilities depending on specific circumstances.

Pursuant to the Regulations for Medical Institutions on Medical Records Management (《醫療機構病歷管理規定》) released on November 20, 2013, and effective from January 1, 2014, the medical institutions and medical practitioners shall strictly protect the privacy information of patients, and any leakage of patients' medical records for non-medical, non-teaching or non-research purposes is prohibited. The NHFPC released the Measures for Administration of Population Health Information (Trial) (《人口健康信息管理辦法(試行)》) on May 5, 2014, which refers the medical health service information as the population healthcare information and emphasizes that such information cannot be stored in offshore servers, and the responsible institutions shall not host or lease offshore servers. Pursuant to the Management Measures of Standards, Safety and Service of National Health and Medical Big Data (Trial) (《國家健康醫療大數據標準、安全和服務管理辦法(試行)》), promulgated by the NHC on July 12, 2018, the medical institutions should establish relevant safety management systems, operation instructions and technical specifications to safeguard the safety of healthcare big data generated in the process of health management service or prevention and cure service of diseases. And it also stipulates that such healthcare big data should be stored in onshore servers and shall not be provided overseas without safety assessment.

On August 8, 2022, the NHC, the SATCM, and the National Bureau of Disease Prevention and Control jointly promulgated the Administrative Measures for the Cybersecurity of Medical and Healthcare Institution (《醫療衛生機構網絡安全管理辦法》) with immediate effect. The Administrative Measures for the Cybersecurity of Medical and Healthcare Institution require all the medical and health institutions to set up data life-cycle management systems and user participation-based cybersecurity management systems, including but not limited to strengthening system construction, implementing daily network maintenance and monitoring, conducting annual self-inspection and rectification, and classifying and grading data assets.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law of the PRC and its Implementing Rules (《中華人民共和國商標法》及其實施條例)

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013, April 23, 2019 and took effect on November 1, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002 and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks, renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

Patent Law of the PRC and its Implementing Rules (《中華人民共和國專利法》及其實施細則)

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 and further amended on September 4, 1992, August 25, 2000, December 27, 2008, October 17, 2020 and came into effect on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, and further amended on December 21, 1992, June 15, 2001, December 28, 2002, January 9, 2010 and came into effect on February 1, 2010, the term "invention-creations" refers to inventions, utility models and designs. The duration of patent right for inventions shall be twenty years, the duration of patent right for utility models shall be ten years and the duration of patent right for designs shall be fifteen years, counted from the date of filing. In the event that a dispute arises due to a patent being exploited without the prior authorization of the patentee, that is to say an infringement upon the patent right of the patentee.

Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》)

The Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017, regulates the ".CN" and the ".zhongguo (in Chinese character)" shall be China's national top-level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority but shall not use its domain name to commit any violation.

Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》)

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contract and assignment contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and designates the China Copyright Protection Center as the agency for software registration. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants.

REGULATIONS ON ENVIRONMENTAL PROTECTION RELATED TO MEDICAL INSTITUTIONS

Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) and Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》)

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on December 26, 1989 and became effective on the same day, amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge medical sewage to water bodies directly or indirectly shall obtain a waste discharge license. Furthermore, installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002, became effective on September 1, 2003 and amended on July 2, 2016 and December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction entity shall prepare an environmental impact report, or an environmental impact form or complete an environmental impact registration form (the "**Environmental Impact Assessment Documents**") for reporting and filing purpose. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction entity is prohibited from commencing construction works.

Regulations on the Management of Medical Waste (《醫療廢物管理條例》), and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》)

According to the Regulations on the Management of Medical Waste (《醫療廢物管理條例》), which was promulgated by the State Council on June 16, 2003 and amended on January 8, 2011, and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》), which was promulgated by the MOH on October 15, 2003 and came into effect on the same day, medical or health institution shall register medical wastes, manage medical wastes under classification and undertake management of duplicate forms for transfer of hazardous waste in accordance with the Catalogue of Classified Medical Wastes (《醫療廢物分類目錄》), and deliver medical wastes to an entity for centralized disposal of medical wastes and licensed by a relevant environment protection administrative department for dispose. Sewage generated by any health institution and excretion of its patients or suspected patients of infectious diseases shall be sterilized in strict accordance with the relevant provisions and shall not be discharged into sewage disposal systems until the discharging standards are met.

The Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》)

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (《城鎮排水與污水處理條例》), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (《城鎮污水排入排水管網許可管理辦法》), which was promulgated on January 22, 2015 and last amended on December 1, 2022 and took effect on February 1, 2023. Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the State. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities.

REGULATIONS ON FIRE PROTECTION

Fire Protection Law of the PRC (《中華人民共和國消防法》) and Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》)

Pursuant to Fire Protection Law of the PRC (《中華人民共和國消防法》), or the Fire Protection Law, promulgated by SCNPC on April 29, 1998 with the latest amendment on April 29, 2021, the Emergency Management Authority of the State Council and its local counterparts at or above county level shall monitor and administer the fire protection affairs. The Fire and

Rescue Department of People's Government are responsible for implementation. The Fire Protection Law provides that the fire protection design or construction of a construction project must conform to the national fire protection technical standards. According to the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) issued by the Ministry of Housing and Urban-Rural Development on April 1, 2020, and amended on August 21, 2023 and came into effect on October 30, 2023, special construction projects as defined thereunder shall conduct fire protection design review and fire protection final inspection, construction projects other than such special construction projects shall file fire protection design and acceptance of the project with competent authority.

REGULATIONS ON FOREIGN INVESTMENT IN CHINA

Company Law of the PRC (《中華人民共和國公司法》)

The Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the SCNPC on December 29, 1993 and came into effective on July 1, 1994, amended on December 25, 1999 and came into effective on the same day, amended on August 28, 2004 and came into effective on the same day, amended on October 27, 2005 and came into effective on January 1, 2006, amended on December 28, 2013 and came into effective on March 1, 2014, amended on October 26, 2018 and came into effective on the same day, provides that companies established in China may take the form of limited liability company or joint stock company with limited liability. Each company has the status of a legal person and owns the assets itself. The Company Law of the PRC applies to foreign-invested companies unless relevant laws provide otherwise.

Foreign Investment Law of the PRC (《中華人民共和國外商投資法》)

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which was promulgated on March 15, 2019 and became effective on January 1, 2020, is applicable to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organizations.

Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》)

Pursuant to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) promulgated by the Ministry of Commerce (the "**MOFCOM**") and the SAMR on December 30, 2019 and effective on January 1, 2020, a listed foreign-funded company may, when the change of foreign investors' shareholding ratio accumulatively exceeds 5% or the foreign party's controlling or relatively controlling status changes, report the information on the modification of investors and the shares held by them.

Special Management Measures for Access of Foreign Investment (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)》<2021年版>)

Foreign investors in the PRC are subject to certain restrictions regarding the types of industries they can invest in. The Special Management Measures for Access of Foreign Investment (Negative List) (2021 Version) (《外商投資准入特別管理措施(負面清單)》<2021年版>) was promulgated by the MOFCOM and the NDRC on December 27, 2021 and came into effect on January 1, 2022. The Negative List set out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

The Interim Measures for the Administration of Sino-Foreign Joint Ventures and Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》)

According to the Interim Measures for the Administration of Sino-Foreign Joint Ventures and Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》) (the "Interim Measures"), which was promulgated by the MOH on May 15, 2000 and effective from July 1, 2000, foreign investors are not allowed to hold more than 70% of the equity interest in a sino-foreign joint venture medical institution. Furthermore, under the Interim Measures, both parties applying for the establishment of a sino-foreign equity joint or sino-foreign cooperative joint medical institution shall be a legal person with the capability of independently undertaking civil liabilities. And both parties shall be directly or indirectly experienced in the investment and management of medical institutions, and shall meet one or more of the following requirements: (i) capable of providing internationally advanced managerial experience, management pattern or service pattern of medical institutions; (ii) capable of providing internationally advanced medical technology and equipment; or (iii) able to supplement or improve medical service capability, medical technology, funding and equipment of the jurisdiction.

REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITY

Labor Law of the PRC (《中華人民共和國勞動法》)

The Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. Labor safety and health facilities must comply with relevant national standards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

Labor Contract Law of the PRC and its Implementation Regulations (《中華人民共和國勞動合同法》及其實施條例)

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law (《中華人民共和國勞動合同法實施條例》) which was promulgated and came into effect on September 18, 2008 by the State Council, regulate the relations of employer and the employee, and contain specific provisions involving the terms of the labor contract.

REGULATIONS ON SUPERVISION OVER THE SOCIAL SECURITY AND HOUSING FUNDS

According to the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in China must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies and must pay or withhold relevant social insurance premiums for or on behalf of employees.

The PRC Law on Social Insurance (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011, and was amended on December 29, 2018 regulates basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and 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.

The Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated on April 3, 1999 and came into effective on the same date, and was amended on March 24, 2002 and March 24, 2019, stipulates that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer shall all belong to the individual employee.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which was promulgated by the National People's Congress on March 16, 2007, came into effect on January 1, 2008 and amended by the SCNPC on February 24, 2017 and December 29, 2018, and the Implementation Regulations on the EIT Law (《中華人

民共和國企業所得稅法實施條例》), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, and amended by the State Council on April 23, 2019 and came into effect on the same date, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in China. These enterprises are classified as either resident enterprises or non-resident enterprises. Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not established institutions or places in the PRC, or if they have established institutions or places in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions or places set up by them, enterprise income tax is set at the rate of 10%.

Value-added Tax

The Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF on December 25, 1993 and came into effect on the same date, and was amended on December 15, 2008 and October 28, 2011, came into effect on November 1, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling goods and services, leasing of tangible movable assets or importing goods whereas the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

According to the Notice of the Ministry of Finance and the State Taxation Administration on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) issued on April 4, 2018 and became effective on May 1, 2018, the value-added tax rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

According to the Notice on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) issued on March 20, 2019 and became effective on April 1, 2019, the value-added tax rate was reduced to 13% and 9%, respectively.

REGULATIONS ON FOREIGN EXCHANGE

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, multiple capital accounts for the same entity may be opened in different provinces as well. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019, prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), or the SAFE Circular 21, which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19 promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished or amended on December 30, 2019 and March 23, 2023, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which came into effect on the same day. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties).

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, without submitting the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use is authentic and in compliance with administrative regulations on the use of income under capital accounts. The bank in charge shall conduct post spot checking in accordance with the relevant requirements.

REGULATIONS ON M&A AND OVERSEAS LISTING

The Provisions on the Merger or Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") was jointly promulgated by six PRC governmental authorities including the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Taxation Administration, the SAIC, the China Securities Regulatory Commission (the "**CSRC**") and the SAFE on August 8, 2006, and amended on June 22, 2009.

Foreign investors must comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in China, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the assets of a domestic company by agreement, and establish a foreign-invested enterprise by injecting such assets, and operate the assets. According to Article 11 of the M&A Rules, where a domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic enterprise which is related to or connected with it/him/her, approval from the MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval from the CSRC prior to the listing and trading of such special purpose vehicle which acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

The CSRC promulgated the Trial Administrative Measures on the Overseas Securities Offering and Listing of Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five relevant guidelines on February 17, 2023, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reform the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provide that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Provision on Confidentiality**"), which took effect on March 31, 2023. Pursuant to the Provision on Confidentiality, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

OUR HISTORY AND DEVELOPMENT

Overview

Our history can be traced back to 2006 when Shenzhen IVF was founded. We are a leading one-stop assisted reproductive technology (ART) and ancillary service provider in China. Through our four licensed hospitals in Guangdong, Tianjin and Yunnan, we focus on providing ART and ancillary services with a large geographical coverage, extending to patients with infertility across 15 surrounding provinces and municipalities in China.

Business Development Milestones

The following sets forth our Group's key business development milestones.

Year	Milestone events
2006	Shenzhen IVF, our onshore holding subsidiary, was established in Shenzhen, Guangdong, in September 2006.
2010	Zhanjiang Hospital, our first and flagship hospital, which commenced operation in 2009, obtained the AIH approval in July 2010 and the conventional IVF and ICSI approval in September 2010.
2012	Jieyang Hospital obtained the AIH approval in March 2012.
2013	Jieyang Hospital obtained the conventional IVF and ICSI approval in April 2013.
	Kunming Hospital obtained the AIH approval and the conventional IVF and ICSI approval in August 2013.
2014	Tianjin Hospital obtained the AIH approval in April 2014.
2016	Tianjin Hospital obtained the conventional IVF and ICSI approval in July 2016.
2020	We were awarded as the Top 100 Shenzhen Industry Leaders 2020 (2020年度深圳行業領袖百強企業) by Shenzhen Industry Leaders Enterprise Development Promotion Association (深圳行業領袖企業發展促進會) and Shenzhen Business Daily (深圳商報).
2021	Tianjin Hospital was awarded as the Pioneer of the "Two New Organizations" in Hedong District, Tianjin (天津市河東區"兩新組織"聚力先鋒) by the CPC Tianjin Hedong District Non-Public Economic Organization and Social Organization Working Committee (中國共產黨天津市河東區非公有制經濟組織和社會組織工作委員會).
	Zhanjiang Hospital was recognized as the Member of the 8th Council of the Zhanjiang Medical Association (湛江醫學會生殖醫學分會主委單位) by Zhanjiang Medical Association.

OUR CORPORATE DEVELOPMENTS

Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on September 8, 2023 and became the holding company and the [**REDACTED**] vehicle of our Group. For details, see "— Reorganization."

Our principal operating subsidiaries

We had been carrying out our business through various subsidiaries during the Track Record Period and as of the Latest Practicable Date. Our principal operating subsidiaries comprise major holding companies and/or subsidiaries which had material contributions to our Group's assets, revenue and profit during the Track Record Period. The principal business activities and the place and date of incorporation or establishment of each of our principal operating subsidiaries are set out below:

Name of company	Place of incorporation or establishment	Principal business activities	Date of incorporation or establishment
Shenzhen IVF	PRC	Corporate management	September 5, 2006
Tianjin Hospital	PRC	Provision of ART and ancillary services	February 9, 2006
Zhanjiang Hospital . . .	PRC	Provision of ART and ancillary services	January 26, 2010
Kunming Hospital	PRC	Provision of ART and ancillary services	November 9, 2012
Jieyang Hospital	PRC	Provision of ART and ancillary services	December 21, 2012

Major shareholding changes of our Company and our principal operating subsidiaries

Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on September 8, 2023. As of the date of its incorporation, the authorized share capital of our Company was HK$390,000 divided into 3,900,000,000 ordinary shares with a par value of HK$0.0001 each. For details of the shareholding changes of our Company upon incorporation, see "— Reorganization — Offshore Reorganization."

For subsequent shareholding changes of our Company as part of the Reorganization, see "— Reorganization — Offshore Reorganization."

Shenzhen IVF

Establishment and capital increases

Shenzhen IVF was established in the PRC as a limited liability company on September 5, 2006 with an initial registered capital of RMB1,000,000, which was fully paid in cash. As of the date of its establishment, Shenzhen IVF was wholly owned by Mr. Ren, the chairman of the Board, an executive Director and a Controlling Shareholder.

Subsequent to a series of capital increases in registered capital during the period from December 22, 2010 to December 3, 2019, the registered capital of Shenzhen IVF was increased to RMB98,275,862.47, which was fully paid in cash. Upon completion of such capital increases, the shareholding structure of Shenzhen IVF became as follows:

Name of Shareholders	**Registered capital subscribed for**	**Approximate percentage of shareholding**
	(RMB)	
Aiwei Zhengyuan*(Note 1)*	52,758,620.39	53.68%
Mr. Ren	28,965,517.15	29.47%
Aiwei Zhongyuan*(Note 2)*	8,275,862.46	8.42%
Shenzhen Aiwei Zhongtian Investment Partnership (L.P.) (深圳愛維中天投資合夥企業(有限合夥)) ("**Aiwei Zhongtian**")*(Note 3)*	2,068,965.37	2.11%
Aiwei Sancai*(Note 2)*	2,068,965.37	2.11%
Aiwei Feiqing*(Note 2)*	2,068,965.37	2.11%
Aiwei Zhenglu*(Note 2)*	1,034,483.18	1.05%
Shenzhen Shiliu Venture Capital Enterprise (L.P.) (深圳石榴創業投資企業(有限合夥)) ("**Shiliu Venture Capital**")*(Note 4)*	1,034,483.18	1.05%
Total	98,275,862.47	100.00%

Notes:

1. Aiwei Zhengyuan is a limited liability company established under the laws of the PRC which was owned as to 70% by Mr. Ren and 30% by Ms. Zhang since its establishment and immediately prior to the Reorganization for the sole purpose of holding equity interests in Shenzhen IVF.

2. Each of Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu is a limited partnership established under the laws of the PRC, which was wholly owned by Mr. Ren prior to the Reorganization. Each of Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu was owned as to 99% by Aiwei Zhongjiu as its general partner and 1% by Mr. Ren as its limited partner prior to the Reorganization. Aiwei Zhongjiu is a limited liability company established under the laws of the PRC which was wholly owned by Mr. Ren since its establishment and immediately prior to the Reorganization.

3. Aiwei Zhongtian is a limited partnership established under the laws of the PRC and was an employee shareholding platform prior to the Reorganization. Upon completion of the above capital increases, Aiwei Zhongtian was held as to 99% by Aiwei Zhongjiu as its general partner and 1% by Mr. Li Yusong (李昱松) as its limited partner, a then employee of our Group.

4. Shiliu Venture Capital is a limited partnership established under the laws of the PRC and was an employee shareholding platform prior to the Reorganization. Upon completion of the above capital increases, Aiwei Zhongtian was held as to 98% by Aiwei Zhongjiu as its general partner and 1% by each of Ms. Wang Xiaohui (王曉惠), the executive vice president of our Company, and Mr. Cai Ruquan (蔡如泉), an employee of our Group, as limited partners.

Pre-[**REDACTED**] *Investment by Shenzhen Capital Group in 2019*

Pursuant to a capital increase agreement in respect of Shenzhen IVF dated December 10, 2019 (as amended by supplemental agreements dated December 10, 2019, December 18, 2021 and December 18, 2021, respectively) (the "**Original Investment Agreements**"), Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) ("**Shenzhen Capital**"), together with Shenzhen Nanshan Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市南山紅土股權投資基金合夥企業(有限合夥)) ("**Nanshan Hongtu**") and Shenzhen Futian Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市福田紅土股權投資基金合夥企業(有限合夥)) ("**Futian Hongtu**") (collectively, "**Shenzhen Capital Group**"), subscribed for RMB5,172,413.81 registered capital of Shenzhen IVF (representing approximately 5.00% of the enlarged registered capital of Shenzhen IVF) at a total consideration of approximately RMB147,368,421, of which (i) RMB2,907,635.48 (representing approximately 2.81% of the enlarged registered capital of Shenzhen IVF) was subscribed by Nanshan Hongtu at a consideration of RMB82,842,105.30; (ii) RMB1,209,975.37 (representing approximately 1.17% of the enlarged registered capital of Shenzhen IVF) was subscribed by Shenzhen Capital at a consideration of RMB34,473,684.20; and (iii) RMB1,054,802.96 of which (representing approximately 1.02% of the enlarged registered capital of Shenzhen IVF) was subscribed by Futian Hongtu at a consideration of RMB30,052,631.60. The consideration was determined after arm's length negotiation between the relevant parties having considered, among others, the historical financial performance and business prospects of Shenzhen IVF and was fully settled by Shenzhen Capital Group on December 17, 2019.

Nanshan Hongtu and Futian Hongtu are controlled by Shenzhen Capital, which in turn is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the Shenzhen Municipal People's Government (深圳市人民政府國有資產監督管理委員會). For the detailed background of Shenzhen Capital, Nanshan Hongtu and Futian Hongtu, see "— Pre-[**REDACTED**] Investments" in this section.

Upon completion of the capital increase in December 2019, Shenzhen IVF became owned as to approximately 51.00%, 28.00%, 8.00%, 2.81%, 2.00%, 2.00%, 2.00%, 1.17%, 1.02%, 1.00% and 1.00% by Aiwei Zhengyuan, Mr. Ren, Aiwei Zhongyuan, Nanshan Hongtu, Aiwei Zhongtian, Aiwei Sancai, Aiwei Feiqing, Shenzhen Capital, Futian Hongtu, Shiliu Venture Capital and Aiwei Zhenglu, respectively.

Conversion into a joint stock limited company in 2021

On September 29, 2021, all of the then shareholders of Shenzhen IVF passed a resolution to approve the reduction of the registered capital of Shenzhen IVF from RMB103,448,276.28 to RMB58,000,000. The reduced registered capital of RMB45,448,276.28 was converted from share capital into capital reserve of Shenzhen IVF.

On November 3, 2021, all the then shareholders of Shenzhen IVF passed resolutions approving, among other matters, the conversion of Shenzhen IVF from a limited liability company into a joint stock limited company.

Pursuant to the promoters' agreement dated November 18, 2021 entered into by all the then shareholders of Shenzhen IVF, all promoters approved the conversion of the net assets value of Shenzhen IVF as of July 31, 2021 into 58,000,000 shares. On November 18, 2021, Shenzhen IVF convened its inaugural meeting. Upon completion of the conversion, the registered capital of Shenzhen IVF was RMB58,000,000 divided into 58,000,000 shares with a nominal value of RMB1.00 each, which were subscribed by all the shareholders of Shenzhen IVF immediately before the conversion in proportion to their then respective equity interests in Shenzhen IVF and the name of Shenzhen IVF was changed from Shenzhen IVF Hospital Management Limited (深圳愛維艾夫醫院管理有限公司) to Shenzhen IVF Hospital Management Group Co., Ltd. (深圳愛維艾夫醫院管理集團股份有限公司). The conversion was completed on November 22, 2021.

Capital reduction in 2023

On December 9, 2022, all of the then shareholders of Shenzhen IVF passed a resolution to approve the reduction of registered capital from RMB58,000,000 to RMB56,260,000, representing the reduction of RMB1,160,000 and RMB580,000 of the registered capital of Shenzhen IVF owned by Aiwei Zhongtian and Shiliu Venture Capital prior to the capital reduction, respectively.

Immediately prior to the capital reduction, both of Aiwei Zhongtian and Shiliu Venture Capital were held by Aiwei Zhongjiu and the then employees of Shenzhen IVF and its subsidiaries. Aiwei Zhongtian and Shiliu Venture Capital were intended to be the employee shareholding platforms of Shenzhen IVF and its subsidiaries, both of which were deregistered in July 2023. Upon completion of such capital reduction, Aiwei Zhongtian and Shiliu Venture Capital ceased to hold any shares in Shenzhen IVF.

Upon completion of the above capital reduction in July 2023, the registered capital of Shenzhen IVF became owned as to approximately 52.58%, 28.87%, 8.25%, 2.90%, 2.06%, 2.06%, 1.20%, 1.05% and 1.03% by Aiwei Zhengyuan, Mr. Ren, Aiwei Zhongyuan, Nanshan Hongtu, Aiwei Sancai, Aiwei Feiqing, Shenzhen Capital, Futian Hongtu and Aiwei Zhenglu, respectively.

Changes in the shareholding structure of Shenzhen IVF pursuant to the Reorganization in 2023

As part of the Reorganization, there were certain changes in the shareholding structure of Shenzhen IVF during and subsequent to the Track Record Period. In addition, Shenzhen IVF was converted from a joint-stock company into a company with limited liabilities on August 11, 2023. For details, see "— Reorganization — Onshore Reorgnization."

As of the Latest Practicable Date, Shenzhen IVF was owned as to approximately 70.00%, 16.63%, 9.13%, 2.61%, 0.65%, 0.65% and 0.33% by Aisheng Enterprise, Aiwei Zhengyuan, Ms. Zhang, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu, respectively.

Tianjin Hospital

Establishment

Tianjin Hospital was established in the PRC as a general partnership on February 9, 2006 under the name of Tianjin Renji Hospital (天津仁濟醫院) with an initial capital contribution of RMB150,000, which was owned as to approximately 33.33% by Ms. Wang Shuyuan (王淑媛) as the executive partner, approximately 33.33% by Mr. Chen Zhanlin (陳占林) as a general partner and approximately 33.33% by Ms. Chen Sujuan (陳素娟) as a general partner, all being Independent Third Parties.

Changes in partnership and capital contribution

Mr. Ren and Ms. Zhang initially intended to establish a new hospital to carry out ART and ancillary treatment services due to the business prospects and growth potential of the industry. After careful consideration of the challenges associated with initiating an ART business from the ground up, Mr. Ren and Ms. Zhang subsequently decided to develop the business of ART and ancillary treatment services through acquisition of a licensed hospital instead. Ms. Zhang got acquainted with the then partners of Tianjin Hospital through her friends in 2007. Tianjin Hospital underwent a series of changes in partnership from December 2007 to June 2012, details of which are set out below:

(a) On December 21, 2007, Ms. Zhang became a general partner of Tianjin Hospital by way of subscription for the registered capital of RMB120,000 at a consideration of RMB120,000, which was determined after arm's length negotiation between the parties and fully settled in cash. Upon completion of the investment made by Ms. Zhang, Tianjin Hospital was owned as to 2% by Mr. Chen Yizheng (陳一征), an Independent Third Party, as the executive partner, 80% by Ms. Zhang as a general partner and 18% by Mr. Chen Zhanlin (陳占林) as a general partner.

(b) On November 8, 2011, Mr. Ren became a general partner of Tianjin Hospital by way of subscription for the registered capital of RMB27,000 at a consideration of RMB27,000, which was determined after arm's length negotiation between the parties and fully settled in cash. Upon completion of the investment made by Mr. Ren, Tianjin Hospital was owned as to 2% by Mr. Chen Yizheng (陳一征) as the executive partner, 80% by Ms. Zhang as a general partner and 18% by Mr. Ren as a general partner, and Mr. Chen Zhanlin (陳占林) ceased to hold any partnership in Tianjin Hospital.

(c) On June 4, 2012, Shenzhen IVF became a general partner of Tianjin Hospital by way of subscription for the registered capital of RMB3,000 at a consideration of RMB3,000, which was determined after arm's length negotiation between the parties and fully settled in cash. Upon completion of the investment made by Shenzhen IVF, Tianjin Hospital was owned as to 80% by Ms. Zhang as the executive partner, 18% by Mr. Ren as a general partner and 2% by Shenzhen IVF as a general partner.

On August 15, 2012, the registered capital of Tianjin Hospital was increased to RMB10,000,000 by RMB9,850,000 which was subscribed by Shenzhen IVF at a consideration of even amount, determined with reference to the registered capital of Tianjin Hospital being subscribed. The consideration was fully settled in cash on July 31, 2012. Upon completion of the capital contribution by Shenzhen IVF, Tianjin Hospital was owned as to 1.20% by Ms. Zhang as the executive partner, 98.53% by Shenzhen IVF as a general partner and 0.27% by Mr. Ren as a general partner.

Conversion into a limited partnership and recent changes in partnership

On November 9, 2020, Tianjin Hospital was converted from a general partnership into a limited partnership and the name of Tianjin Hospital was changed from Tianjin IVF Hospital (General Partnership) (天津愛維醫院(普通合夥)) to Tianjin IVF Hospital (Limited Partnership) (天津愛維醫院(有限合夥)).

Pursuant to the exit agreement entered into by the then partners, namely Shenzhen IVF, Mr. Ren and Ms. Zhang on October 30, 2020, Mr. Ren and Ms. Zhang ceased to be the partners of Tianjin Hospital from November 9, 2020. Pursuant to the partnership agreement entered into by Shenzhen IVF and Shenzhen IVF Gynecological Hospital (深圳愛維艾夫婦科醫院) ("**Shenzhen Gynecological Hospital**") on October 30, 2020, Shenzhen Gynecological Hospital became the general partner of Tianjin Hospital by way of subscription for the registered capital of RMB147,000 at a consideration of even amount, which was determined with reference to the then registered capital of Tianjin Hospital and fully settled in cash on December 1, 2020. Upon the completion of the above transactions, Tianjin Hospital was held as to 1.47% by Shenzhen Gynecological Hospital as the general partner and 98.53% by Shenzhen IVF as a limited partner. Shenzhen Gynecological Hospital was then wholly owned by Shenzhen IVF and was subsequently deregistered on January 27, 2022. For details, see "— Deregistered Entity" in this section.

Pursuant to the exit agreement entered into by Shenzhen IVF and Shenzhen Gynecological Hospital on July 12, 2021, Shenzhen Gynecological Hospital ceased to be the general partner of Tianjin Hospital from July 12, 2021. On even date, pursuant to the partnership agreement entered into by Shenzhen IVF and Kunming Hospital, Kunming Hospital became the general partner of Tianjin Hospital by way of subscription for the registered capital of RMB147,000 at a consideration of even amount, which was determined with reference to the then registered capital of Tianjin Hospital and fully settled in cash on September 17, 2021.

Since the completion of the above changes in partnership and as of the Latest Practicable Date, Tianjin Hospital was owned as to 1.47% by Kunming Hospital as its general partner and 98.53% by Shenzhen IVF as its limited partner.

Zhanjiang Hospital

Zhanjiang Hospital was established in the PRC as a limited liability company on January 26, 2010 with a registered capital of RMB1,000,000, which was later increased to RMB5,000,000 on September 28, 2012 by way of capital injection at a consideration of even amount by Shenzhen IVF, which was fully paid in cash on September 30, 2012. Zhanjiang Hospital has been wholly owned by Shenzhen IVF since its establishment.

Kunming Hospital

Kunming Hospital was established in the PRC as a limited liability company on November 9, 2012 with a registered capital of RMB10,000,000, which was owned as to 95% by Shenzhen IVF and 5% by Ms. Li Zhijun (李志君), an Independent Third Party. Its registered capital was later increased to RMB50,000,000 on January 5, 2016 by way of capital injection at a consideration of RMB40,000,000 by the then shareholders of Kunming Hospital in proportion to their respective equity interest in Kunming Hospital, which was fully paid in cash on October 18, 2017.

On January 26, 2016, Ms. Li Zhijun (李志君) transferred RMB2,500,000 of the registered capital of Kunming Hospital (representing 5% of the entire equity interest in Kunming Hospital at the time of the transfer) to Ms. Zhang at a consideration of RMB2,500,000 which was determined with reference to the paid up registered capital of Kunming Hospital at the time of such transfer. On November 4, 2020, Ms. Zhang transferred 5% of the equity interest in Kunming Hospital to Shenzhen IVF at a consideration of RMB2,500,000 which was determined with reference to the original investment amount made by Ms. Zhang and fully paid in cash on November 30, 2020. Since the completion of the above equity transfers and as of the Latest Practicable Date, Kunming Hospital was wholly owned by Shenzhen IVF.

Jieyang Hospital

Jieyang Hospital was established in the PRC as a limited liability company on December 21, 2012 with an initial registered capital of RMB5,000,000. As of the date of its establishment, Jieyang Hospital was owned as to 95% by Shenzhen IVF and 5% by Ms. Zhang, respectively.

On June 16, 2014, the registered capital of Jieyang Hospital was increased to RMB14,716,200 by way of capital injection of RMB9,716,200 by Shenzhen IVF, at a consideration of even amount, which was fully paid by way of contribution of land use right of a parcel of land located in Jieyang then owned by Shenzhen IVF, Guangdong Province, with reference to a property valuation report issued by an independent valuer. Upon completion of the capital increase, Jieyang Hospital was owned as to approximately 98.3% by Shenzhen IVF and approximately 1.7% by Ms. Zhang, respectively.

Further on November 10, 2020, Ms. Zhang transferred RMB250,000 of the registered capital of Jieyang Hospital (representing approximately 1.7% of the entire equity interest in Jieyang Hospital at the time of the transfer) to Shenzhen IVF at a consideration of RMB250,000 which was determined with reference to the paid up registered capital of Kunming Hospital at the time of such transfer. Since the completion of the above equity transfer and as of the Latest Practicable Date, Jieyang Hospital was wholly owned by Shenzhen IVF.

Deregistered Entity

Shenzhen Gynecological Hospital was established in the PRC as a limited liability company on December 19, 2013 with a registered capital of RMB20,000,000, which was wholly owned by Shenzhen IVF prior to its deregistration.

In order to rationalize our corporate structure, Shenzhen Gynecological Hospital, which had limited operation since its establishment, was deregistered on January 27, 2022, as part of our Group's plan to streamline our business operations and optimize the allocation of our resources. Shenzhen Gynecological Hospital had ceased operation since the end of June 2021.

The deregistration of the Shenzhen Gynecological Hospital had no material impact on our Group's financial performance, financial position and cash flows during the Track Record Period.

Previous A-Share Listing Attempt

To explore the opportunity of establishing a capital market platform in the A-share market in the PRC (the "**A-Share Listing Attempt**"), on December 7, 2021, Shenzhen IVF entered into a guidance agreement (the "**Guidance Agreement**") with a guidance agency to provide guidance and preliminary compliance advice in regards to the requirements of the CSRC (the "**A-share Listing Guidance**"). The guidance agency made a preliminary A-share listing guidance filing (上市輔導備案申請) with the Shenzhen office of CSRC (中國證監會深圳監管局) ("**CSRC Shenzhen**") in December 2021. Subsequently, such filling was accepted by CSRC Shenzhen on December 20, 2021. Due to the prolonged and uncertain listing timetable of the A Share Listing Attempt and having considered the overall market conditions and our business development needs, we voluntarily put on hold the A-Share Listing Attempt and our Directors decided to pursue the [**REDACTED**]. In light of this, Shenzhen IVF and the guidance agency agreed to terminate the Guidance Agreement and the termination became effective on December 18, 2023. Shenzhen IVF withdrew its A-share Listing Guidance filing from the CSRC Shenzhen on December 19, 2023. Our Directors believe that the [**REDACTED**] will be in the interest of our Company's business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

(i) the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fundraising capabilities and broaden our fundraising channels;

(ii) the [**REDACTED**] would give us a better platform to further develop our business; and

(iii) the [**REDACTED**] will further raise our brand awareness, business profile and thus, enhance our corporate image.

Since the execution of the Guidance Agreement and up to the Latest Practicable Date, our Company had not submitted any A-share listing application to the CSRC or any stock exchange in the PRC.

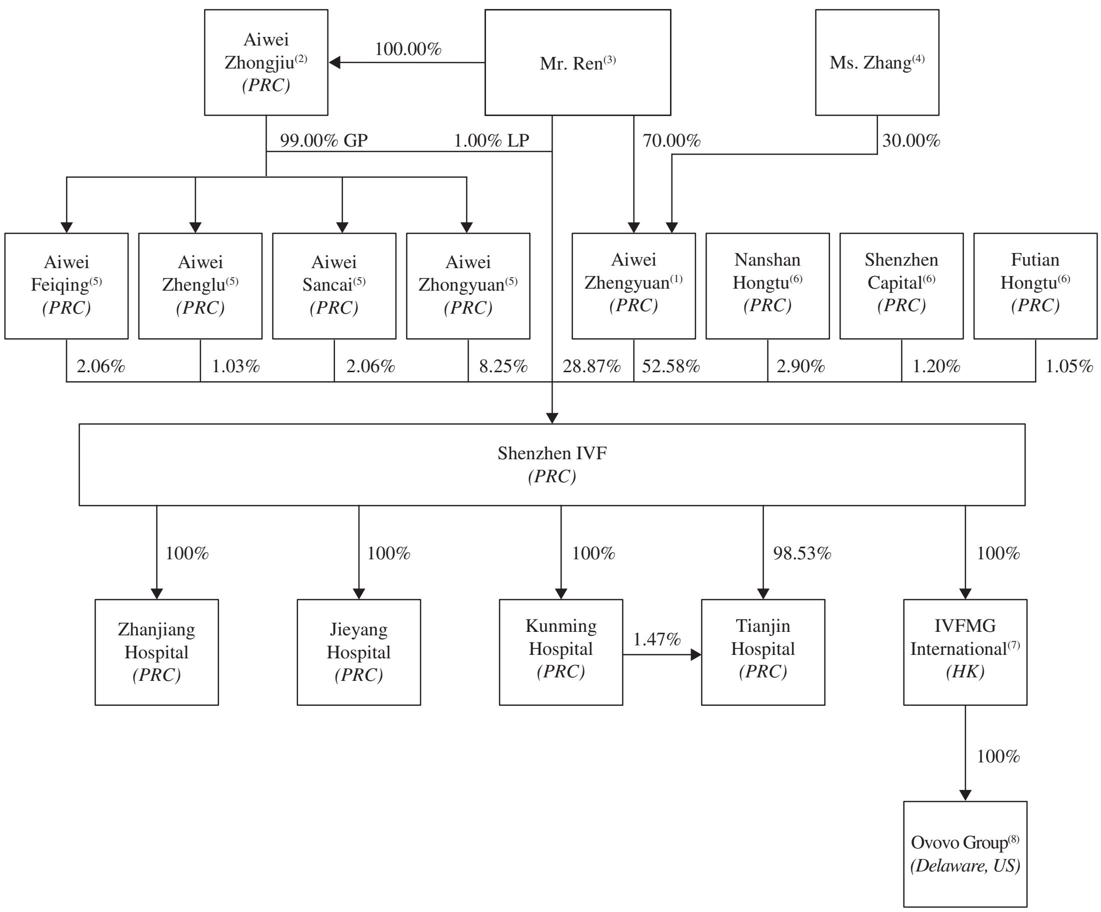
Our Directors have confirmed that (i) the CSRC did not raise any questions or comments in respect of the A Share Listing Attempt (including the A-share Listing Guidance); and (ii) there is no other material matter in relation to the A Share Listing Attempt (including the A-share Listing Guidance) that needs to be brought to the attention of the Stock Exchange.

Major acquisition and disposal

Our Directors confirm that our Company had not conducted any major acquisition or major disposal during the Track Record Period and up to the Latest Practicable Date.

REORGANIZATION

In preparation for the [**REDACTED**], we underwent the Reorganization pursuant to which our Company became the holding company and [**REDACTED**] vehicle of our Group. The following chart sets forth a simplified shareholding structure of our Group immediately before the Reorganization:



Notes:

1. Aiwei Zhengyuan is a limited liability company established under the laws of the PRC which was owned as to 70% by Mr. Ren and 30% by Ms. Zhang since its establishment and immediately prior to the Reorganization for the sole purpose of holding equity interests in Shenzhen IVF.

2. Aiwei Zhongjiu is a limited liability company established under the laws of the PRC which was wholly owned by Mr. Ren since its establishment and immediately prior to the Reorganization.

3. Mr. Ren is one of our Controlling Shareholders, executive Director, chairman of our Board, chief executive officer and president and is Ms. Zhang's spouse.

4. Ms. Zhang is one of our Controlling Shareholders and non-executive Director and is Mr. Ren's spouse.

5. Each of Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu is a limited partnership established under the laws of the PRC, which was wholly owned by Mr. Ren prior to the Reorganization. Immediately prior to the Reorganization, each of Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu was owned as to 99% by Aiwei Zhongjiu as its general partner and 1% by Mr. Ren as its limited partner.

6. Each of Nanshan Hongtu, Futian Hongtu and Shenzhen Capital is our Pre-[**REDACTED**] Investor. For the detailed background information of each of the Pre-[**REDACTED**] Investors, see "— Pre-[**REDACTED**] Investments — Information Relating to Our Pre-[**REDACTED**] Investors" in this section.

7. IVFMG International was incorporated in Hong Kong on September 24, 2021 and has not carried out business since its incorporation.

8. Ovovo Group was incorporated in the State of Delaware, the U.S., on October 13, 2021 and has not carried out business since its incorporation.

Onshore Reorganization

Conversion of Shenzhen IVF to a company with limited liabilities

On August 11, 2023, Shenzhen IVF was converted from a joint-stock company into a company with limited liabilities and was renamed as Shenzhen IVF Hospital Management Group Limited (深圳愛維艾夫醫院管理集團有限公司). Upon completion of the conversion, Shenzhen IVF was owned as to approximately 52.58%, 28.87%, 8.25%, 2.90%, 2.06%, 2.06%, 1.20%, 1.05% and 1.03% by Aiwei Zhengyuan, Mr. Ren, Aiwei Zhongyuan, Nanshan Hongtu, Aiwei Feiqing, Aiwei Sancai, Shenzhen Capital, Futian Hongtu and Aiwei Zhenglu, respectively.

Streamlining the shareholding of Shenzhen IVF

To streamline our corporate structure, Mr. Ren transferred (i) RMB16,240,000 of the registered capital of Shenzhen IVF (representing approximately 28.87% of the entire equity interest in Shenzhen IVF at the time of the transfer) at a consideration of RMB28,965,517.15 to Ms. Zhang which was determined with reference to the original cost of investment incurred by Mr. Ren in respect of the registered capital of Shenzhen IVF being transferred; (ii) 70% equity interest in Aiwei Zhengyuan (a then shareholder of Shenzhen IVF which was owned as to 70% by Mr. Ren and 30% by Ms. Zhang prior to such transfer) to Ms. Zhang and Ms. Ren Hongqiao (任泓僑), the daughter of Mr. Ren and Ms. Zhang, on a ratio of 69:1 and at a consideration of approximately RMB36.40 million and RMB527,586.20, respectively. The considerations were determined with reference to the original cost of investment incurred by Mr. Ren in respect of the registered capital of Shenzhen IVF being indirectly transferred; (iii) 100% equity interest in Aiwei Zhongjiu (which held 99% general partnership interests in each of Aiwei Zhongyuan, Aiwei Feiqing, Aiwei Sancai and Aiwei Zhenglu) to Ms. Zhang at a consideration of RMB13,365,517.76 which was determined with reference to the original cost of investment incurred by Mr. Ren; and (iv) 1% of limited partnership interest in each of Aiwei Zhongyuan, Aiwei Feiqing, Aiwei Sancai and Aiwei Zhenglu to Ms. Zhang, at an aggregate consideration of RMB837,066.78 which was determined with reference to the net asset value of Shenzhen IVF as at July 31, 2023, i.e. approximately RMB624.68 million, taking into account that the transactions were conducted for the purpose of internal shareholding restructuring.

Upon completion of such shareholding restructuring on August 17, 2023, Shenzhen IVF became owned as to approximately 52.58%, 28.87%, 8.25%, 2.90%, 2.06%, 2.06%, 1.20%, 1.05% and 1.03% by Aiwei Zhengyuan, Ms. Zhang, Aiwei Zhongyuan, Nanshan Hongtu, Aiwei Feiqing, Aiwei Sancai, Shenzhen Capital, Futian Hongtu and Aiwei Zhenglu, respectively. Each of Aiwei Zhongyuan, Aiwei Feiqing, Aiwei Sancai and Aiwei Zhenglu was owned as to 99% by Aiwei Zhongjiu (wholly owned by Ms. Zhang) as a general partner and 1% by Ms. Zhang as a limited partner upon completion of the shareholding restructuring.

Reduction of capital in Shenzhen IVF by Shenzhen Capital Group

For the purpose of exchanging Shenzhen Capital Group's equity interests in Shenzhen IVF into equity interest in the Company, a capital reduction agreement was entered into among Shenzhen Capital Group and Shenzhen IVF (the "**Capital Reduction Agreement**") on August 17, 2023, pursuant to which, among others:

(a) the entire registered capital in Shenzhen IVF held by Shenzhen Capital Group in the amount of RMB2,900,000 (representing approximately 5.15% of the registered capital of Shenzhen IVF immediately before the capital reduction) shall be reduced to nil, at a consideration of RMB147,368,421 (the "**Consideration for Capital Reduction**"), which is equivalent to the original investment amount contributed by Shenzhen Capital Group into Shenzhen IVF in 2019, to be paid by Shenzhen IVF to Shenzhen Capital Group; and

(b) Shenzhen Capital Group shall pay the entire Consideration for Capital Reduction to the Company as consideration for the subscription of new Shares. For details, see "— Subscription for Shares by Shenzhen Capital Group" in this section"

Upon completion of the capital reduction on October 30, 2023, Shenzhen Capital Group ceased to hold any equity interest in Shenzhen IVF.

Establishment of Aisheng Enterprise

On October 11, 2023, Aisheng Enterprise was established under the laws of the PRC as a wholly foreign owned enterprise with a registered capital of RMB64,000,000, which was later increased to RMB147,368,421 on December 11, 2023. Aisheng Enterprise has been wholly owned by IVFMG International, a wholly-owned subsidiary of the Company, since its establishment.

Capital increase of Shenzhen IVF by Aisheng Enterprise

In November 2023, the registered capital of Shenzhen IVF was further increased from RMB53,360,000 to RMB177,866,667, with the registered capital of RMB124,506,667 subscribed by Aisheng Enterprise at a consideration of RMB147,368,421. Upon completion of such capital increase, Shenzhen IVF was owned as to approximately 70.00%, 16.63%, 9.13%, 2.61%, 0.65%, 0.65% and 0.33% by Aisheng Enterprise, Aiwei Zhengyuan, Ms. Zhang, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu, respectively.

Offshore Reorganization

Incorporation of offshore holding companies of Mr. Ren

On August 31, 2023, each of LBRS Holdings and Jiuhe BVI was incorporated as a limited liability company in the BVI as the offshore holding companies of Mr. Ren.

On September 15, 2023, Suda BVI was incorporated as a limited liability company in the BVI legally owned by Mr. Ren who is the administrator of the RSU Scheme for holding the underlying Shares under the RSU Scheme. For further information, see "— D. RSU Scheme" in Appendix VI to this document.

Incorporation of our Company and issue of Shares to offshore holding companies of Mr. Ren

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on September 8, 2023. As of the date of its incorporation, the authorized share capital of our Company was HK$390,000 divided into 3,900,000,000 ordinary shares with a par value of HK$0.0001 each.

On the date of our Company's incorporation, one Share was allotted and issued at par to the initial subscriber, an Independent Third Party, which was then transferred at par to Jiuhe BVI. On September 15, 2023, our Company allotted and issued 666,902 Shares to Jiuhe BVI at par, 240,000 Shares to LBRS Holdings at par and 11,226 Shares to Suda BVI at par, respectively. Upon completion of the share allotment and issuance, our Company was owned as to approximately 72.64%, 26.14% and 1.22% by Jiuhe BVI, LBRS Holdings and Suda BVI, respectively.

Transfer of IVFMG International and Ovovo Group to our Company

On September 28, 2023, our Company acquired the interests held by Shenzhen IVF in IVFMG International, representing the entire issued shares of IVFMG International.

Entering into Contractual Arrangements

For the purpose of operating our current business in the PRC through Shenzhen IVF and its subsidiaries, Aisheng Enterprise entered into the Contractual Arrangements with Shenzhen IVF, Ms. Zhang, Aiwei Zhengyuan, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu on November 16, 2023. For details, see "Contractual Arrangements."

PRE-[REDACTED] INVESTMENTS

Pursuant to a capital increase agreement in respect of Shenzhen IVF dated December 10, 2019 (as amended by supplemental agreements dated December 10, 2019, December 18, 2021 and December 18, 2021, respectively), Shenzhen Capital Group, subscribed for RMB5,172,413.81 of the registered capital of Shenzhen IVF at a total consideration of RMB147,368,421.

For the purpose of exchanging Shenzhen Capital Group's equity interests in Shenzhen IVF into equity interest in the Company, a capital reduction was conducted in August 2023. For details, see "— Onshore Reorganization — Reduction of capital in Shenzhen IVF by Shenzhen Capital Group" above.

Subscription for Shares by Shenzhen Capital Group

Shenzhen Capital Group and the Company entered into the offshore share subscription agreement on September 17, 2023, pursuant to which our Company has allotted and Shenzhen Capital Group has subscribed for a total of 81,871 Shares on November 3, 2023, representing approximately 8.19% of the total issued Shares after the share allotment and issuance, at a total consideration of RMB147,368,421 which was identical to the Consideration for Capital Reduction and fully settled in cash by November 27, 2023. The percentage of interest in the Company was negotiated and agreed among Shenzhen Capital Group and our Company based on the expected valuation of our Group. Upon completion of the allotment and issuance, our Company was owned as to approximately 66.69%, 24.00%, 8.19% and 1.12% by Jiuhe BVI, LBRS Holdings, Shenzhen Capital Group and Suda BVI, respectively.

To mirror the special rights which Shenzhen Capital Group was entitled to in respect of its equity interests in Shenzhen IVF immediately before it ceased to be shareholder of Shenzhen IVF in August 2023, on November 3, 2023, Shenzhen Capital Group and our Company entered into the offshore shareholders' agreement ("**Shareholders' Agreement**"), pursuant to which Shenzhen Capital Group was granted certain special rights at the level of our Company, including, among others, (i) the right to elect Director; (ii) the right to receive financial statements and other information about our Company; (iii) pre-emptive right; (iv) right of first refusal and co-sale in certain circumstances; (v) tag-along right; (vi) veto right; (vii) liquidation compensation; (viii) redemption right; (ix) anti-dilution right; and (x) most favorable right. Pursuant to the Shareholders' Agreement, all special rights granted to Shenzhen Capital Group were automatically terminated upon the first submission of the [**REDACTED**] by our Company to the Stock Exchange for the purpose of the [**REDACTED**].

Further details of the Pre-[**REDACTED**] Investments are set out below:

Date of agreement of investments:	December 10, 2019 (as amended by supplemental agreements dated December 10, 2019, December 18, 2021 and December 18, 2021, respectively) and September 17, 2023
Name of Pre-[**REDACTED**] Investors:	Shenzhen Capital Group, namely Nanshan Hongtu, Futian Hongtu and Shenzhen Capital
Amount of consideration paid for investments and basis of consideration[(1)]: . .	RMB147,368,421

Date of full settlement of consideration for investments:	November 22, 2023 November 24, 2023 November 27, 2023
Approximate shareholding in our Company immediately after the completion of the Reorganization:	8.19%
Approximate shareholding in our Company immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):	[**REDACTED**]
Cost per Share paid under the Pre-[**REDACTED**] Investments(3):	[**REDACTED**]
Discount to the mid-point of the indicative [**REDACTED**] range(3):	[**REDACTED**]
[**REDACTED**]	The [**REDACTED**] were intended to be utilised towards our general working capital. As of the Latest Practicable Date, none of the [**REDACTED**] from the Pre-[**REDACTED**] Investments was utilised.
Lock-up:	Shenzhen Capital Group is not subject to any lock-up arrangement pursuant to the relevant investment agreements and the Shareholders' Agreement. The Company will further negotiate with Shenzhen Capital Group in relation thereto prior to the [**REDACTED**].
Strategic benefits of the Pre-[**REDACTED**] Investments:	Our Directors believe that the Pre-[**REDACTED**] Investments are demonstration of confidence of the Pre-[**REDACTED**] Investors in our operation, which serve as an endorsement of our performance and prospects. Also, the Pre-[**REDACTED**] Investments provided additional working capital for our Company, as well as knowledge and expertise of the Pre-[**REDACTED**] Investors.

Notes:

(1) The consideration was determined after arm's length negotiation between the relevant parties having considered, among others, the historical financial performance and business prospects of Shenzhen IVF.

(2) The approximate cost per Share is calculated based on the amount of consideration paid by Shenzhen Capital Group divided by the number of Shares to be held by it upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(3) The discount to the [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**].

Special Rights of the Pre-[REDACTED] Investors

In connection with the Pre-[**REDACTED**] Investments, Shenzhen Capital Group was entitled to certain special rights in respect of its equity interests in Shenzhen IVF pursuant to the Original Investment Agreements, which were terminated upon completion of the capital reduction on October 30, 2023. To mirror such special rights, pursuant to the Shareholders' Agreement, Shenzhen Capital Group was entitled to, among others, (i) the right to elect Directors; (ii) the right to receive financial statements and other information about our Company; (iii) pre-emptive right, (iv) right of first refusal and co-sale in certain circumstances; (v) tag-along right; (vi) veto right; (vii) liquidation compensation; (viii) redemption right; (ix) anti-dilution right; and (x) most favorable right. Pursuant to the Shareholders' Agreement, all special rights granted to Shenzhen Capital Group were automatically terminated upon the first submission of the [**REDACTED**] by our Company to the Stock Exchange for the purpose of the [**REDACTED**].

Information Relating to Our Pre-[REDACTED] Investors

Shenzhen Capital is a limited liability company established in the PRC and is owned as to (i) approximately 28.20% by State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal (深圳市人民政府國有資產監督管理委員會), a government agency and its largest shareholder, and (ii) approximately 71.80% by the remaining shareholders and none of them held one third or more of equity interests in Shenzhen Capital. To the best knowledge of our Directors, shareholders of Shenzhen Capital are all Independent Third Parties. Shenzhen Capital is principally engaged in investment in small and medium-sized enterprises and high-tech.

Futian Hongtu is a limited partnership established in the PRC and is controlled and managed by its general partner, Shenzhen Futian Hongtu Equity Investment Fund Management Co., Ltd.* (深圳市福田紅土股權投資基金管理有限公司) ("**Futian Hongtu Fund Management**"). Futian Hongtu is owned as to 2% by Futian Hongtu Fund Management (indirectly wholly owned by Shenzhen Capital), 40% by Shenzhen Capital and 58% by three other limited partners, none of which contributed one third or more of the capital of Futian Hongtu. To the best knowledge of our Directors, all the general partners and limited partners of Futian Hongtu are all Independent Third Parties. Futian Hongtu is principally engaged in equity investment and fund management.

Nashan Hongtu is a limited partnership established in the PRC and is controlled and managed by its general partner, Shenzhen Nanshan Hongtu Equity Investment Fund Management Co., Ltd.* (深圳市南山紅土股權投資基金管理有限公司) ("**Nanshan Hongtu Fund Management**"). Nanshan Hongtu is owned as to 1% by Nanshan Hongtu Fund Management, 40% by Shenzhen Hongtu Venture Capital Co., Ltd. (深圳市紅土創業投資有限公司) which in turn is wholly owned by Shenzhen Capital, 35% by Shenzhen Government Guiding Fund-of-funds Co., Ltd. (深圳市引導基金投資有限公司) which in turn is wholly owned by Shenzhen Municipal Finance Bureau (深圳市財政局) and 24% by four other limited partners, none of which contributed one third or more of the capital of Nanshan Hongtu. To the best knowledge of our Directors, all the general partners and limited partners of Nashan Hongtu are all Independent Third Parties. Nanshan Hongtu is principally engaged in equity investment and fund management.

Public Float

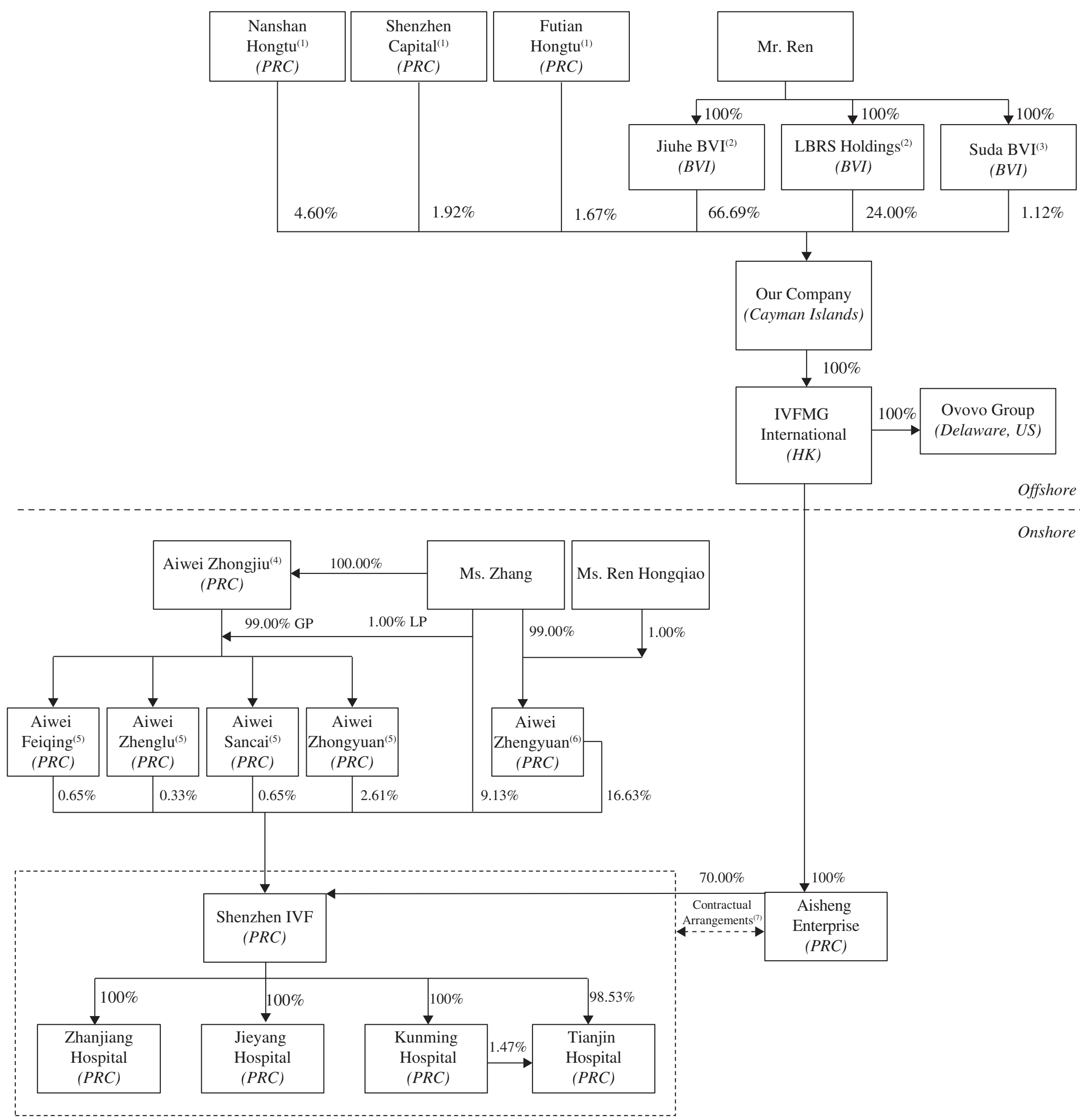
Immediately after the completion of the [**REDACTED**] and the [**REDACTED**] and assuming the [**REDACTED**] or any options which may be granted under the Post-[**REDACTED**] Share Scheme is not exercised, an aggregate of approximately [**REDACTED**]% of the issued Shares (comprising approximately [**REDACTED**]% of the issued Shares held by existing Shareholders (including Shenzhen Capital Group) and approximately [**REDACTED**]% of the issued Shares held by public Shareholders who will subscribe for our Shares in the [**REDACTED**]) will be counted towards the public float upon [**REDACTED**].

Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the [**REDACTED**], being the first day of [**REDACTED**] of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the Pre-[**REDACTED**] Investments, and (ii) all special rights granted to the Pre-[**REDACTED**] Investors were automatically terminated upon the first submission of the [**REDACTED**] by our Company to the Stock Exchange for the purpose of the [**REDACTED**], the Sole Sponsor has confirmed that the Pre-[**REDACTED**] Investments are in compliance with the Interim Guidance (HKEx-GL29-12) on pre-[**REDACTED**] investments issued by the Stock Exchange in January 2012 and as updated in March 2017, and the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE REORGANIZATION

The following chart sets forth the corporate structure of our Group immediately after the completion of the Reorganization, but before the completion of the [**REDACTED**]:



Notes:

1. Each of Nashan Hongtu, Futian Hongtu and Shenzhen Capital is our Pre-[**REDACTED**] Investor. For the detailed background information of each of the Pre-[**REDACTED**] Investors, see "— Pre-[**REDACTED**] Investments — Information Relating to Our Pre-[**REDACTED**] Investors" in this section.

2. Each of Jiuhe BVI and LBRS Holdings is a Controlling Shareholder, which is wholly owned by Mr. Ren as his offshore holding company.

3. Suda BVI is a shareholding platform established for the purpose of holding shares for RSU participants under an RSU Scheme adopted by the Company on October 30, 2023 and is managed by Mr. Ren. For details, see "— D. RSU Scheme" in Appendix VI to this document.

4. Aiwei Zhongjiu is wholly owned by Ms. Zhang upon completion of the Reorganization.

5. Each of Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu is owned as to 99% by Aiwei Zhongjiu as its general partner and 1% by Ms. Zhang as its sole limited partner.

6. Aiwei Zhengyuan is owned as to 99% by Ms. Zhang and 1% by Ms. Ren Hongqiao upon completion of the Reorganization. Ms. Ren Hongqiao is the daughter of Mr. Ren and Ms. Zhang.

7. Aisheng Enterprise has entered into the Contractual Arrangements with Shenzhen IVF, Ms. Zhang, Aiwei Zhengyuan, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu. For details, see "Contractual Arrangements."

RSU SCHEME AND POST-[REDACTED] SHARE SCHEME

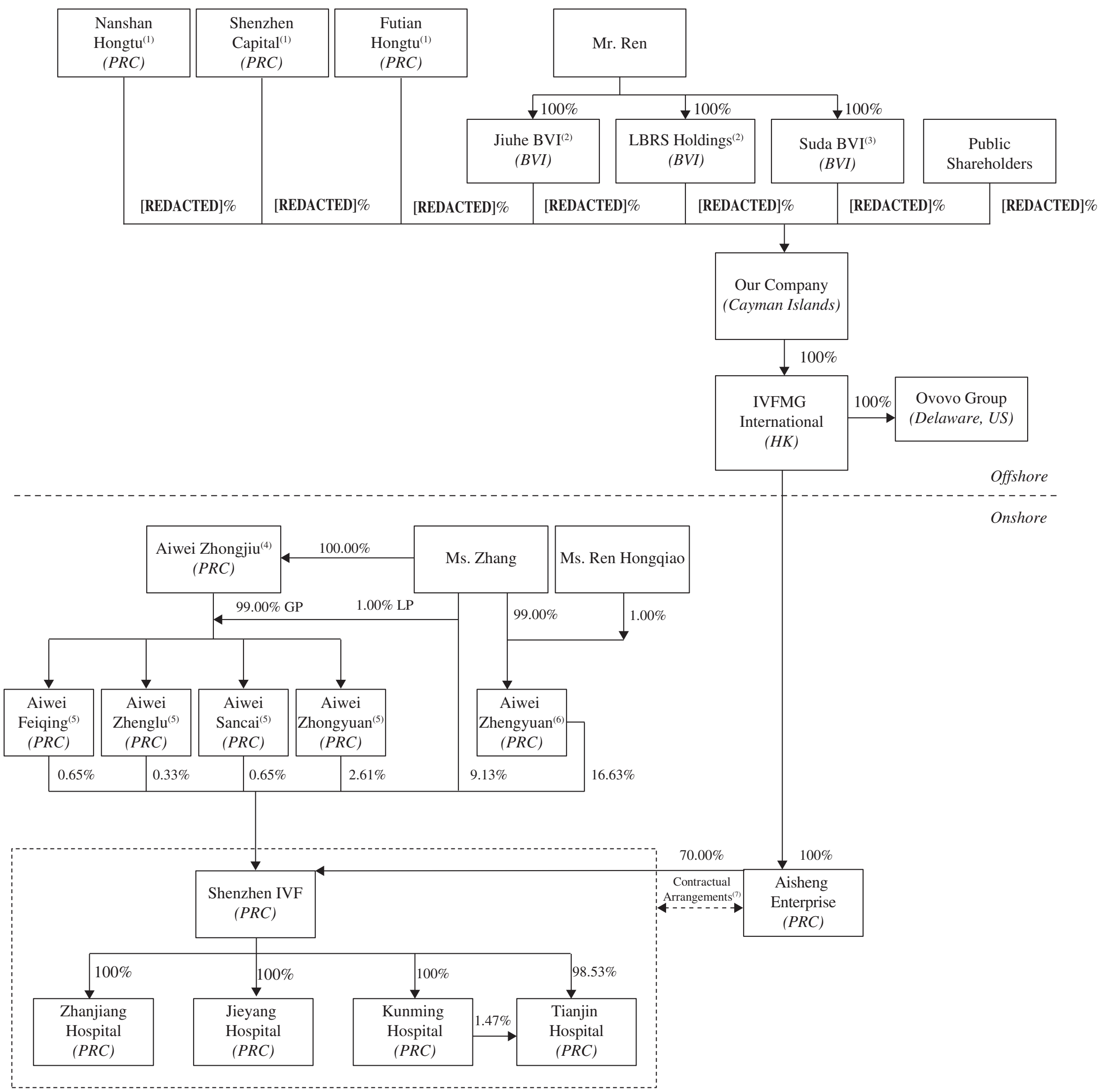
We have adopted the RSU Scheme and conditionally adopted the Post-[**REDACTED**] Share Scheme, the principle terms of which are summarized in the subsection headed "— D. RSU Scheme" and "— E. Post-[**REDACTED**] Share Scheme", respectively, in Appendix VI to this document.

[REDACTED]

Pursuant to the written resolution of our Shareholders passed on [●], conditional on the share premium account of our Company being credited as a result of the [**REDACTED**], our Directors are authorized to [**REDACTED**] an amount of HK$[**REDACTED**] standing to the credit of the share premium account of our Company by applying such sum of towards the paying up in full at par a total of [**REDACTED**] Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company on the date of passing such resolutions in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholding in our Company.

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE [REDACTED] AND THE [REDACTED]

The following chart sets forth the corporate structure of our Group immediately after the completion of the [**REDACTED**] and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Notes:

Please see notes (1) to (7) to the chart in "— Corporate Structure Immediately After the Completion of the Reorganization" above.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors have confirmed that all the equity transfers and increases in registered capital in respect of the PRC companies in our Group as described above had been properly and legally completed and we have obtained all necessary government approvals and permits for the above and the implementation of the Reorganization.

M&A Rules

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

Given that Aisheng Enterprise was a foreign investment enterprise which was indirectly wholly owned by Mr. Ren, a non-domestic person, when Aisheng Enterprise made a capital injection into and acquired equity interests in Shenzhen IVF, therefore the [**REDACTED**] does not require approval from the Ministry of Commerce and the CSRC. However, there remain uncertainties in respect of the interpretation or implementation of the Provisions on M&A and whether the CSRC or other relevant government authorities will reach the same conclusion with our PRC Legal Advisors.

SAFE Registration

Pursuant to the Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Foreign Exchange Administration on Domestic Residents' Overseas Investment, Financing and Round-Trip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**") promulgated and implemented by SAFE on July 4, 2014, a special purpose vehicle refers to an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institutions and domestic individual residents) for the purpose of investment and financing by utilizing the domestic corporate assets or interests or overseas assets or interests he/she/it legally holds. A domestic resident shall apply to the SAFE for foreign exchange registration of overseas investments before investing the domestic or overseas legal assets or interests into a special purpose vehicle. Where a domestic resident invest legally owned domestic assets or interests into a special purpose vehicle, he/she/it shall apply for registration to the local SAFE branch at the place of incorporation or where the domestic corporate assets or interests are located. Where a domestic resident invest legally owned overseas assets or interests into a special purpose vehicle, he/she/it shall apply for registration to the local SAFE branch at the place of incorporation or household registration.

SAFE Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks under SAFE Circular 37.

As advised by our PRC Legal Advisors, none of the existing Shareholders is required to complete the registration under SAFE Circular 37 and SAFE Circular 13.

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We primarily engage in the provision of ART and ancillary services to patients with infertility in China. According to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "**Negative List**") and the Interim Measures on the Administration of Sino-foreign Invested and Sino-foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法) (the "**Interim Measures**") medical institutions fall within the "restricted" investment category, and therefore may not be held 100.00% by foreign investors, foreign investments are restricted to the form of sino-foreign equity joint venture or cooperative joint venture, and are not allowed to hold more than 70% of the equity interest in a sino-foreign joint venture medical institution. Furthermore, as advised by our PRC Legal Advisors, Shenzhen Municipal Bureau of Commerce and Shenzhen Municipal Health Commission, which are the competent authorities, are of the view that our Company, as a foreign entity, shall not directly or indirectly hold more than 70.00% equity interest in each of our hospitals in the PRC (the "**Foreign Ownership Restriction**"). For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, please see the section headed "Regulatory Overview."

In light of the Foreign Ownership Restriction, and in order to comply with PRC laws and regulations and maintain full control over all of our operations, we entered into the Contractual Arrangements on November 16, 2023. Through our shareholdings and the Contractual Arrangements, Aisheng Enterprise has acquired full control over the financial and operational policies of Shenzhen IVF, and has become entitled to all the economic benefits from its operations.

As such, the Company, through Aisheng Enterprise (our wholly-owned subsidiary), currently holds 70% equity interest in Shenzhen IVF, the holding company of the VIE Hospitals. The Relevant Registered Shareholders, namely Ms. Zhang, Aiwei Zhengyuan, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu hold 30% equity interest in Shenzhen IVF.

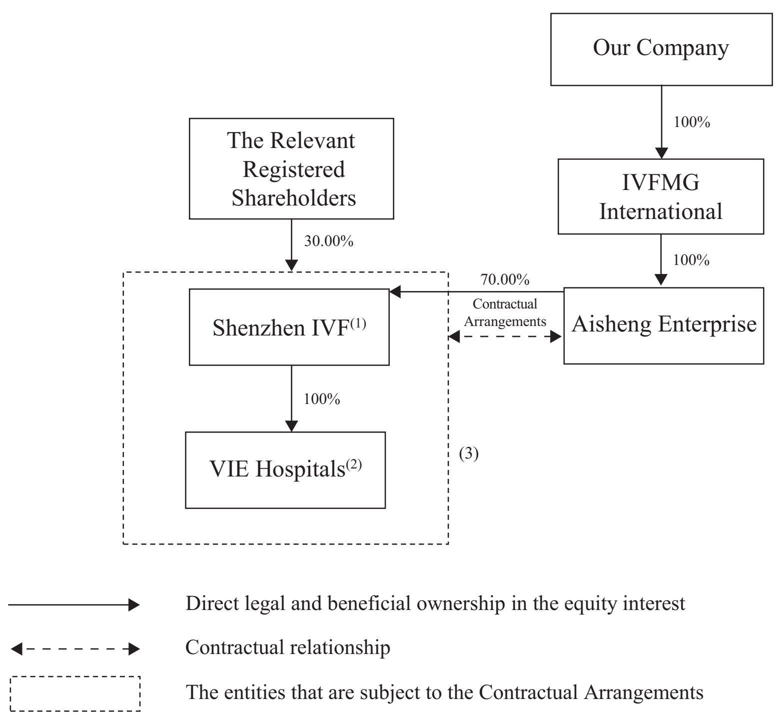
We believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct businesses in industries that are subject to Foreign Ownership Restriction in the PRC. Our Directors believe that the Contractual Arrangement are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into by and among Aisheng Enterprise, the Relevant Registered Shareholders and Shenzhen IVF; (ii) by entering into the Exclusive Operation Services Agreement (as defined below) with Aisheng Enterprise, Shenzhen IVF and the VIE Hospitals will enjoy better economic and technical support from us, as well as a better market reputation after the [**REDACTED**]; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

Circumstances in which we will unwind the Contractual Arrangements

If and when MOFCOM and/or other relevant governmental authorities promulgate any measures for the administration of foreign-invested enterprises engaging in provision of ART and ancillary treatment services or such entities invested by foreign investors, depending on the maximum percentage of equity interest permitted to be held by foreign investors (if any), we will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in the VIE Hospitals up to the maximum percentage prescribed by such measures; and if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors and our Company would be allowed to directly hold the 100% equity interests in our VIE Hospitals, we will fully unwind the Contractual Arrangements and directly hold the 100% equity interests in our VIE Hospitals.

OUR CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from Shenzhen IVF and our VIE Hospitals to our Group under the Contractual Arrangements:



Notes:

(1) Shenzhen IVF is owned as to approximately 70.00%, 16.63%, 9.13%, 2.61%, 0.65%, 0.65% and 0.33% by Aisheng Enterprise, Aiwei Zhengyuan, Ms. Zhang, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu, respectively. Aiwei Zhengyuan is in currently owned as to 99% by Ms. Zhang and 1% by Ms. Ren Hongqiao (任泓僑), the daughter of Mr. Ren and Ms. Zhang. Each of Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu is currently owned as to 99% by Aiwei Zhongjiu (wholly owned by Ms. Zhang) as a general partner and 1% by Ms. Zhang as a limited partner.

(2) The VIE Hospitals include Zhanjiang Hospital, Jieyang Hospital, Kunming Hospital and Tianjin Hospital.

(3) The Exclusive Operation Services Agreement, Exclusive Option Agreement, Shareholders' Right Entrustment Agreement and Powers of Attorney, Equity Pledge Agreement and Spouse Undertakings together form the legal relationship under the Contractual Arrangements.

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(1) Exclusive Operation Services Agreement

On November 16, 2023, Aisheng Enterprise, the Relevant Registered Shareholders and Shenzhen IVF entered into an exclusive operation services agreement (the "**Exclusive Operation Services Agreement**"), pursuant to which Shenzhen IVF and the Relevant Registered Shareholders agreed to engage Aisheng Enterprise as an exclusive service provider to provide technical support, consulting services and other services to Shenzhen IVF and the VIE Hospitals in exchange for a service fee payable to Aisheng Enterprise.

Under the Exclusive Operation Services Agreement, the services to be provided include but are not limited to (i) strategic investment and project investment; (ii) management of human resources and operational technology competency; (iii) collection of business information and market survey; (iv) publicity and customer relations; (v) monitoring of technology operation and research on market strategy; (vi) internal management; (vii) medical technology related consultation, medical resources sharing and medical professionals training; (viii) supplier and inventory management; (ix) medical service quality control; and (x) other services relating to technic, operation and maintenance, equipment and facilities provision, management consulting. During the term of the Exclusive Operation Service Agreement, Aisheng Enterprise may use the intellectual property rights owned by Shenzhen IVF and the VIE Hospitals free of charge and without any conditions. Shenzhen IVF and the VIE Hospitals may also use the intellectual property work created by Aisheng Enterprise from the services performed by Aisheng Enterprise in accordance with the Exclusive Operation Service Agreement.

Under the Exclusive Operation Services Agreement, the service fee shall be an amount equal to the annual distributable profits of Shenzhen IVF attributable to the Relevant Registered Shareholders, after deducting the losses from the previous financial years (if any) and the statutory contributions (if applicable) subject to the applicable PRC laws and regulations. Apart from the service fees, Shenzhen IVF and the VIE Hospitals shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Aisheng Enterprise in connection with the performance of the Exclusive Operation Services Agreement and provision of services thereunder.

In addition, without the prior written consent of Aisheng Enterprise, during the term of the Exclusive Operation Services Agreement, Shenzhen IVF and the VIE Hospitals shall not directly or indirectly accept the same or any similar services provided by any third party by entering into any written agreements or oral stipulations with any third party and shall not establish the same or similar corporation relationships with any third party.

The Exclusive Operation Services Agreement became effective from signing, and shall remain valid for three years. Subject to compliance with the Listing Rules, the Exclusive Operation Services Agreement shall be automatically renewed for a term of three years upon its expiration, unless terminated in accordance with the terms therein.

The Exclusive Operation Services Agreement can only be terminated in the following events: (i) pursuant to applicable PRC laws and regulations, all of the Relevant Registered Shareholders' equity interests in Shenzhen IVF or all of the assets of Shenzhen IVF and the VIE Hospitals have been transferred to Aisheng Enterprise or its designated person(s); (ii) Aisheng Enterprise unilaterally terminates the Exclusive Operation Services Agreement; and (iii) continued performance of the Exclusive Operation Services Agreement will result in violation of or non- compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

(2) Exclusive Option Agreement

On November 16, 2023, Aisheng Enterprise, the Relevant Registered Shareholders and Shenzhen IVF entered into an exclusive option agreement (the "**Exclusive Option Agreement**").

Pursuant to the Exclusive Option Agreement, (i) each of the Relevant Registered Shareholders irrevocably and unconditionally grants an exclusive option to Aisheng Enterprise which entitles Aisheng Enterprise to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of its 30% equity interest in Shenzhen IVF itself or through its designated person(s); (ii) each of the Relevant Registered Shareholders irrevocably and unconditionally grants an exclusive option to Aisheng Enterprise which entitles Aisheng Enterprise to elect to purchase at any time, when permitted by the then applicable PRC laws, 30% of all or part of the assets of Shenzhen IVF and the VIE Hospitals attributable to the Relevant Registered Shareholders from Shenzhen IVF and the VIE Hospitals itself or through its designated person(s). The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC laws. The Relevant Registered Shareholders undertake that they will, subject to applicable PRC laws, return in full any amount of the transfer price received to Aisheng Enterprise or its designated person(s).

The Relevant Registered Shareholders undertake to develop the business of Shenzhen IVF and not to take any action which may affect its asset value, goodwill and effectiveness of business licenses. Without the prior written consent of Aisheng Enterprise, the Relevant Registered Shareholders shall not directly or indirectly (by itself or through the entrustment of any other natural person or legal entity) carry out, own or acquire any business that competes or is likely to compete with the business of Shenzhen IVF.

The Relevant Registered Shareholders and Shenzhen IVF undertake that, upon Aisheng Enterprise issuing the notice to exercise the option in accordance with the Exclusive Option Agreement, they will take necessary actions to affect the transfer and relinquish the pre-emptive right (if any). The Relevant Registered Shareholders and Shenzhen IVF further undertake that (i) in the event of a dissolution or liquidation of Shenzhen IVF and the VIE Hospitals under the PRC laws, all the residual assets attributable to the Relevant Registered

Shareholders shall be transferred to Aisheng Enterprise or its designated person(s) at the minimum purchase price permitted under PRC laws, and the Relevant Registered Shareholders and Shenzhen IVF undertake that they will, subject to applicable PRC laws, return in full any amount of the transfer price received to Aisheng Enterprise or its designated person(s), (ii) in the event of bankruptcy, reorganization, merger, demerger, change of shareholders, death, incapacity of the Relevant Registered Shareholders or any other event which affects the Relevant Registered Shareholders' shareholding in Shenzhen IVF, the successor of the Relevant Registered Shareholders' equity interest in Shenzhen IVF shall be bound by the Contractual Arrangements, and (iii) any disposal of the Relevant Registered Shareholders' shareholding in Shenzhen IVF shall be governed by the Contractual Arrangements unless otherwise with the prior written consent of Aisheng Enterprise.

The Exclusive Option Agreement became effective from signing and has an indefinite term unless terminated in the following events: (i) pursuant to applicable PRC laws and regulations, all of the Relevant Registered Shareholders' equity interests in Shenzhen IVF or all of the assets of Shenzhen IVF and the VIE Hospitals have been transferred to Aisheng Enterprise or its designated person(s); (ii) Aisheng Enterprise unilaterally terminates the Exclusive Option Agreement; and (iii) continued performance of the Exclusive Option Agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

(3) Shareholders' Right Entrustment Agreement and Powers of Attorney

On November 16, 2023, Aisheng Enterprise, the Relevant Registered Shareholders and Shenzhen IVF entered into a shareholders' rights entrustment agreement (the "**Shareholders' Right Entrustment Agreement**") and the powers of attorney (the "**Powers of Attorney**").

Pursuant to the Shareholders' Right Entrustment Agreement and the Powers of Attorney, the Relevant Registered Shareholders irrevocably authorizes Aisheng Enterprise or its designated person(s) to exercise all of their rights and powers as shareholders of Shenzhen IVF with 30% equity interest, including but not limited to, the rights to vote in a shareholders' meeting, sign meeting minutes, and arrange all the filings required for the operations of Shenzhen IVF with the relevant companies registry or other authorities. As Aisheng Enterprise is an indirect wholly-owned subsidiary of our Company, the terms of the Shareholders' Right Entrustment Agreement and the Powers of Attorney give our Company full control over all corporate decisions made by Aisheng Enterprise and exercise management control over Shenzhen IVF.

The Shareholders' Right Entrustment Agreement and Powers of Attorney became effective from signing and have an indefinite term unless terminated in the following events: (i) pursuant to applicable PRC laws and regulations, all of the Relevant Registered Shareholders' equity interests in Shenzhen IVF or all of the assets of Shenzhen IVF and the VIE Hospitals have been transferred to Aisheng Enterprise or its designated person(s); (ii) Aisheng Enterprise unilaterally terminates the Shareholders' Right Entrustment Agreement; and (iii) continued performance of the Shareholders' Right Entrustment Agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

(4) Equity Pledge Agreement

On November 16, 2023, Aisheng Enterprise, the Relevant Registered Shareholders and Shenzhen IVF entered into an equity pledge agreement (the "**Equity Pledge Agreement**"), pursuant to which the Relevant Registered Shareholders agree to pledge all of its equity interest in Shenzhen IVF, in favor of Aisheng Enterprise to secure performance of the contractual obligations and payment of outstanding debts under the Contractual Arrangements.

If Shenzhen IVF declares any dividend during the term of the equity pledge, Aisheng Enterprise is entitled to receive all dividends or other income arising from the equity interests pledged (if any). In the event of any breach of obligations by the Relevant Registered Shareholders and Shenzhen IVF, Aisheng Enterprise, upon issuing a written notice to the pledgors, will be entitled to all remedies available under PRC laws and the Contractual Arrangements, including but not limited to disposing of the equity interests pledged in its favor.

Pursuant to the Equity Pledge Agreement, the Relevant Registered Shareholders undertake to Aisheng Enterprise, among others, not to transfer their equity interests pledged and not to create or allow any pledge or encumbrance thereon that may affect the right and interest of Aisheng Enterprise without its prior written consent. Shenzhen IVF further undertakes to Aisheng Enterprise not to consent to any transfer the equity interests pledged or to create or allow any pledge or encumbrance thereon without Aisheng Enterprise's prior written consent.

The pledges in respect of Shenzhen IVF take effect upon the completion of registration with the relevant administration for industry and commerce and we have registered the equity pledges contemplated under the Equity Pledge Agreement with the relevant PRC legal authority pursuant to PRC laws and regulations.

The Equity Pledge Agreement became effective from signing and has an indefinite term unless terminated in the following events: (i) pursuant to applicable PRC laws and regulations, all of the Relevant Registered Shareholders' equity interests in Shenzhen IVF or all of the assets of Shenzhen IVF and the VIE Hospitals have been transferred to Aisheng Enterprise or its designated person(s); (ii) Aisheng Enterprise unilaterally terminates Equity Pledge Agreement; and (iii) continued performance of the Equity Pledge Agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

(5) Spousal Undertakings

Mr. Ren, the spouse of Ms. Zhang (one of the Relevant Registered Shareholders and the ultimate controlling shareholder of the other Relevant Registered Shareholders), has signed an undertaking (the "**Spousal Undertakings**") to the effect that Mr. Ren and Ms. Zhang should make their best efforts to negotiate in good faith and make appropriate arrangements for the division of the joint property in the event of divorce, which shall not have any adverse impact on the normal operation of Shenzhen IVF, other shareholders of Shenzhen IVF and the VIE hospitals.

Our PRC Legal Advisors are of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of Mr. Ren and Ms. Zhang; and (ii) the death or divorce of Mr. Ren and Ms. Zhang would not affect the validity of the Contractual Arrangements, and Aisheng Enterprise or our Company can still enforce their rights under the Contractual Arrangements against the Relevant Registered Shareholders and its successors.

Common terms of the Contractual Arrangements

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shenzhen Court of International Arbitration for arbitration, in accordance with the then effective arbitration rules.

The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of the Relevant Registered Shareholders, Shenzhen IVF and the VIE Hospitals or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of the Relevant Registered Shareholders (excluding Ms. Zhang), Shenzhen IVF and the VIE Hospitals; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Aisheng Enterprise or Shenzhen IVF or the VIE Hospitals are located for interim remedies or injunctive relief.

However, our PRC Legal Advisors have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of the Relevant Registered Shareholders, Shenzhen IVF and the VIE Hospitals pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that the Relevant Registered Shareholders and Shenzhen IVF breach any terms of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert (i) fully effective control over Shenzhen IVF and the VIE Hospitals and to conduct our business could be materially and adversely affected. See the section headed "Risk Factors — Risks Relating to Our Corporate Structure" for further details.

Succession

As advised by our PRC Legal Advisors, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of the Relevant Registered Shareholders as if such successors were a signing party to the Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In the case of a breach, Aisheng Enterprise can enforce its rights against the successors. Pursuant to the Contractual Arrangements, in the event of changes in the shareholding of Shenzhen IVF, any successor(s) of Shenzhen IVF shall assume any and all rights and obligations of Shenzhen IVF under the Contractual Arrangements as if such successor was a signing party to the relevant agreements.

Conflicts of Interests

The Relevant Registered Shareholders, Shenzhen IVF and VIE Hospitals undertake that, as long as the Contractual Arrangements remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Aisheng Enterprise or Aisheng Enterprise's direct or indirect shareholders. If there is any conflict of interest, Aisheng Enterprise shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. The Relevant Registered Shareholders, Shenzhen IVF and the VIE Hospitals will unconditionally follow the instructions of Aisheng Enterprise to take any action to eliminate such conflict of interest.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and Aisheng Enterprise is legally required to share the losses of, or provide financial support to Shenzhen IVF and the VIE Hospitals. Further, Shenzhen IVF and the VIE Hospitals are limited liability companies or limited partnership (where applicable) and shall be solely liable for its own debts and losses with assets and properties owned by them and the general partner in case of a limited partnership. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through Shenzhen IVF and the VIE Hospitals, which hold the requisite PRC operational licenses and approvals, and that financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if Shenzhen IVF and the VIE Hospitals suffer losses.

Liquidation

Pursuant to the Equity Interest Pledge Agreement, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Shenzhen IVF shall, upon the request of Aisheng Enterprise, give the proceeds they received from liquidation as a gift to Aisheng Enterprise or its designated person(s) to the extent permitted by PRC laws.

Accordingly, in the event of a winding-up of Shenzhen IVF, Aisheng Enterprise shall be entitled to the liquidation proceeds of Shenzhen IVF based on the Contractual Arrangements for the benefit of our Company's creditors and shareholders.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through Shenzhen IVF and the VIE Hospitals under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Pursuant to the requirements of the Negative List, except more preferential opening measures for qualified foreign service providers in accordance with the Mainland and Hong Kong Closer Economic Partnership Arrangement and subsequent supplements thereto, foreign investors' investment in medical institutions is limited to joint ventures. Furthermore, the Interim Measures further stipulates that the equity interest or interest of the Chinese side in Sino-foreign invested and Sino-foreign cooperative medical institutions shall not be less than 30%. However, none of the Negative List, the Interim Measures or current rules explicitly stipulates the equity interest or interest indirectly held by foreign investors in domestic medical institutions. As advised by our PRC Legal Advisors, Shenzhen Municipal Bureau of Commerce and Shenzhen Municipal Health Commission are the competent authorities for the administration of foreign investment of our Company, and are of the view that our Company, as a foreign entity, shall not hold more than 70% equity interest in any medical institution in Guangdong, Tianjin and Yunnan.

Our PRC Legal Advisors conducted an interview with officers of Shenzhen Municipal Bureau of Commerce and Shenzhen Municipal Health Commission in respect of the proposed Contractual Arrangements entitling the Company to control the other 30% equity interest in Shenzhen IVF, through which to control the other 30% equity interest in the VIE Hospitals. According to the officers interviewed, (i) no approval from the authority is required for the execution of the Contractual Arrangements; and (ii) the execution of the Contractual Arrangements does not fall into the current supervision concerning foreign investment activities. Shenzhen IVF, as the operating company, is based in Shenzhen which currently wholly owns the VIE Hospitals and Shenzhen Municipal Bureau of Commerce and Shenzhen Municipal Health Commission are responsible for matters related to foreign investment and medical institutions, respectively. Our PRC Legal Advisors are of the view that Shenzhen Municipal Bureau of Commerce and Shenzhen Municipal Health Commission are the competent authorities and the officer interviewed is competent to give such confirmation in respect of foreign investments.

Our PRC Legal Advisors, following completion of reasonable due diligence steps, are of the following legal opinion:

- each of the Relevant Registered Shareholders (excluding Ms. Zhang), Shenzhen IVF and the VIE Hospitals is duly established and validly existing under the PRC laws;

- each of the Relevant Registered Shareholders (excluding Ms. Zhang) and Shenzhen IVF has authority and authorizations to execute and perform the Contractual Arrangements, and Ms. Zhang has full civil and legal capacity to execute such agreements;

- each of the agreements under the Contractual Arrangements, taken individually and collectively, does not violate the mandatory provisions existing PRC laws and regulations and constitutes legal, valid and binding obligations of the parties thereto except that (a) the Shenzhen Court of International Arbitration has no power to grant injunctive relief, nor will it be able to order the winding-up of the Relevant Registered Shareholders (excluding Ms. Zhang), Shenzhen IVF and the VIE Hospitals pursuant to the current PRC laws; and (b) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC;

- The agreements under the Contractual Arrangements, as confirmed by the parties thereto, were entered into for the purpose of realizing the commercial purpose of the parties and to the extend possible to avoid conflict with the existing PRC laws and regulations and the Contractual Arrangements was the reflection of their true intention. As such, each of the agreements under the Contractual Arrangements do not, individually or collectively, violate the mandatory provisions of the Civil Code of the PRC (《中華人民共和國民法典》) and shall not be deemed as "civil juristic act performed by the actor and the counterparty based on false expression of intention" resulting in the invalidity of the agreements under the Contractual Arrangements;

- none of the agreements under the Contractual Arrangements violates any provisions of the existing articles of association of each of Relevant Registered Shareholders (excluding Ms. Zhang) and Shenzhen IVF; and

- according to the confirmation of relevant competent authorities, the execution and performance of the Contractual Arrangements do not require their approvals, except that the Equity Pledge Agreement is subject to registration requirements with the relevant administration for industry and commerce and the exercising of the exclusive options by Aisheng Enterprise according to the Exclusive Option Agreement shall be subject to the then effective PRC laws and regulations and relevant approving procedures (if applicable).

Based on the above advice of our PRC Legal Advisors, our Directors are of the view that the agreements under the Contractual Arrangement conferring significant control and economics benefit from Shenzhen IVF and the VIE Hospitals are enforceable under the PRC laws and regulations.

We have been advised by our PRC Legal Advisors, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to the above opinion of our PRC Legal Advisors. We have been further advised by our PRC Legal Advisors that if the PRC government finds that the Contractual Arrangements do not comply with PRC governmental restrictions on foreign investment in the restricted businesses, we could be subject to severe penalties, which could include:

(a) revoking the relevant operating licenses of Aisheng Enterprise, the Relevant Registered Shareholders (excluding Ms. Zhang) and Shenzhen IVF;

(b) restricting or prohibiting the Contractual Arrangements among Aisheng Enterprise, the Relevant Registered Shareholders and Shenzhen IVF;

(c) imposing fines or other requirements with which our Company, Aisheng Enterprise and Shenzhen IVF may find difficult or impossible to comply; and

(d) requiring us, Aisheng Enterprise, the Relevant Registered Shareholders and Shenzhen IVF to restructure the relevant ownership structure or operations.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. See the section headed "Risk Factors — Risks Relating to Our Corporate Structure" for further details.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed "Connected Transactions — Non-exempt Continuing Connected Transactions."

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the FIL

On December 23, 2018, the 7th meeting of the 13th Standing Committee of the National People's Congress reviewed the Draft Foreign Investment Law, which was promulgated by the National People's Congress on its official website on December 26, 2018 for public consultation until February 24, 2019, and further submitted the second draft of the 2018 draft foreign investment law to the National People's Congress (the "**NPC**") for deliberation on January 29, 2019. On March 15, 2019, the NPC adopted the PRC Foreign Investment Law

(《中華人民共和國外商投資法》) (the "**FIL**") at the closing meeting of the second session of the 13th NPC. The FIL took effect on January 1, 2020 and replaced the Law on Chinese-Foreign Equity Joint Ventures (《中外合資經營企業法》), the Law on Chinese-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Law on Wholly Foreign-Owned Enterprises (《外資企業法》), became the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council promulgated Regulation on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**FIL Implementing Regulation**"), which came into effect on January 1, 2020.

Impact and Potential Consequences of the FIL on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our VIE Hospitals, through which we operate our business in the PRC. The FIL stipulates four forms of foreign investment, but does not mention concepts including "actual control" and "control over our PRC Operating Hospitals by PRC entities/citizens", nor does it explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. As advised by our PRC Legal Advisors, provided that no additional laws, administrative regulations, departmental rules or other regulatory documents on contractual arrangements has been issued and enacted, the possibility that the legal effectiveness of the Contractual Arrangements become materially adversely affected due to the coming into effect of the FIL, is relatively low.

Furthermore, the FIL stipulates that foreign investment includes "foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council". Although the FIL Implementing Regulation does not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities 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 the VIE Hospitals will not be materially and adversely affected in the future due to changes in PRC laws and Regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the [**REDACTED**] of our Shares. Please refer to the section headed "Risk Factors — Risks Relating to the Our Corporate Structure".

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group will adopt the following measures to ensure the effective operation with the implementation and compliance of the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update our Shareholders and potential investors; and

(d) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Aisheng Enterprise, the Relevant Registered Shareholders, Shenzhen IVF and the VIE Hospitals to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, our Company believes that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the [**REDACTED**] under the following measures:

(a) the decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, among others, that in the event of conflict of interest in any contract or transaction calling for vote, the Director who is so interested shall declare the nature of his or her interest at the earliest time before or at meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, among others, that he or she acts for the benefits and in the best interests of our Group;

(c) our Company will appoint three independent non-executive Directors, comprising more than one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole; and

(d) our Group will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Exclusive Operation Services Agreement, it was agreed that, in consideration of the services provided by Aisheng Enterprise, Shenzhen IVF will pay service fees to Aisheng Enterprise. The amount and payment deadline will be determined by Aisheng Enterprise and Shenzhen IVF through arms' length negotiations after considering (i) the complexity and difficulty of the services provided by Aisheng Enterprise, (ii) the title of and time consumed by employees of Aisheng Enterprise providing the services, (iii) the contents and value of the services provided by Aisheng Enterprise, (iv) the market price of the same type of services, (v) the operation conditions of the Relevant Registered Shareholders and Shenzhen IVF, and (vi) the essential cost, expenses, taxes and statutory reserve or retaining funds. Accordingly, through the Exclusive Operation Services Agreement, Aisheng Enterprise has the ability, at its sole discretion, to extract the annual distributable profits of Shenzhen IVF, consisting of approximately the distributable net profit of Shenzhen IVF and the other VIE Hospitals of a given audited financial year, after deducting the losses from the previous financial years (if any) and the statutory contributions (if applicable) subject to applicable PRC laws and regulations.

In addition, under the Exclusive Option Agreement, Aisheng Enterprise has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Shenzhen IVF. In the event that the Relevant Registered Shareholders receives any profit distribution or dividend from Shenzhen IVF, the Relevant Registered Shareholders must immediately pay or transfer all such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Aisheng Enterprise or its designated person(s).

Upon the [**REDACTED**], we own 70% equity interest in Shenzhen IVF and as a result of the aforementioned Contractual Arrangements, our Company has obtained full control of the VIE Hospitals through Aisheng Enterprise and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by Shenzhen IVF and the VIE Hospitals it controls.

OVERVIEW

Who We Are

We are a leading one-stop assisted reproductive technology (ART) and ancillary service provider in China. Through our four licensed hospitals in Guangdong, Tianjin and Yunnan, we focus on providing ART and ancillary services with a large geographical coverage, extending to patients with infertility across 15 surrounding provinces and municipalities in China. In 2022, our hospitals ranked fourth among China's private ART service providers with 6,706 IVF cycles performed, representing approximately 0.9% of the total number of IVF cycles performed in China in the same year, according to Frost & Sullivan.

As one of the pioneers in the ART service industry in China, we have been steadfastly devoted to the provision of ART and ancillary services for over a decade. Leveraging our internationally advanced medical technologies and equipment, we are able to provide our patients with quality services. We have reinforced our leading market position through maintaining our superior success rate and live birth rate, the two widely accepted indicators in the industry to assess the quality of an ART service provider's treatment, according to Frost & Sullivan. In 2021 (being the year in which the most recent national industry data is available), the average success rate (representing the aggregate number of resulting clinical pregnancies divided by the aggregate number of embryo transfers) and the live birth rate of our hospitals reached 58.2% and 46.5%, respectively, largely outperforming the industry average of 51.5% and 41.3%, respectively, according to Frost & Sullivan.

Led by our visionary leader and a team of experienced medical experts, we have earned a high reputation and achieved steady business performance over the years. Our revenue generated from providing ART and ancillary services increased from RMB369.4 million in 2020 to RMB407.2 million in 2022 at a CAGR of 5.0%, and increased by 29.8% from RMB177.4 million for the six months ended June 30, 2022 to RMB230.4 million for the six months ended June 30, 2023. We constantly maintained high gross profit margin at 42.4%, 45.9%, 43.3%, 40.6% and 43.5% in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively. Contributed by the high gross profit margin and operational efficiency, our gross profit increased from RMB156.5 million in 2020 to RMB176.4 million in 2022, representing a CAGR of 6.2%, and increased by 39.0% from RMB72.0 million for the six months ended June 30, 2022 to RMB100.2 million for the six months ended June 30, 2023. Our profit for the year/period increased from RMB46.0 million in 2020 to RMB64.5 million in 2022 at a CAGR of 18.5%, and increased significantly by 148.3% from RMB13.6 million for the six months ended June 30, 2022 to RMB33.9 million for the six months ended June 30, 2023.

Market Opportunities

China has significant unmet demand for ART services due to the increasing prevalence of infertile couples caused by various factors, including later fertility age, unhealthy living habits, increased mental pressure and environmental pollution. According to Frost & Sullivan, the number of infertile couples in China increased from 54.8 million in 2020 to 56.7 million in 2022, and is expected to grow to 60.9 million in 2026 and further to 64.8 million in 2030. The ART service market in China has risen from RMB25.2 billion in 2018 to RMB27.9 billion in 2022, representing a CAGR of 2.6%, according to the same source. Frost & Sullivan has also advised that with the growing demand for ART services, China's ART service market will continue to grow rapidly and is projected to reach RMB37.7 billion in 2026 and RMB55.2 billion in 2030, with a CAGR of 7.8% and 10.0%, respectively. The increasing prevalence of infertile couples and the low penetration rate of ART services in China have led to a significant unmet demand and brought considerable market opportunities.

Currently, China's ART and ancillary service market is relatively fragmented, with the top five ART and ancillary service providers in aggregate accounting for approximately 13.8% of the total market share, according to Frost & Sullivan. Despite the rapidly growing ART service market demand in China, the penetration rate of ART services in China is still lower than that of major economies, mainly due to certain traditional, unfavorable perceptions. We believe, as the society gradually loosens its grip on the unfavorable perceptions, the unmet demand is expected to be further unleashed, bringing more growth opportunities to the ART and ancillary service market.

Our Operational Highlights

During the Track Record Period, we have achieved a steady and sustainable business growth. The table below sets forth certain operating data and revenue generated from our medical network during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
Zhanjiang Hospital					
Number of IVF cycles performed	3,108	3,696	3,638	1,486	1,742
Average spending per IVF cycle (RMB)	56,523	57,440	58,820	62,076	61,491
Success rate	53.7%	57.0%	55.7%	55.1%	53.6%
Revenue (*RMB'000*)	**175,672**	**212,297**	**213,988**	**92,245**	**107,117**

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
Tianjin Hospital					
Number of IVF cycles performed	1,289	1,333	1,146	436	859
Average spending per IVF cycle (RMB)	52,185	59,736	67,034	69,115	69,870
Success rate	56.7%	58.1%	55.2%	56.2%	55.1%
Revenue (*RMB'000*)	**67,266**	**79,628**	**76,821**	**30,134**	**60,018**
Jieyang Hospital					
Number of IVF cycles performed	753	849	843	407	426
Average spending per IVF cycle (RMB)	65,251	65,602	71,204	69,037	69,894
Success rate	65.7%	65.1%	65.3%	64.9%	66.5%
Revenue (*RMB'000*)	**49,134**	**55,696**	**60,025**	**28,098**	**29,775**
Kunming Hospital					
Number of IVF cycles performed	1,052	1,145	1,079	475	611
Average spending per IVF cycle (RMB)	52,482	54,745	52,218	56,718	54,761
Success rate	56.1%	56.6%	56.6%	56.4%	53.6%
Revenue (*RMB'000*)	**55,211**	**62,683**	**56,343**	**26,941**	**33,459**
Total revenue (*RMB'000*)	**347,283**(1)	**410,304**(1)	**407,177**	**177,418**	**230,369**

Note:

(1) Our revenue for the years ended December 31, 2020 and 2021 did not include revenue generated from our Shenzhen Gynecological Hospital, which did not obtain any ART license and was deregistered in 2022.

See "— Our Medical Network" for a detailed description and analysis of the operational data of our four hospitals during the Track Record Period.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors, and will help drive our growth in the future.

We are a leading ART and ancillary service provider in China with a prominent market position, enjoying a high reputation in the industry.

Built on over a decade of experience and know-how, we have achieved multiple nationwide and regional first-place and top rankings, evidencing our leadership in the ART service industry in China. According to Frost & Sullivan, we ranked first among all private healthcare medical groups in China in terms of the number of ART licenses obtained through organic growth as of December 31, 2022. In 2022, Zhanjiang Hospital and Jieyang Hospital, with an aggregate of 4,481 IVF cycles performed, collectively ranked second among all private ART service providers in Guangdong in terms of IVF cycles performed, enjoying a substantial market share of 3.8% in the Guangdong ART service market, according to Frost & Sullivan. According to the same source, Tianjin Hospital, with 1,146 IVF cycles performed, ranked first among all private ART service providers in Tianjin in terms of IVF cycles performed, enjoying a market share of 18.2% in the Tianjin ART service market, and Kunming Hospital, with 1,079 IVF cycles performed, ranked third among all private ART service providers in Yunnan in terms of IVF cycles performed, enjoying a market share of 5.4% in the Yunnan ART service market, according to Frost & Sullivan.

We have been steadfastly devoted to the provision of ART and ancillary services and have earned a high reputation in the ART service industry through years of deep cultivation. We were inspired by Professor Zhang Lizhu (張麗珠), widely accoladed as the "Mother of IVF babies in China," who encouraged the development of our Group. Over the years, we have provided ART and ancillary services to cover a large geographical coverage, extending to patients across 15 provinces and municipalities in China, including Beijing, Tianjin, Hebei, Shandong, Inner Mongolia, Yunnan, Guizhou, Sichuan, Chongqing, Guangdong, Guangxi, Hunan, Jiangxi, Fujian and Hainan. As of June 30, 2023, we have treated more than 90,000 patients, performed over 57,000 IVF cycles, completed more than 67,000 embryo transfers (including fresh embryo transfers and frozen embryo transfers) and witnessed the birth of over 33,000 IVF babies. Throughout our dedicated provision of ART and ancillary services over more than a decade, we have earned the recognition from our patients for our treatment capabilities and high level of patient satisfaction. More than 40% of our patients come from referrals by previous patients, and the trust of numerous patients has supported the spread of our good reputation in the industry.

We are one of the pioneers in the ART service industry in China with a strong first-mover advantage. Since our inception, we have completed multiple landmark cases in our penetrated regional markets through over a decade of deep cultivation. Our medical team pioneered the introduction of vitrification-based cryopreservation technology in China, which has been widely adopted in our embryo laboratories and improved the efficiency of embryo cryopreservation and success rate. In 2019, our Zhanjiang Hospital achieved a successful pregnancy in the first case of "frozen sperm, frozen egg, frozen embryo" in western Guangdong province, which primarily comprises Zhanjiang, Maoming and Yangjiang cities, using our introduced micro-sperm cryopreservation technology, according to Frost & Sullivan. According to the same source, in the same year, our Zhanjiang Hospital became the first ART service medical institution in western Guangdong province to use artificial egg activation technology to achieve a successful pregnancy.

Leveraging our solid capabilities, operational excellence, advanced technologies and optimized services, we have successfully built a strong brand reputation.

The favorable policies and high entry barriers have well positioned us to benefit from the huge unmet market demand in China.

The mismatch between the increasing prevalence of infertile couples and the low penetration of ART services has presented significant unmet ART service market demands in China. According to Frost & Sullivan, the infertility rate in China increased from around 15% in 2010 to around 17% in 2020 due to various factors, such as later fertility age, unhealthy living habits, increased mental pressure and environmental pollution. According to Frost & Sullivan, the number of infertile couples in China increased from 54.8 million in 2020 to 56.7 million in 2022, and is expected to grow to 60.9 million in 2026 and further to 64.8 million in 2030. However, the penetration rate of ART services in China is still lower than that of other major economies, mainly due to certain traditional, unfavorable perceptions. For example, calculated as the total number of IVF cycles performed in a given year divided by the population of women of childbearing age in that year (i.e. women aged 15 to 49 years old), the penetration rate of ART services in China was only 3,773 cycles per million people as compared to 5,813 cycles per million people in the United States in 2022, according to Frost & Sullivan. This brings considerable market opportunities, with China's ART service market size reaching RMB27.9 billion in 2022, and projected to boost to RMB37.7 billion in 2026 and RMB55.2 billion in 2030, as advised by Frost & Sullivan. We believe, as the society gradually loosens its grip on the unfavorable perceptions, the unmet demand is expected to be further unleashed, bringing more growth opportunities to the ART service market in China.

In recent years, the PRC government has promulgated several favorable policies to tap broader ART service market potential, especially the provision of ART services by private healthcare institutions. These policies include encouragement and guidance on investing in private medical institutions in 2015, guiding principles and regulations on ART planning, inspection and administration in 2015, and the three-child policy and guidelines for the application of ART announced in 2021. The PRC government is also supportive of establishing two-way referral channels between hospitals in collaboration, from which patients can benefit from the shared resources among hospitals and the convenience in treatment from the reduced travel time costs. These policies and principles have well promulgated and enforced the industry standards for, and rule-based regulation of, ART.

Moreover, the high barriers to enter the ART service industry in China help solidify our market leadership. As the ART service industry is heavily regulated, a number of high threshold requirements must be satisfied to obtain a license to provide ART services and conduct IVF treatment. The difficulty of obtaining an ART license also lies in the governmental guidance on the number of licenses. In 2021, the government issued guiding principles that each province, city or region shall ideally have one ART service medical institution for every 2.3 to 3 million population. Based on the permanent population in 2022, according to Frost & Sullivan, the maximum permitted number of ART licensed medical institutions in Guangdong, Tianjin and Yunnan equals to 55, six and 20, respectively, while the actual number of ART licensed medical institutions has reached 56, 12 and 19 in these three regions as of December 31, 2022, respectively. This suggests that the numbers of ART service medical institutions in the areas where our hospitals are operated have reached or are approaching the upper limits imposed by the governmental guidance, leaving little room for new ART service medical institutions to enter the market. Such limitation has led to a low license issuance frequency, strict application conditions, lengthy approval processes and stringent requirements of the quality medical services to continuously qualify for license renewal.

We have reinforced our leadership position through long-term and deep penetration into the ART service market based on our notable brand recognition, specialized and experienced medical professionals and seasoned teams, and smooth operation and continuous maintenance of hospitals. These factors also represent substantial entry barriers for competitors. We believe the high market entry barriers of the ART service industry have well positioned us to continuously expand and provide quality services to meet the evolving needs of patients in China.

Our medical team-based operation model and differentiated service programs optimize the treatment process, improve our service capabilities, and enhance patient experience.

We adopt a medical team-based operation model, and fully leverage the initiative and creativity of our ART service team leaders to promote disciplinary development, enhance our ART and ancillary service capabilities and improve patients' treatment experience. Based on this operation model, each ART service team has a physician-in-charge, who is responsible for the overall management of the team and has the authority to oversee the treatment, disciplinary development, professional training and patient management. Pillared by our ART service teams, we provide our patients with one-stop services, covering the whole diagnostic and treatment process of patient registration, health education, ART and ancillary service provision and post-treatment services. Our one-stop services effectively eliminate patients' time spent on travelling between departments, thereby greatly improving our operational efficiency. We also provide patients with a 24-hour online stand-by service, supporting patients with immediate response during their diagnostic and treatment process, thus optimizing our services to shorten patients' waiting time and treatment process.

We constantly optimize our ART and ancillary service process and develop diversified service programs based on the principles of precision medicine. Powered by internationally advanced equipment and technology, we are able to accurately diagnose patients' conditions and make customized plans to meet their specific needs. We categorize our patients and launch differentiated service programs to comprehensively cover the different demands of high-value, mid-level and budget-oriented patients.

Our differentiated service programs primarily include the followings:

- *Packaged ART and ancillary service programs*. We offer packaged ART and ancillary service programs which cover the whole diagnostic and treatment process. Patients who participate in our packaged ART and ancillary service programs enjoy multiple embryo transfers under a lump-sum payment arrangement. Under our packaged ART and ancillary service programs, if a patient fails to achieve clinical pregnancy after the pre-agreed numbers of embryo transfers in our hospitals within a specific period of time, the patient is entitled to receive a refund of the lump-sum payment. We believe our packaged ART and ancillary service programs effectively reduce the financial and psychological burden on our patients in circumstances where the PRC government does not currently include ART services in the national social medical insurance program. For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, 245, 590, 956, 434 and 591 packaged ART and ancillary service agreements were entered into. Our revenue from our packaged ART and ancillary service programs increased from RMB6.3 million in 2020 to RMB23.5 million in 2021 and further to RMB41.6 million in 2022 at a CAGR of 157.0% from 2020 to 2022, and increased by 72.0% from RMB14.3 million for the six months ended June 30, 2022 to RMB24.6 million for the six months ended June 30, 2023, accounting for 1.7%, 5.6%, 10.2%, 8.1%, and 10.7% of our total revenue for the corresponding years/periods.

- *VIP service program*. We have introduced the "first-class" VIP service program ("頭等艙"服務工程) to provide high-value patients with customized one-on-one butler-style services in our Zhanjiang Hospital. The customized value-added services include green channel for medical appointments, medical consultation with senior, experienced experts, and exclusive accompanying services during the whole diagnostic and treatment process. With our VIP service program, we aim to provide our patients with the best medical experience all round.

Apart from our differentiated service programs, our optimized services also cover the pre-ART treatment stage to provide comprehensive medical care to our patients. Our expertise in multi-disciplinary diagnostic and treatment enables us to provide tailor-made treatment solutions for the pre-ART treatment physical and mental conditioning of patients. Our service solutions include psychological support, nutritional support, weight loss counseling and traditional Chinese medicine physiotherapy to improve the patient's overall physical and mental health, which help increase the success rate in the subsequent ART treatment.

Moreover, we are able to promote our patients' medical experience leveraging our investment in information technology. The online accounts of our hospitals serve as a platform for patients to make appointments with patient service agents, and retrieve their medical records in a convenient manner. Each of our hospitals maintains an official website to display the introductions of their physicians, services provided and contact information, as well as our ART and ancillary services and IVF related medical knowledge, to attract potential patients.

Our relentless pursuit of adopting internationally advanced medical technologies and equipment helps us stay at the forefront of the ART service industry in China.

We have consistently introduced internationally advanced medical technologies and equipment to provide patients with quality medical services continuously and promptly. The major introduced technologies and equipment we have adopted include the following:

- *Time-lapse incubation technology*. We have introduced time-lapse incubation technology, which is an embryo culture and monitoring system. This system uses time-lapse photography to record the growth and development of embryos without the need to frequently take them out of the incubator, providing a stable and consistent environment for embryo development. According to Frost & Sullivan, the application of time-lapse incubation technology in China is still in its early stages, and we are one of the few ART service medical institutions in China that adopt this technology as a routine practice. We believe that such technology effectively increases the accuracy of selecting quality embryos, reduces early pregnancy miscarriages, and improves our success rate.

- *Vitrification-based cryopreservation technology*. We are one of the first companies in China that have introduced and widely adopted the vitrification-based cryopreservation technology during ART treatment, as advised by Frost & Sullivan. We have maintained a consistently excellent thawing survival rate over the years. During the Track Record Period, our overall thawing survival rate reached 99.4%, surpassing the average thawing survival rate of 98% in China's ART service industry during the same periods, according to Frost & Sullivan. By using highly concentrated cryoprotectants to treat embryos and rapidly cool them to achieve a vitrified state, we can avoid cell damage caused by ice crystal formation and substantially improve the success rate. This technology can also be used for cryopreservation of eggs and embryos at different stages, reducing the risk of ovulation induction.

- *Blastocyst culture technology*. We are one of the few ART service providers in China with advanced blastocyst culture technology, according to Frost & Sullivan. Mature blastocyst culture technology is pivotal in the IVF treatment process as it is one of the key factors affecting the success rate. It not only requires rich clinical experience and professional skills of the physicians, but also raises stringent requirements for the embryology laboratory, including the concentration, composition, stability and the external environment of the culture media.

- *Advanced medical equipment*. We have also introduced certain advanced equipment that helps us improve our service capabilities and enhance the success rate. For example, we have introduced the GE-Voluson E10, a premium 4D ultrasound machine, enabling us to perform uterine blood flow and volume examination and fetal 4D ultrasound screening. This advanced equipment helps accurately assess endometrial receptivity and identify fetal abnormalities, thereby improving success rate and detection accuracy of fetal abnormalities. We also possess Olympus laparoscope, real-time monitoring and alarm system for the embryology laboratories, fully automated semen quality analyzer, SCA semen analysis system, ART sample recognition system, Nikon SMZ-1000 microscope operating system, tri-gas incubators, and laser-assisted hatching machines. These advanced equipment provide crucial support in maintaining our service quality and precise diagnosis and treatment.

We interact closely with many worldwide industry experts and institutions, and actively participate in domestic and international cutting-edge academic symposiums and regularly hold academic forums, which allow us to stay up to date with internationally leading ideas and technologies. We have participated in several annual forums for three consecutive years since 2020, including the American Society for Reproductive Medicine (ASRM) and the European Society of Human Reproduction and Embryology (ESHRE), which are among the largest and most influential international conferences in the field of assisted reproduction that has attracted and gathered ART and obstetrics and gynecology experts well recognized around the world. In particular, in 2022, our academic paper focusing on the contributing factors of sex ratio imbalance in ART was published on the ASRM Journal "*Fertility and Sterility*" as a high recognition of our clinical research and academic level. The convergence of internationally renowned experts and advisors, as well as the exchange of internationally advanced medical experience, allow us to stay focused on the forefront of the ART service industry and keep abreast with the best-in-class concepts and treatment.

In addition, we have adopted internationally recognized standards for quality control and focus on the development of internal quality management systems. We have established internal quality control policies for our embryology laboratories with reference to the standards set by the College of American Pathologists (CAP), which has placed a robust foundation for our laboratory's safe and stable operation.

Standardized, efficient and scalable operational systems effectively reduce our operating costs and support our smooth operations.

We have established comprehensive, integrated operational and management capabilities through the deployment of an integrated information system, the implementation of centralized procurement models, the promotion of interdisciplinary collaboration, and the establishment of a standardized training system. This generates economies of scale, improves operational efficiency, reduces operating costs, and provides support for our continuous business growth.

- *Integrated information system*. We have built an integrated information system that enables interconnection and communication of information, creating a closed loop of information exchange. This not only ensures the development of our business, but also improves our operational efficiency and management level. Our integrated information system includes HIS (Hospital Information System), LIS (Laboratory Information System), PACS (Picture Archiving and Communication System), and ART system for day-to-day medical activities and patient management. In addition, we have implemented a unified financial system and OA system within the Group level to establish standardized practices in operations and management. The deep integration of data among our different systems forms a super system of information, allowing for comprehensive and concise operational interfaces and streamlining our operational and administrative procedures. With the support of extensive and complex data processing capabilities and from a "whole business, whole process, all-round, all-time" perspective, we have designed a system embedded with unified business processes and data standards, and promoted the quality development of our patient-centered hospitals.

- *Centralized procurement model*. We have centralized at our Group level the procurement of medical supplies, such as pharmaceuticals, reagents, medical consumables and equipment. Such centralized procurement model allows us to integrate our dispersed resources, leverage the advantages brought by bulk procurement, and obtain quality products with competitive prices. It also allows us to manage the qualifications and supply quality of suppliers uniformly, establish our bargaining power and market position, reduce procurement costs and improve procurement efficiency.

- *Interdisciplinary collaboration*. Leveraging the collaboration and synergies brought by our departments of gynecology, urology, traditional Chinese medicine for reproduction, integrated medicine, infertility, recurrent miscarriage, and obstetrics, we are able to provide comprehensive ART and ancillary services to patients. Interdisciplinary collaboration also increases opportunities for mutual learning and exchange of experience among medical professionals in different departments, and enhances team cohesion and work enthusiasm. In addition, such collaboration drives collective development of departments, and provides for sharing and exchanges of service concepts, diagnostic and treatment technologies, medical equipment and expert and patient resources, thereby enhancing the integrated level of service and operational efficiency.

- *Standardized training system*. Our standardized training system of medical professionals continuously provides a sustainable development and reserve of talents. Each year, we sponsor our physicians and nursing staff to assisted reproduction training bases for further ART training. Together with our internal mentorship program, we continuously invest in the cultivation of our medical professionals. As of the Latest Practicable Date, more than 80% of our department heads are home-grown. We regularly invite internal and external experts to share advanced diagnostic and treatment techniques and theories, gradually developing discipline leaders with strong professional abilities.

A visionary leader, a robust, pragmatic and efficient management organizational system and a team of seasoned medical experts underpins the sustainable development of our business.

Our chairman, chief executive officer and president, Mr. Ren, possesses rich life experience, a broad international vision, and profound business insights. His solid accounting knowledge, as well as his unique management theory system that he has summarized and refined, are comprehensively applied to business operations and management. Mr. Ren became attentive to the ART service industry as early as 2001. He has been, step by step, personally cultivating our hospitals from their inception to a developed stage for over a decade. He has a thorough understanding and extensive management experience of the ART service industry. He has set a future development path for our Group, with the key words of "focus, persistence and globalization." He is recognized by all of our employees as our trustworthy leader. The Group's management and operation organizational system that he has built in person has been proven to be stable, pragmatic and efficient after years of examination. See "Directors and Senior Management — Board of Directors — Executive Directors" for a detailed description of Mr. Ren's background.

Besides, we maintain a sizable and stable team of medical experts who operate and manage our hospitals, guide the disciplinary development, provide strong support to our service and drive the growth of our business. Our renowned medical experts have extensive clinical experience in reproductive gynecology, reproductive andrology and clinical embryology with an average industry experience of nearly 20 years. To align the incentives of our medical experts with our shareholders, we have established the RSU Scheme and the Post-[**REDACTED**] Share Scheme, which we believe will encourage our medical experts to fully dedicate their experience and know-how to the business growth of our hospitals.

OUR STRATEGIES

We are devoted to the application, research and dissemination of ART, and providing professional personalized diagnostic and treatment plans for more infertile patients to realize their dreams of having babies. We endeavor to achieve this vision through the following five aspects:

We are committed to further enhancing the quality of our ART and ancillary services, and continuously improving patients' medical experience to meet their diverse needs.

We have always been committed to providing quality ART and ancillary services to meet the diverse needs of our patients. We plan to further enhance the quality of our medical services in the following aspects:

- We plan to upgrade our current hospital premises to provide patients with a more welcoming, comfortable, and convenient treatment environment. Specifically, we plan to commence expansion, renovation and decoration of Jieyang Hospital and Kunming Hospital. See "Future Plans and [**REDACTED**] — [**REDACTED**]" for our detailed plan on the expansion and renovation of our hospital premises.

- We will continue our relentless pursuit in advanced technologies and medical equipment. We are committed to introducing internationally advanced ART technologies and equipment, ensuring that we can offer patients with cutting-edge diagnostic and treatment techniques and quality medical services. We plan to use the net [**REDACTED**] from the [**REDACTED**] to purchase new medical equipment from the international market and introduce the latest technologies. See "Future Plans and [**REDACTED**] — [**REDACTED**]" for our detailed plan. We anticipate that by improving our overall technology and service levels, we will be able to attract high-value patients, as well as further improve the quality of our medical services and success rate, thereby increasing the market share.

- We plan to leverage our expertise and further expand our ancillary service outreach that are value-added and complementary to our provision of ART services. In particular, we intend to further develop, among others, reproductive gynecology, reproductive andrology, treatment of recurrent miscarriage, traditional Chinese medicine for reproduction, and preconception care, to offer patients with more comprehensive treatment.

- We also plan to enhance the qualification of our hospitals, and in particular, including obtaining the Class III specialized hospital qualification for the purpose of obtaining PGT license. See "Future Plans and [**REDACTED**] — [**REDACTED**]" for our detailed plan. We aim to extend our ART service capabilities and to fulfill more needs from our patients.

We strive to create a smart healthcare group, comprehensively upgrading and implementing digitalization to improve our overall operational efficiency and management capabilities.

We will further develop our current hospital information system and fully implement digitalization management for daily operations to create a smart healthcare group and improve our overall operational efficiency and management level in the following aspects:

- We will upgrade the current information system in our hospitals by utilizing more advanced information technology systems to standardize processes in our daily operations, such as medical record and report archiving, on-screen or tele-consultation, medication dispensing, billing, and appointment scheduling. These improvements are expected to provide greater convenience for patients throughout their treatment process and help to optimize the overall patient experience.

- We plan to leverage our information systems to regularly collect and analyze operational data. This will assist our management in centralized, real-time understanding of each hospital's business operations at the Group level, and enable them to formulate more accurate and effective future development strategy and business focus.

- We aim to collaborate with leading artificial intelligence technology companies to explore the application of artificial intelligence technology in ART services. We believe this will effectively enhance the quality and efficiency of our medical services and reduce operational costs.

We believe that digitalizing and standardizing clinical practice and management will help us better utilize existing resources, improve operational efficiency, and reduce overall operational costs while driving overall business development. See "Future Plans and [**REDACTED**] — [**REDACTED**]" for our detailed plan in digitalization and development of intelligence systems.

We will continue to expand our medical network and actively establish a presence in overseas markets.

With over a decade of business expansion and deep cultivation in the industry, we plan to strategically expand our medical network and vigorously establish a presence in the countries and regions neighboring China. We intend to enter new markets with promising prospects, such as developing countries in Southeast Asia, Middle East or South Asia, primarily through the establishment of new hospitals and joint ventures or acquisitions. Our entry into new markets will be primarily based on factors including local consumer purchasing power and preferences, population size, number and availability of ART service providers, current operations and potential of existing hospitals, local market regulations and policies, and compatibility with our existing medical network. See "Future Plans and [**REDACTED**] —

[**REDACTED**]" for our selection criteria when pursuing acquisition targets. As of the Latest Practicable Date, we had not identified any potential investment or acquisition targets or entered into any definitive investment or acquisition agreements.

We aim to continuously attract, cultivate and retain exceptional medical, operational and managerial staff, and develop into a platform-based healthcare group.

We will continue to attract and cultivate excellent and experienced medical professionals, including physicians, embryology lab staff, medical assistants and nurses, to support the continuous growth and expansion of our medical network and to ensure that we are able to provide top-notch medical services to patients. Additionally, we plan to cultivate and regularly promote more employees to management level to strengthen our operational and managerial capabilities. We will recruit and retain experienced medical and operational staff by offering promising career prospects, ample academic exchange opportunities, and equity incentive programs to maintain the stability of our core teams and attract more outstanding professionals from both domestic and international sources.

We plan to optimize internal communication and training mechanisms and provide outstanding employees with opportunities and resources for overseas study and further education, thereby enhancing the qualifications and the skills of our professionals. We also plan to increase cooperation and information exchange with leading medical institutions and experts in different medical practices to improve our medical professionals' diagnostic and treatment capabilities. We believe that these efforts will contribute to further enhancing our industry reputation and increasing our attractiveness as an employer in the industry. See "Future Plans and [**REDACTED**] — [**REDACTED**]" for our detailed plan in talent recruitment.

Furthermore, we plan to develop into a platform-based healthcare group, aiming to make our healthcare group an open and sharing platform, through which internal and external resources can be integrated, coordinated and shared among ourselves.

We target to continuously optimize our customer acquisition and enhance our brand visibility and influence.

We have previously hosted multiple international and domestic ART related forums, successfully enhancing our brand awareness and the influence of our medical experts. In the future, we target to further enhance our brand visibility and influence by organizing more forums and academic conferences on ART services, and inviting domestic and overseas experts to exchange insights and share experience. By doing so, we believe we can also increase broader market awareness and wider acceptance of the ART service industry as a whole in China while enhancing our influence.

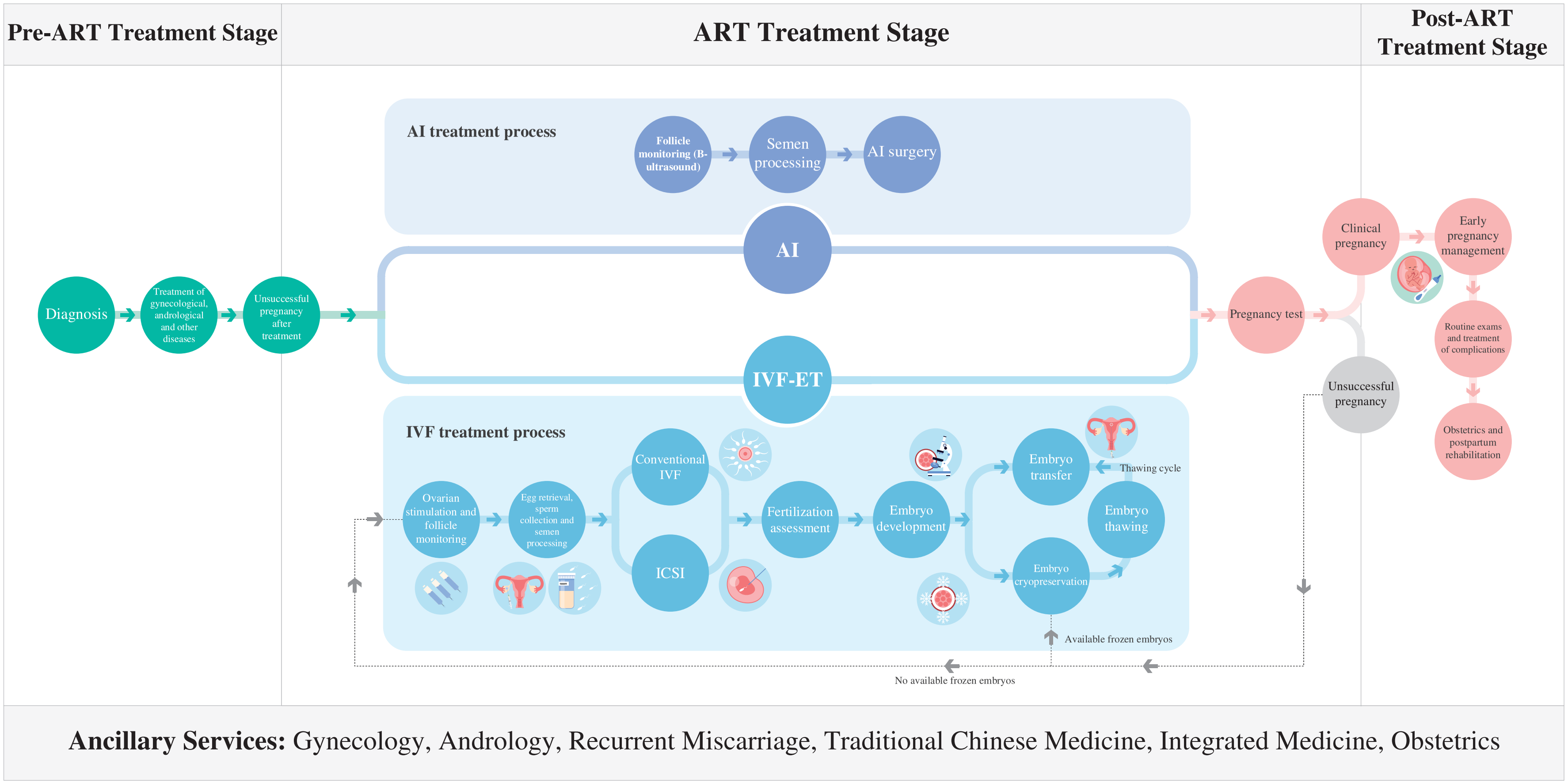
In addition, we plan to acquire fertility clinics in surrounding cities with relatively dense population and within a three-hour driving radius from our four hospitals by purchasing relevant medical equipment as well as recruiting employees. See "Future Plans and [**REDACTED**] — [**REDACTED**]" for details of our utilization of such fertility clinics. Through these activities and plans, we aim to fulfill our social responsibility, further promote our brand visibility and ART services, and establish a positive corporate image and create value to attract more patients.

OUR BUSINESS MODEL

Overview

We are a leading one-stop assisted reproductive technology (ART) and ancillary service provider with a prominent market position in China. Through our four licensed hospitals in Guangdong, Tianjin and Yunnan, we focus on providing ART and ancillary services to patients with infertility in China. Pillared by our ART service teams and equipped with internationally advanced technologies and equipment, we are able to provide our patients with one-stop services, covering the whole diagnostic, fertility and ancillary treatment and post-treatment process.

The following chart illustrates our business model underpinned by our specialized expertise and professional service offerings:



For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, we generated RMB369.4 million, RMB419.5 million, RMB407.2 million, RMB177.4 million and RMB230.4 million from providing ART and ancillary services, respectively.

ART and Ancillary Services

Overview

Our services are primarily the provision of ART treatment to patients. ART is one of the three main types of infertility treatments. It assists the natural reproductive process by directly bypassing the causes of infertility and implementing ART procedures to achieve fertilization and early embryonic development under the optimal conditions through highly controlled laboratory settings. As a result, infertile patients can effectively achieve the highest success rate through ART treatment as compared to the other two types, medication and surgery. ART treatment includes two major solutions: (i) artificial insemination (AI), which can be performed with either the husband's sperm (AIH) or a donor's sperm (AID); and (ii) *in vitro* fertilization and embryo transfer (IVF-ET), whereby fertilization is achieved through conventional IVF or intracytoplasmic sperm injection (ICSI), as well as preimplantation genetic testing of embryos (PGT), where genetic disease screening of embryos is performed. All of our hospitals are able to perform AIH, conventional IVF and ICSI on patients. During the Track Record Period, a majority of our patients underwent IVF-ET treatment.

Our services also include various ancillary medical services to support our AI and IVF-ET treatment processes. These services include tailor-made treatment solutions for the pre-ART treatment physical conditioning of patients with underlying medical conditions that may affect reproduction. Our service solutions include, among others, psychological support, nutritional guidance, weight loss counseling and traditional Chinese medicine physiotherapy to improve patients' overall physical and mental health, which helps increase the success rate in their subsequent ART treatment.

Artificial Insemination (AI)

AI is an *in vivo* fertilization process that involves the deliberate introduction of sperm into a female reproductive system, either uterus or cervix, for the purpose of achieving a pregnancy by methods other than sexual intercourse. It fulfills the needs of certain infertile couples who fail to naturally achieve pregnancies. Depending on the owner of the sperm, AI can be categorized into AIH and AID.

All of our hospitals are licensed to provide AIH treatment services to patients. In China, only a limited number of hospitals are permitted to provide AID treatment due to stringent regulations, most of which are public hospitals, under circumstances where indications would permit the use of donor sperm (for example, where the male patient has an irreversible condition of azoospermia, serious oligospermia, persistent ejaculatory duct obstruction after unsuccessful deoppilation operation or ejaculation disorder). As of the Latest Practicable Date, our hospitals were not licensed to provide AID treatment services.

In Vitro Fertilization and Embryo Transfer (IVF-ET)

An IVF-ET process involves surgically removing eggs from a woman's ovaries, incubating eggs and sperms together in a laboratory, or injecting a single sperm into each egg, to produce one or more embryos, and implanting the embryos to the woman's uterus to achieve pregnancy. Major technologies and solutions used in IVF treatment include conventional IVF, ICSI, and PGT.

- *Conventional IVF*. Conventional IVF can be used when female patients have blocked, damaged or absent fallopian tubes, or suffer from endometriosis. It can also be used when male infertility is a cause or patients face unexplained infertility issues.

- *ICSI*. ICSI is a derivative part of a conventional IVF, where a single sperm is injected into each egg to assist fertilization using micromanipulation equipment. ICSI can be adopted when male infertility is the main cause, such as quantity or quality issues with sperms or non-obstructive spermatia, or where the infertile couple had experienced unsuccessful fertilization under previous conventional IVF treatment.

- *PGT*. PGT is the genetic testing of embryos created via IVF prior to implantation, and sometimes even of oocytes prior to fertilization. Preimplantation genetic testing is used to test whether embryos have chromosomes abnormality and genetic diseases caused by monogenic disorders. PGT is used on patients who have or are carriers of known genetic disorders, recurrent miscarriages, or repetitive implantation failures.

All of our hospitals are licensed to provide conventional IVF and ICSI treatment solutions. Due to the stringent regulations and the long time required to obtain relevant approvals in China, only a limited number of hospitals are permitted to provide PGT services, most of which are public hospitals. As of the Latest Practicable Date, our hospitals were not licensed to provide PGT solutions.

Culturing of embryos in optimal conditions is crucial for a successful IVF treatment process. We have adopted time-lapse incubation technology during the embryo development process as a routine practice. The technology combines high resolution cameras and computer software to automatically take images of an embryo within very short intervals. With time-lapse incubation technology, our embryology lab staff can record, monitor and analyze the growth and development of embryos without the need to frequently take them out of the incubator, providing a stable and consistent environment for embryo development. Compared to traditional methods, we have achieved better results by using time-lapse incubation technology, according to Frost & Sullivan. We believe that such technology effectively increases the accuracy of selecting quality embryos, reduces early pregnancy miscarriages and improves our success rate.

IVF Treatment Process

A typical IVF treatment process includes a pre-IVF treatment stage and an IVF treatment stage. At the pre-IVF treatment stage, patients attend initial consultations, undergo pre-IVF tests, and receive treatment for gynecological, andrological and other diseases, complementary traditional Chinese medicine therapy, psychotherapy and nutrition guidance, as needed. The IVF treatment stage starts when the female patient begins controlled ovarian stimulation which typically lasts for seven to 14 days, followed by embryology laboratory processes which can vary between three to six days, until the completion of embryo transfer.

The key steps involved in our IVF treatment process are as follows:

- Ovarian stimulation. During this stage, female patients are treated with ovulation induction drugs to adjust hormone levels to produce multiple eggs rather than a single egg that normally develops each month. Patients receive frequent ultrasound and hormone tests for physicians to closely monitor the development of the patients' follicles.

- Egg retrieval and fertilization. Usually after seven to 14 days of ovarian stimulation, eggs are ready for retrieval. Semen is collected and prepared concurrently with the egg retrieval procedure. Retrieved eggs are fertilized with sperms either through conventional IVF or through ICSI.

- Embryo development and transfer. Fertilized eggs are cultured in a laboratory, which typically takes three to six days. Once the embryos develop to a proper stage, embryology lab staff identify and select the ones with the best implantation potential and transfer one or two embryos to the patient's uterus. The remaining embryos of good quality are cryopreserved for future use. 14 days after the embryo transfer, patients undergo a blood test to determine pregnancy.

OUR MEDICAL NETWORK

Overview

As of the Latest Practicable Date, we owned and operated four hospitals in China, namely Zhanjiang Hospital in Guangdong, Tianjin Hospital in Tianjin, Jieyang Hospital in Guangdong and Kunming Hospital in Yunnan. All of our hospitals are for-profit specialty hospital wholly owned and managed by our Group under a centralized operation and maintenance system, covering R&D, finance, internal audit, database, and human resources. Meanwhile, the head of each of our hospitals is responsible for the daily operations, and report to our Group-level senior management.

The following table sets forth a summary of the key information of our hospitals as of June 30, 2023:

Hospital	Location	Time of obtaining the ART licenses(1)	Accumulated number of IVF cycles performed during the Track Record Period	Range of the success rate during the Track Record Period	Number of major medical professionals as of June 30, 2023(2)
Zhanjiang Hospital (湛江久和醫院)	Zhanjiang, Guangdong, China	AIH approval: July 27, 2010 Conventional IVF and ICSI approval: September 14, 2010	12,184	53.6% - 57.0%	96
Tianjin Hospital (天津愛維醫院)	Tianjin, China	AIH approval: April 24, 2014 Conventional IVF and ICSI approval: July 5, 2016	4,627	55.1% - 58.1%	84
Jieyang Hospital (揭陽愛維艾夫醫院)	Jieyang, Guangdong, China	AIH approval: March 27, 2012 Conventional IVF and ICSI approval: April 2, 2013	2,871	65.1% - 66.5%	35
Kunming Hospital (昆明愛維艾夫醫院)	Kunming, Yunnan, China	AIH approval: August 23, 2013 Conventional IVF and ICSI approval: August 23, 2013	3,887	53.6% - 56.6%	39

Notes:

(1) Where local regulations require a trial operation before official operation, the date refers to the time for obtaining the trial operation license.

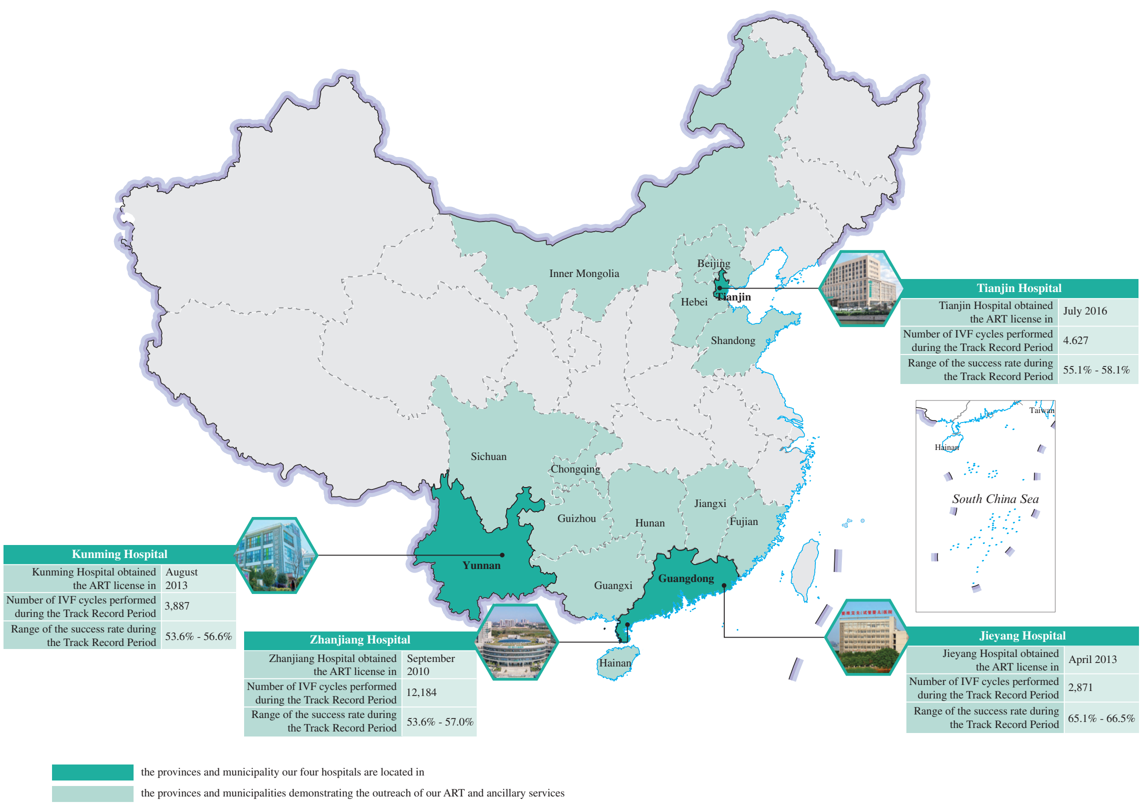
(2) Medical professionals refer to our full-time physicians, embryology lab staff and nurses.

In each of our hospitals, we group our medical professionals into ART service teams and adopt a medical team-based operation model. Each ART service team specializes in a specific area of focus. When a patient is admitted, we select and assign an ART service team that is best suited to the patient's needs and condition, and such ART service team will be responsible for the patient's whole treatment process to keep the patient from having to visit different ART service teams or medical departments for different treatment procedures. Each ART service team consists of two to six medical professionals, including one to two experienced fertility physicians, one to two medical assistants and/or one to two nurses. One of the physicians, typically a chief physician or associate chief physician, acts as the team leader who oversees the daily medical activities of the team.

In each of our hospitals, our technical staff in the embryology laboratories carry out all embryology and andrology procedures, including egg collection, semen preparation, insemination including ICSI, embryo culture, monitoring and transferring, and cryopreservation including egg, sperm and embryo freezing and thawing. Our embryology laboratories are equipped with advanced equipment, including culturing systems such as tri-gas incubators and time-lapse incubators that generate artificial intelligence analysis and evaluation of embryonic development parameters, facilitating embryo selection. We offer such technology to all of our patients at all of our hospitals. Other equipment and facilities are also necessary in our treatment process, including, among others, air purification systems, continuous quality control monitoring systems, liquid nitrogen storage systems for storing of all frozen specimens, and patient identification verification systems. Over the years, we have accumulated extensive expertise and know-how in ART.

We perform comprehensive and scientific infertility examinations for male patients in our andrology laboratories. Our andrology laboratories are mainly equipped with computer-aided sperm analyzers (CASA), incubators, flow cytometers, seminal plasma biochemical analyzers, microscopes and fully automatic sperm staining instruments. We conduct routine semen examination, sperm morphology analysis, and seminal plasma biochemical examination in our andrology laboratories, which are of great significance for evaluating male fertility, screening infertility factors, and selecting assisted conception methods.

Through our four hospitals, we provide ART treatment solutions and ancillary medical services with a large geographical coverage, extending to patients across 15 surrounding provinces and municipalities, including Beijing, Tianjin, Hebei, Shandong, Inner Mongolia, Yunnan, Guizhou, Sichuan, Chongqing, Guangdong, Guangxi, Hunan, Jiangxi, Fujian and Hainan. The following map demonstrates the geographical reach of each of our hospitals:



The following sets forth the revenue generated by our hospitals during the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020[(1)]		2021[(1)]		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Zhanjiang Hospital	175,672	47.6	212,297	50.6	213,988	52.6	92,245	52.0	107,117	46.5
Tianjin Hospital	67,266	18.2	79,628	19.0	76,821	18.9	30,134	17.0	60,018	26.1
Jieyang Hospital	49,134	13.3	55,696	13.3	60,025	14.7	28,098	15.8	29,775	12.9
Kunming Hospital	55,211	14.9	62,683	14.9	56,343	13.8	26,941	15.2	33,459	14.5
Total	**347,283**	**94.0**	**410,304**	**97.8**	**407,177**	**100.0**	**177,418**	**100.0**	**230,369**	**100.0**

Note:

(1) Our revenue for the years ended December 31, 2020 and 2021 did not include revenue generated from our Shenzhen Gynecological Hospital, which did not obtain any ART license and was deregistered in 2022.

We generated a significant portion of revenue from Zhanjiang Hospital during the Track Record Period. See "Risk Factors — Risks Related to our Business and Industry — During the Track Record Period, we derived a significant portion of our revenue from Zhanjiang Hospital, and expect to continue to derive substantial amount of revenue from Zhanjiang Hospital in the near future. Any failure to successfully operate Zhanjiang Hospital could materially and adversely affect our results of operations and financial condition."

In 2013, we established Shenzhen IVF Gynecological Hospital (深圳愛維艾夫婦科醫院) ("**Shenzhen Gynecological Hospital**"), focusing on providing ancillary services. Shenzhen Gynecological Hospital did not obtain any ART license. Shenzhen Gynecological Hospital had ceased operation since July 2021, and was officially deregistered in 2022. For details of its deregistration and our reasons thereof, see "History, Reorganization and Corporate Structure — Our Corporate Developments — Major Shareholding Changes of Our Company and Our Principal Operating Subsidiaries — Deregistered Entity." For details of the financial statements of Shenzhen Gynecological Hospital during the Track Record Period, see "Financial Information — Description of Selected Items from Combined Statements of Profit or Loss."

See "Financial Information — Description of Selected Items from Combined Statements of Profit or Loss — Revenue" for a detailed analysis of the material fluctuations of our revenue during the Track Record Period.

Zhanjiang Hospital

Zhanjiang Hospital, our first hospital, commenced operation in 2010 and obtained the ART license in September 2010. Located in the west of Guangdong province, Zhanjiang Hospital is one of the first ART medical institutions in the region. In 2022, Zhanjiang Hospital and Jieyang Hospital, our two hospitals located in Guangdong, with an aggregate of 4,481 IVF cycles performed, collectively ranked second among all private ART service providers in Guangdong in terms of IVF cycles performed, enjoying a substantial market share of 3.8% in the Guangdong ART service market, according to Frost & Sullivan.

At Zhanjiang Hospital, we provide our patients with AIH, conventional IVF and ICSI treatment solutions. We also provide miscarriage prevention, diagnosis and treatment of recurrent miscarriage, and traditional Chinese medicine therapies through our departments of early pregnancy, recurrent miscarriage and traditional Chinese medicine. We maintain seven ART service teams at Zhanjiang Hospital, who performed 12,184 IVF cycles during the Track Record Period, with a success rate of 53.6% for the six months ended June 30, 2023. As of the Latest Practicable Date, Zhanjiang Hospital possessed five properties with a total GFA of approximately 64,562 sq.m used as hospital premises and equipment and inventory warehouse.

As of June 30, 2023, 211 full-time employees worked at Zhanjiang Hospital. We have built a core medical team of 96 medical professionals at Zhanjiang Hospital as of the same date, consisting of 33 full-time physicians (including 13 fertility physicians and 20 gynecologists, andrologists, Chinese medicine and other physicians), 11 embryology lab staff, and 52 nurses. Among the physicians, 27 held a bachelor's degree or above, five were chief physicians and ten were associate chief physicians as of the same date. In addition, as of June 30, 2023, there were nine additional physicians working at Zhanjiang Hospital under multisite practice, further expanding our team of medical experts.

The following table sets forth key operating data of Zhanjiang Hospital for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
Revenue (*RMB'000*)	175,672	212,297	213,988	92,245	107,117
Out-patient visits	149,838	172,186	179,858	81,998	96,851
Number of IVF cycles performed	3,108	3,696	3,638	1,486	1,742
Embryo transfers[(1)]	3,854	4,306	4,627	2,007	2,283
– Fresh embryo transfers	1,652	1,750	1,974	804	970
– Frozen embryo transfers	2,202	2,556	2,653	1,203	1,313
Average spending per IVF cycle[(2)] (RMB)	56,523	57,440	58,820	62,076	61,491
Success rate	53.7%	57.0%	55.7%	55.1%	53.6%

Notes:

(1) An embryo transfer may be a fresh embryo transfer or a frozen embryo transfer. Due to a larger-than-expected number of embryos produced or that fresh embryo transfers cannot be performed due to suboptimal uterine reception or other issues, embryos can be frozen and stored in liquid nitrogen for future transfers.

(2) Average spending per IVF cycle represents our revenue in a given year (including revenue generated from ART and ancillary services) divided by the number of IVF cycles performed in that year, which has taken into account of the spending by patients who receive AI, IVF and/or ancillary treatments.

During the Track Record Period, the relevant operational data of Zhanjiang Hospital experienced fluctuations for the following reasons:

- *Out-patient visits*. Our out-patient visits in Zhanjiang Hospital increased steadily during the Track Record Period, which was primarily driven by the growing demand for ART services from the infertile population in the relevant geographic markets.

- *Number of IVF cycles performed*. Our number of IVF cycles performed in Zhanjiang Hospital generally experienced an increasing trend during the Track Record Period, with a slight decrease in 2022 which was primarily attributable to the influence of the COVID-19 pandemic on our patients' willingness to visit Zhanjiang Hospital in the first half of 2022.

- *Average spending per IVF cycle*. Our average spending per IVF cycle increased from 2020 to 2022, primarily because we had gradually adopted the time-lapse incubation technology in our IVF treatment as a routine practice. Our average spending per IVF cycle decreased from the six months ended June 30, 2022 to the six months ended June 30, 2023, which was attributable to fewer embryological inspection items we conducted in the first half of 2023 due to patients' conditions.

Zhanjiang Hospital has proven capabilities in the field of ART. It has been elected as the chair of the Branch of Reproductive Medicine, Zhanjiang Medical Association (湛江醫學會生殖醫學分會主委單位) for two consecutive terms since 2018, each term lasting five years. During the Track Record Period, our medical team at Zhanjiang Hospital published 19 articles in renowned national, core or Science Citation Index ("**SCI**") journals. Zhanjiang Hospital also received 13 scientific research achievements in various relevant fields during the same years/periods. Additionally, it has received awards from various institutions and associations in recognition of its expertise and achievements. For more details, see "— Awards and Recognitions."

Tianjin Hospital

Tianjin Hospital commenced operation in 2012 and obtained the ART license in July 2016. In 2022, with 1,146 IVF cycles performed, Tianjin Hospital ranked first among all private ART service providers in Tianjin in terms of IVF cycles performed, enjoying a market share of 18.2% in the Tianjin ART service market and was the only private ART medical institution among the top five ART service providers in Tianjin, according to Frost & Sullivan.

Strategically located in Tianjin, an economically developed municipality with convenient transportation to surrounding locations with dense population such as Beijing and Hebei province, our experienced ART service teams at Tianjin Hospital are able to provide all-round ART, ancillary and obstetrics medical services to patients. Tianjin Hospital provides our patients with AIH, conventional IVF and ICSI treatment solutions. We also provide reproductive Chinese medicine treatment, specialty clinic for recurrent miscarriages and minimally-invasive gynecologic surgeries as ancillary medical services to ART treatment through the medical departments of traditional Chinese medicine, reproductive surgery and recurrent miscarriages. In addition, we offer child delivery services at Tianjin Hospital to extend our ART and ancillary service outreach. We maintain five ART service teams at Tianjin Hospital, who performed 4,627 IVF cycles during the Track Record Period, with a success rate of 55.1% for the six months ended June 30, 2023. As of the Latest Practicable Date, Tianjin Hospital occupied two properties with a total GFA of approximately 14,505 sq.m in a building leased from a third party used as hospital premises and equipment and inventory warehouse.

As of June 30, 2023, 157 full-time employees worked at Tianjin Hospital. We have built a core medical team of 84 professionals at Tianjin Hospital as of the same date, consisting of 30 full-time physicians (including nine fertility physicians and 21 gynecologists, andrologists, Chinese medicine and other physicians), nine embryology lab staff, and 45 nurses. Among the physicians, 26 held a bachelor's degree or above, two were chief physicians and 11 were associate chief physicians as of the same date. In addition, as of June 30, 2023, there were seven additional physicians working at Tianjin Hospital under multisite practice, further expanding our team of experts.

The following table sets forth key operating data of Tianjin Hospital for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
Revenue (*RMB'000*)	67,266	79,628	76,821	30,134	60,018
Out-patient visits	45,043	52,806	49,720	20,064	37,738
Number of IVF cycles performed	1,289	1,333	1,146	436	859
Embryo transfers(1)	1,357	1,705	1,376	498	1,072
– Fresh embryo transfers	454	395	439	154	380
– Frozen embryo transfers	903	1,310	937	344	692
Average spending per IVF cycle(2) (RMB)	52,185	59,736	67,034	69,115	69,870
Success rate	56.7%	58.1%	55.2%	56.2%	55.1%

Notes:

(1) An embryo transfer may be a fresh embryo transfer or a frozen embryo transfer. Due to a larger-than-expected number of embryos produced or that fresh embryo transfers cannot be performed due to suboptimal uterine reception or other issues, embryos can be frozen and stored in liquid nitrogen for future transfers.

(2) Average spending per IVF cycle represents our revenue in a given year (including revenue generated from ART and ancillary services) divided by the number of IVF cycles performed in that year, which has taken into account of the spending by patients who receive AI, IVF and/or ancillary treatments.

During the Track Record Period, the relevant operational data of Tianjin Hospital experienced fluctuations for the following reasons:

- *Out-patient visits*. Our out-patient visits in Tianjin Hospital increased from 2020 to 2021, which was primarily driven by the growing demand for ART services from the infertile population in the relevant geographic markets. Our out-patient visits in Tianjin Hospital decreased from 2021 to 2022, primarily due to the impact of the COVID-19 pandemic in 2022. We experienced a significant growth in out-patient visits from the first half of 2022 to the first half of 2023, primarily due to the recovery of patients' willingness to visit Tianjin Hospital after the COVID-19 pandemic had become generally contained in China, as well as the relocation of Tianjin Hospital to a new hospital campus with a more convenient transportation network and larger area for providing more treatment programs in January 2023.

- *Number of IVF cycles performed*. Our number of IVF cycles in Tianjin Hospital increased from 2020 to 2021 and decreased from 2021 to 2022. Furthermore, we experienced a significant growth in the number of IVF cycles in Tianjin Hospital from the first half of 2022 to the first half of 2023. The fluctuations of our number of IVF cycles in Tianjin Hospital during the Track Record Period were generally in line with those of the out-patient visits in the corresponding years/period.

- *Average spending per IVF cycle*. Our average spending per IVF cycle in Tianjin Hospital experienced a steady increase during the Track Record Period, primarily attributable to an increasing revenue contribution from providing ancillary medical services, which in particular included the recurrent miscarriage medical treatment.

Tianjin Hospital obtained the accreditation from Joint Commission International in 2016 in recognition of its quality patient care. During the Track Record Period, our medical team at Tianjin Hospital published 11 articles in renowned national, core or SCI journals.

Jieyang Hospital

Jieyang Hospital commenced operation in 2012 and obtained the ART license in April 2013. Located in the east of Guangdong and with 843 IVF cycles performed, Jieyang Hospital ranked first in 2022 among all private ART service providers in eastern Guangdong province in terms of IVF cycles performed, according to Frost & Sullivan.

At Jieyang Hospital, we provide our patients with AIH, conventional IVF and ICSI treatment solutions. We also provide andrology and gynecological treatment through our medical departments of gynecology, reproductive gynecology, reproductive andrology, traditional Chinese medicine and laboratory medicine. We maintain four ART service teams at Jieyang Hospital, who performed 2,871 IVF cycles during the Track Record Period, with a success rate of 66.5% for the six months ended June 30, 2023. As of the Latest Practicable Date, Jieyang Hospital leased one property with a total GFA of approximately 1,767 sq.m from a third party used as hospital premises.

As of June 30, 2023, 93 full-time employees worked at Jieyang Hospital. We have built a core medical team of 35 professionals at Jieyang Hospital as of the same date, consisting of ten full-time physicians (including six fertility physicians and four gynecologists, andrologists, Chinese medicine and other physicians), four embryology lab staff, and 21 nurses. Among the physicians, eight held a bachelor's degree or above, one was a chief physician and four were associate chief physicians as of the same date. In addition, as of June 30, 2023, there were five additional physicians working at Jieyang Hospital under multisite practice, further expanding our team of experts.

The following table sets forth key operating data of Jieyang Hospital for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
Revenue (*RMB'000*)	49,134	55,696	60,025	28,098	29,775
Out-patient visits	33,110	41,440	45,343	21,791	22,931
Number of IVF cycles performed	753	849	843	407	426
Embryo transfers[(1)]	1,145	1,164	1,307	587	558
– Fresh embryo transfers	196	316	240	106	131
– Frozen embryo transfers	949	848	1,067	481	427
Average spending per IVF cycle[(2)] (RMB)	65,251	65,602	71,204	69,037	69,894
Success rate	65.7%	65.1%	65.3%	64.9%	66.5%

Notes:

(1) An embryo transfer may be a fresh embryo transfer or a frozen embryo transfer. Due to a larger-than-expected number of embryos produced or that fresh embryo transfers cannot be performed due to suboptimal uterine reception or other issues, embryos can be frozen and stored in liquid nitrogen for future transfers.

(2) Average spending per IVF cycle represents our revenue in a given year (including revenue generated from ART and ancillary services) divided by the number of IVF cycles performed in that year, which has taken into account of the spending by patients who receive AI, IVF and/or ancillary treatments.

During the Track Record Period, the relevant operational data of Jieyang Hospital experienced fluctuations for the following reasons:

- *Out-patient visits*. Our out-patient visits in Jieyang Hospital increased steadily during the Track Record Period, which was primarily driven by the growing demand for ART services from the infertile population in the relevant geographic markets.

- *Number of IVF cycles performed*. Our number of IVF cycles performed in Jieyang Hospital generally experienced an increasing trend during the Track Record Period, with a slight decrease in 2022 which was primarily influenced by the COVID-19 pandemic on our patients' willingness to visit Jieyang Hospital in 2022.

- *Average spending per IVF cycle*. Our average spending per IVF cycle in Jieyang Hospital experienced steady increases during the Track Record Period, primarily (i) attributable to an increase in fees charged for preserving the frozen embryos for patients; and (ii) because we had gradually adopted the time-lapse incubation technology in our IVF treatment as a routine practice.

During the Track Record Period, our medical team at Jieyang Hospital published eight articles in renowned national journals. Jieyang Hospital also received one scientific research achievement in the field of embryo transfer.

Kunming Hospital

Kunming Hospital commenced operation in 2013 and obtained the ART license in August 2013. Located in the capital city of Yunnan, Kunming Hospital serves a wide geographical area including multiple cities in Southwest China. In 2022, with 1,079 IVF cycles performed, Kunming Hospital ranked third among all private ART service providers in Yunnan province in terms of IVF cycles performed, enjoying a market share of 5.4% in the Yunnan ART service market, according to Frost & Sullivan.

At Kunming Hospital, we provide patients with AIH, conventional IVF and ICSI treatment solutions. We also provide ancillary treatment including reproductive Chinese medicine treatment and clinic for early pregnancy through our medical departments of gynecology, reproductive traditional Chinese medicine and early pregnancy, to support our provision of ART and ancillary services. We maintain four ART service teams at Kunming Hospital, who performed 3,887 IVF cycles during the Track Record Period, with a success rate of 53.6% for the six months ended June 30, 2023. As of the Latest Practicable Date, Kunming Hospital occupied one property with a total GFA of 3,797 sq.m in a building leased from a third party used as hospital premises.

As of June 30, 2023, 103 full-time employees worked at Kunming Hospital. We have built a core medical team of 39 professionals at Kunming Hospital as of the same date, consisting of nine full-time physicians (including five fertility physicians and four gynecologists, andrologists, Chinese medicine and other physicians), five embryology lab staff and 25 nurses. Among the physicians, eight held a bachelor's degree or above, one was chief physicians and four were associate chief physicians as of the same date. In addition, as of June 30, 2023, there were two additional physicians working at Kunming Hospital under multisite practice, further expanding our team of experts.

The following table sets forth key operating data of Kunming Hospital for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
Revenue (*RMB'000*)	55,211	62,683	56,343	26,941	33,459
Out-patient visits	37,472	41,777	40,604	19,229	22,366
Number of IVF cycles performed	1,052	1,145	1,079	475	611
Embryo transfers(1)	1,247	1,438	1,273	626	726
– Fresh embryo transfers	419	543	475	225	233
– Frozen embryo transfers	828	895	798	401	493
Average spending per IVF cycle(2) (RMB)	52,482	54,745	52,218	56,718	54,761
Success rate	56.1%	56.6%	56.6%	56.4%	53.6%

Notes:

(1) An embryo transfer may be a fresh embryo transfer or a frozen embryo transfer. Due to a larger-than-expected number of embryos produced or that fresh embryo transfers cannot be performed due to suboptimal uterine reception or other issues, embryos can be frozen and stored in liquid nitrogen for future transfers.

(2) Average spending per IVF cycle represents our revenue in a given year (including revenue generated from ART and ancillary services) divided by the number of IVF cycles performed in that year, which has taken into account of the spending by patients who receive AI, IVF and/or ancillary treatments.

During the Track Record Period, the relevant operational data of Kunming Hospital experienced fluctuations for the following reasons:

- *Out-patient visits*. Our out-patient visits in Kunming Hospital increased from 2020 to 2021, which was primarily driven by the growing demand for ART services from the infertile population in the relevant geographic markets. Our out-patient visits in Kunming Hospital decreased from 2021 to 2022, primarily due to the impact of the COVID-19 pandemic in 2022. We experienced an increase in out-patient visits from the first half of 2022 to the first half of 2023, primarily due to the recovery of patients' willingness to visit Kunming Hospital after the COVID-19 pandemic had become generally contained in China.

- *Number of IVF cycles performed*. Our number of IVF cycles in Kunming Hospital increased from 2020 to 2021 and decreased from 2021 to 2022. Furthermore, we experienced an increase in the number of IVF cycles in Kunming Hospital from the first half of 2022 to the first half of 2023. The fluctuations of the number of IVF cycles in Kunming Hospital during the Track Record Period were generally in line with those of the out-patient visits in the corresponding years/period.

- *Average spending per IVF cycle*. Our average spending per IVF cycle in Kunming Hospital increased from 2020 to 2021, primarily due to an increasing revenue contribution from providing ancillary medical services, which in particular included the gynecological treatment. Our average spending per IVF cycle in Kunming Hospital decreased from 2021 to 2022, primarily because in 2021, more patients received pre-IVF treatment due to their conditions, including gynecological and andrological inspections, which resulted in more spending in such period. Our average spending per IVF cycle in Kunming Hospital decreased from the first half of 2022 to the first half of 2023, primarily because in the first half of 2022, more patients received pre-IVF treatment due to their conditions, including gynecological and andrological inspections, which resulted in more spending in such period.

Kunming Hospital has become a group member of Kunming Medical Association (昆明醫學會團體會員) since 2014. During the Track Record Period, our medical team at Kunming Hospital published seven articles in renowned journals.

OUR SERVICE PROGRAMS

In addition to our regular ART and ancillary services, we have launched diversified service programs to comprehensively cover our patients' different demands. Our services programs include packaged ART and ancillary services, and "first-class" VIP services.

Packaged ART and Ancillary Service Programs

We offer packaged ART and ancillary service programs which cover the whole diagnostic and treatment process. Patients who participate in our packaged ART and ancillary service programs enjoy multiple embryo transfers under a lump-sum payment arrangement. Under our packaged ART and ancillary service programs, if a patient fails to achieve clinical pregnancy after the pre-agreed number of embryo transfers in our hospitals within a specified period of time, the patient is entitled to receive a refund of the lump-sum payment. Depending on the numbers of egg retrievals and embryo transfer procedures, we offer different types of packaged ART and ancillary service programs. We believe our packaged ART and ancillary service programs can reduce the financial and psychological burden on our patients in circumstances where the PRC government does not currently include ART services in the national social medical insurance program.

The key terms of our packaged ART and ancillary service program agreement are generally summarized as follows (certain terms may vary for our different packaged programs):

Service scope. . . . . We provide one set of diagnostic and treatment service plan, which includes the pre-agreed number of egg retrievals and embryo transfers. Our diagnostic and treatment service plan primarily includes the following items and tests, as well as the necessary materials used:

- Ultrasound examination for the monitoring of ovulation or follicular growth;
- Hormone tests during ovarian stimulation;
- Gynecological flushing, injection, and blood drawing;
- Egg retrieval surgery;
- Semen optimization processing;
- Insemination;
- Embryo culture (including blastocyst culture);
- Embryo transfer (up to pre-agreed number of transfers);
- Embryo freezing and thawing;
- Assisted hatching of embryos;
- Pregnancy blood test; and
- Clinical pregnancy ultrasound examination.

Our service scope normally does not include fertility assessment of the patients, treatment for ectopic pregnancy, multiple pregnancy reduction surgery, early pregnancy loss surgery or other unconventional examination and treatment costs incurred during the treatment.

Clinical pregnancy success indicators . . . . If one of the following criteria is met, clinical pregnancy success shall be confirmed:

Within a certain number of days after embryo transfer,

(1) the gestational sac, and fetal bud and heart are observed under B-scan ultrasound examination; or

(2) no gestational sac is observed in the uterus under B-scan ultrasound examination, but ectopic pregnancy can be confirmed.

If the patient raises objections to the clinical pregnancy test result, the patients and us shall negotiate to immediately choose a mutually recognized Class III Grade A hospital, or choose from our designated hospitals. Our medical professionals will accompany the patient to such hospital for the clinical pregnancy test. Under certain packaged ART and ancillary service programs, if any dispute persists, the patient and us shall immediately choose another Class III Grade A hospital to conduct the pregnancy test, the result of which shall be conclusive. All the cost and expenses in relation to the above-mentioned dispute resolution in the manner as contemplated by the agreement incurred shall be borne by the patient. Either the patients and/or we who engage in fraud or obstruct the pregnancy test shall make economic compensation to the other party.

Service term . . . . Ranging from one to two years since the date of signing the agreement

Termination . . . . The agreement shall be terminated under the following circumstances:

(1) For a successful clinical pregnancy, a *Notice of Completion of IVF Cycle* will be issued by us, under which circumstance no refund will be made;

(2) For any failure to achieve clinical pregnancy, (a) when there is no pregnancy after the completion of the pre-agreed number of egg retrievals and embryo transfers, full refund will be made; or (b) if the patient refuses to have more eggs retrieved when the available eggs are not enough to form the pre-agreed number of embryos, no refund will be made; and

	(3) If the treatment cannot proceed due to one or more of the following reasons, actual expenses incurred plus an additional service fee will be charged: (a) the patient is pregnant through natural sexual intercourse; (b) the patient divorces; or (c) other factors attributable to the patient that prevent the completion of the treatment plan, such as sudden diseases, family reasons and other *force majeure* events.
Dispute resolution	In the event of any dispute related to the enforcement of the agreement, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

To cover the costs of unsuccessful treatment, we have entered into cooperation agreements with a commercial insurance provider to be involved in the refund settlement of unsuccessful packaged ART and ancillary service programs. Pursuant to such cooperation agreements, we pay our cooperating commercial insurance provider a pre-agreed amount of insurance premium for each of the packaged ART and ancillary service programs. When patients fail to achieve clinical pregnancy after completion of the packaged ART and ancillary service programs, they have the right to demand us for payment of the refund, and our cooperating commercial insurance provider will settle the payment directly with these patients or compensate us when we have completed the refund settlement with such patients. Each of our hospitals, at its discretion based on its business strategies, may choose between insured or uninsured packaged ART and ancillary service programs to maintain a commercially more favorable operation. Among our hospitals, Zhanjiang Hospital and Tianjin Hospital has adopted insured packaged ART and ancillary service programs to cover the costs of full refund under unsuccessful treatment. Jieyang Hospital has adopted uninsured packaged ART and ancillary service programs because of its relatively high success rate due to younger patients as compared to our other three hospitals. Kunming Hospital has not adopted any packaged ART and ancillary service program considering local patients' spending habits.

For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, 245, 590, 956, 434 and 591 packaged ART and ancillary service agreements were entered into, from which we generated revenue of RMB6.3 million, RMB23.5 million, RMB41.6 million, RMB14.3 million and RMB24.6 million, respectively, accounting for 1.7%, 5.6%, 10.2%, 8.1%, and 10.7% of our total revenue for the corresponding years/periods. For the same years/periods, the insurance premium we paid to the cooperating commercial insurance provider amounted to RMB0.3 million, RMB3.1 million, RMB6.9 million, RMB3.0 million and RMB4.4 million, respectively, and the uninsured refund settlement we paid to patients amounted to RMB0.5 million, RMB1.1 million, RMB0.7 million, RMB0.3 million and RMB0.4 million, respectively.

"First-class" VIP Service Program

We have introduced a "first-class" VIP service program ("頭等艙"服務工程) to provide high-value patients with customized one-on-one butler-style services in our Zhanjiang Hospital. The customized value-added services include green channel for medical appointments, medical consultation with senior, experienced experts, and exclusive accompanying services during the whole diagnostic and treatment process. With our VIP service program, we aim to provide our VIP patients with the best medical experience all round.

Once we receive a request for an early appointment from the patients, we will arrange experienced clinical experts to provide one-on-one medical consultation to them. Remote medical care services are also available for VIP patients. We assign dedicated medical assistants to provide exclusive accompanying services during the whole treatment process, including testing, report collection, medication collection and surgical procedures. The patients can also enjoy exclusive parking lot and VIP elevator access, which enables the patients to arrive at the medical treatment department directly.

For the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, 181, 200, 101, 55 and 71 patients participated in the "first-class" VIP service program, from which we generated revenue of RMB1.2 million, RMB1.4 million, RMB0.7 million, RMB0.4 million and RMB0.4 million, respectively, accounting for 0.3%, 0.3%, 0.2%, 0.2% and 0.2% of our total revenue for the corresponding years/periods.

MEDICAL COOPERATION WITH OTHER HOSPITALS AND CLINICS

During the Track Record Period, our Jieyang Hospital and Kunming Hospital established medical cooperation with independent local general hospitals and community healthcare clinics. We did not receive any monetary consideration for such cooperation. Through such cooperation, the medical institutions and us are able to enjoy the shared medical resources and patient referrals to achieve a win-win situation. Additionally, patients can complete certain pre-ART consultation and check-ups in these medical institutions, which allows for a convenient and efficient way of receiving medical services. The medical cooperation supplements our provision of ART and ancillary services. Key terms of our medical cooperation agreements with these hospitals and clinics are summarized as follows:

Medical cooperation. Our hospitals and the cooperating local general hospitals and community healthcare clinics make patients referrals to each other when necessary. We also provide each other with training opportunities to medical professionals, and conduct scientific research collaboration and academic exchanges from time to time. These local hospitals and community healthcare clinics can also arrange, upon request, experienced physicians to provide guidance and medical support to our hospitals.

Term of cooperation. Our cooperation agreements typically last for one to three years.

Costs and expenses. Our hospitals and the cooperating hospitals and clinics bear their own respective costs and expenses.

Termination of cooperation. The cooperation agreement may be terminated by (i) upon mutual consent, (ii) in the event of a force majeure or changes in national or local governmental policies, and (iii) by the non-defaulting party in the event of a material breach of contract or conducting business beyond the scope of cooperation.

Dispute resolution. In the event of any dispute related to the enforcement of the cooperation agreement, both parties shall negotiate amicably. If an agreement cannot be reached, the parties have the right to sue.

MEDICAL PROFESSIONALS

There are generally three types of medical professionals practicing at our hospitals: (i) medical professionals who are employees of our hospitals and only practice at our hospitals on a full-time basis; (ii) physicians whose primary registered medical institutions are third-party hospitals and also practice at our hospitals on a part-time basis ("**multi-site practice physicians**"); and (iii) physicians whose primary registered medical institutions are our hospitals and practice at our hospitals on a part-time basis ("**part-time physicians**"). For details of the PRC regulations with respect to multi-site practice physicians, see "Regulatory Overview — Regulations on Medical Practitioners of Medical Institutions — Administrative Measures for the Registration of Practicing Physicians." The qualification and expertise of medical professionals practicing at our hospitals are vital to the quality of our services and our competitiveness. Our medical professionals possess medical practice certificates, qualification certificates, and professional training certificates in relevant professional fields. Licensed medical professionals are subject to periodic assessment of their professional skills, achievements and professional ethics by institutions or organizations authorized by the public health department in the PRC. Each of the medical professionals practicing at our hospitals have obtained the necessary qualification certificate for his or her medical practice in the PRC. We also closely monitor the qualification registration and licensing records of our medical professionals on a continuing basis to ensure that all medical professionals practicing at our medical facilities comply with all applicable requirements under PRC laws and regulations. In particular, we endeavor to ensure that each physician's practice is within the scope and term of his or her qualification and license.

We provide training to our own medical professionals and organize various experience sharing sessions periodically. Additionally, we sponsor our selected medical professionals a 3-month ART professional qualification training and provide them with other specialized training opportunities. We also provide our medical professionals with opportunities to participate in domestic and overseas academic symposiums. As a result of our cultivation and opportunities provided to our medical professional talents, we have nurtured a strong sense of commitment among our medical professionals, and thereby achieved a high retention rate of medical professionals during the Track Record Period, reaching 92.7%, 88.0%, 87.3% and 96.4%, respectively, in 2020, 2021 and 2022 and the six months ended June 30, 2023. The following table shows the details of the medical professionals practicing at our hospitals during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
Physicians	89	94	96	98	108
– Full-time physicians	76	78	84	85	82
– Multi-site practice physicians	11	14	10	10	23
– Part-time physicians	2	2	2	3	3
Embryology lab staff	28	25	27	27	29
Medical technicians	50	54	61	58	65
Medical assistants	10	11	10	10	10
Nurses	120	131	140	138	143
Total	**297**	**315**	**334**	**331**	**355**

During the Track Record Period, we experienced an increasing trend of the number of our physicians, embryology lab staff, medical technicians, medical assistants and nurses due to our efforts in maintaining our medical professionals. The number our full-time physicians decreased slightly from 84 in 2022 to 82 for the six months ended June 30, 2023, which is a normal personnel change during our ordinary course of business.

PRICING

Pricing for Our ART and Ancillary Services

Pursuant to the applicable PRC laws and regulation, a non-public for-profit medical institution is generally entitled to set the prices of its services at its own discretion, but the price must be determined reasonably according to the principles of fairness, legality, honesty and credibility and the price must remain relatively stable for a certain period of time. See "Risk Factors — Risks Relating to Our Business and Industry — If we become subject to additional pricing guidelines on medical services, pharmaceuticals, medical equipment and medical consumables, our revenue may be adversely affected." We price our ART and ancillary services based on certain factors, including operating costs, age and physical conditions of individual patients, patient needs, local market conditions and pricing of competitors, with reference to the local medical insurance catalogs of public hospitals.

Under China's national medical insurance scheme, except under limited circumstances in certain cities where our hospitals do not operate, patients are not entitled to be reimbursed for ART treatment in general, but can be reimbursed for certain ancillary medical services, including obstetrics and internal medicine. As Zhanjiang Hospital and Tianjin Hospital are Medical Insurance Designated Medical Institutions (醫保定點醫療機構), they are required to set prices of their medical insurance-covered services, including ancillary medical services such as obstetrics, gynecological and andrological treatment services, based on price catalogs published by the relevant governmental authorities. Payments with respect to the services covered by the national medical insurance scheme are settled by the local medical insurance fund management bureaus that are responsible for the reimbursement of medical expenses.

Pricing for Pharmaceutical Products and Medical Consumables

Our hospitals are generally entitled to set the retail prices of the pharmaceutical products and consumables at our own discretion. As non-public hospitals, our hospitals are not subject to the pharmaceutical zero-markup policy (藥品零加成政策), which is a requirement for public hospitals only and under which essential pharmaceuticals are sold to patients at cost and consequently the public hospitals do not make a profit on the sale of these pharmaceuticals.

SALES, BRANDING AND MARKETING

We have an internal department specializing in the sales, branding and marketing of our services and solution offerings. We have a variety of sales, branding and marketing strategies, including (i) brand promotion; (ii) hosting academic events; (iii) online consultation; (iv) social welfare activities; and (v) word-of-mouth advertisements. Through our sales, branding and marketing activities, not only do we promote our ART and ancillary services to patients seeking for infertility treatment, we also attract talents to join us.

The following describes our sales and marketing efforts:

- *Brand promotion*. We promote our brand through online and offline methods. Offline methods include advertisements in communities, outdoor banners, publicity activities and others. Online methods include brand awareness promotion through third-party search engines, and posting articles on frequently used social media sources to spread knowledge of ART and promote our ART and ancillary services.

- *Hosting academic events*. We host ART academic conferences and events with hospital and medical institutions. Through such events, we discuss ways to advance ART and build relationships with participants with the goal to extend the medical technology and resources to a greater number of infertile patients.

- *Online consultation*. We provide online consultations for patients and registrations for in-person appointments made on our official website and WeChat official account. We also periodically update information relating to ART and ancillary services to spread awareness.

- *Social welfare activities*. We participate in lectures and offer consultation at clinics organized by social welfare organizations to answer questions of ART to the public and spread knowledge of ART, meanwhile also raising brand awareness of our hospitals and ART and ancillary services.

- *Word-of-mouth advertisement*. We give great importance to the quality of our service to patients. Established with a "patient-first" philosophy, we generally have high patient satisfaction and with positive word-of-mouth recommendations from existing patients to potential patients.

Medical advertising is strictly regulated in China. See "Risk Factors — Risks Relating to Our Business and Industry — Any non-compliance with medical and advertising laws, rules and regulations could subject us to penalties or fines." In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our selling and distribution expenses amounted to RMB22.9 million, RMB24.2 million, RMB25.3 million, RMB11.4 million and RMB13.4 million, respectively, resulting from our continuous sales and marketing efforts.

OUR CUSTOMERS

Our customers are primarily individual patients. Substantially all of our customers were individual patients during the Track Record Period. We generally do not enter into long-term agreements with our individual patients, and nor do we grant any credit term to them. All of the five largest customers during each year/period comprising the Track Record Period were individual patient. In 2020, 2021, 2022 and for the six months ended June 30, 2023, the aggregate revenue generated from our five largest customers accounted for 0.17%, 0.16%, 0.18% and 0.25% of our total revenue in the corresponding years/period, respectively.

To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each year/period were Independent Third Parties. During the Track Record Period, we did not have any material disputes with, nor did we receive any material complaints from, our customers.

QUALITY CONTROL

We are subject to numerous rules and regulations that regulate the qualifications and conduct of medical professionals and standards for healthcare services in China. See "Regulatory Overview — Regulations on Medical Practitioners of Medical Institutions." We commit to complying with relevant rules and regulations in preventing and minimizing various risks and hazards associated with our operations. For example, we cover the core procedures and systems of clinical quality and safety promulgated by the NHC to ensure diagnostic and treatment service quality, which include proper procedures for initial diagnosis, consultation, ward inspection, pre-IVF operation discussions, medical record keeping, duty shifts and hand-over system. Our hospitals are periodically subject to regular and *ad hoc* inspections by the national, provincial and local municipal health bureaus to ensure our compliance with such procedures and systems. As of the Latest Practicable Date, none of our hospitals had been found in violation of the procedures and any other laws and regulations in any material way, the clearance of which is a pre-requisite for our hospitals to renew the hospital practice licenses.

To ensure consistent, high-quality services that meet or exceed the standards mandated by the applicable laws and regulations, we have established comprehensive quality control measures to prevent and minimize risks associated with our medical practice. For example, we have implemented regular training for our medical professionals to familiarize them with the core procedures and systems mandated by the NHC for continuing compliance. Our hospitals periodically review and assess the practice of each ART service team and identify issues to correct and improve. Likewise, we conduct periodical review and assessment on the overall performance of our staff using various key performance indicators, including services quality, the results of which predetermine their remuneration, especially the performance bonus. Realizing the corruption risks underlying prescriptions and medical practices, we do not involve our medical professionals in the pharmaceutical procurement process by segregating the procurement function from our hospitals and adopting a centralized procurement department at the Group level.

We keep a record of all patients' complaints and take follow-up actions to address their concerns when necessary. When there is a physician-patient dispute, we promptly form a special team, consisting of the relevant ART service team leader and members of the medical department and administration, to take responsibility and respond to the dispute. The special team will patiently listen to the complaints and opinions from the patients or their family members, and take detailed records including the name, gender and age of the complaining patients, the major requirement of the complaints, inspections carried out, reporting issues and results. If, after due and careful investigation, inspections and inquiries, we determine that such medical dispute arises from our medical quality or is caused by medical operational errors, we will take serious actions against the relevant medical professionals depending on the severity of the situation, and provide necessary economic compensation to the patients. After the resolution of such medical dispute, we report the dispute and the results to local authorities in charge. In addition, timely discussions will be organized within the relevant medical teams or departments with respect to relevant corrective measures. During the Track Record Period, we did not receive any material disputes or complaints from our patients.

Our quality service goes beyond medical diagnosis and treatment. We design our hospitals to be a comfortable and relaxing environment to make patients feel at ease. We have a dedicated patient service center in each of our hospitals to provide various patient services including, among others, providing general information about our hospitals and our services, answering various enquiries, offering patient direction services, scheduling appointments, collecting post-consultation feedback, providing medication delivery services, and photocopying medical records. We have also set up our WeChat subscription account through which our patients can have easy access to general information about our hospitals and our services, various guides on appointment, patient visits and insurance related matters.

SUPPLY AND PROCUREMENT

We primarily procure pharmaceuticals and medical consumables for our provision of medical services. Each of our hospitals has its own procurement department, which is responsible for collecting procurement needs within each hospital and submitting the procurement plans to the general procurement manager at the Group level. We generally maintain three to four distributors for each of our major pharmaceutical or medical consumables to ensure sufficient and quality supplies. We purchase pharmaceuticals based on the price set by the national centralized procurement program, and medical consumables based on the bidding price set by the government and price adopted by public hospitals.

Our suppliers mainly include providers of pharmaceuticals, medical consumables and equipment, construction service company and insurance service providers in China. In 2020, 2021, 2022 and for the six months ended June 30, 2023, purchases from our five largest suppliers amounted to RMB200.6 million, RMB156.6 million, RMB104.1 million and RMB52.7 million, respectively, accounting for 77.2%, 65.2%, 45.5% and 49.3% of our total purchases in the same years/periods. For the same years/period, purchases attributable to our largest supplier amounted to RMB121.7 million, RMB66.2 million, RMB37.1 million and RMB21.7 million, respectively, accounting for 46.8%, 27.6%, 16.2% and 20.3% of our total purchases. During the Track Record Period, our suppliers generally granted us a credit term of 30 to 90 days. During the Track Record Period, we primarily procured supplies from our top five suppliers and may be susceptible to concentration risk. See "Risk Factors — Risks Relating to our Business and Industry — We rely on major suppliers for a large portion of our procurement for supplies."

The following table sets forth the details of our five largest suppliers in each year/period based on purchases from them during the Track Record Period:

For the year ended December 31, 2020

Ranking	Supplier	Type of products/ services purchased	Year of commencement of business relationship with us	Principal business	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	
1.	Supplier A	Construction	2019	Building decoration and construction	–[(1)]	Bank transfer	121,749	46.8%
2.	Supplier B	Pharmaceutical products and consumables	2010	Pharmaceutical manufacturing services and pharmaceutical sales	30-90 days	Bank transfer	33,863	13.0%
3.	Supplier C	Pharmaceutical products	2010	Pharmaceutical sales	60-90 days	Bank transfer	29,821	11.5%
4.	Supplier D	Equipment, consumables and diagnostic service	2017	Medical diagnostic services and diagnostic technology	60-90 days	Bank transfer	9,520	3.7%
5.	Supplier E	Pharmaceutical products	2011	Pharmaceutical manufacturing services	15-45 days	Bank transfer	5,674	2.2%
	Total						**200,627**	**77.2%**

For the year ended December 31, 2021

Ranking	Supplier	Type of products/ services purchased	Year of commencement of business relationship with us	Principal business	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	
1.	Supplier A	Construction	2019	Building decoration and construction	–[(1)]	Bank transfer	66,154	27.6%
2.	Supplier B	Pharmaceutical products and consumables	2010	Pharmaceutical manufacturing services and pharmaceutical sales	30-90 days	Bank transfer	37,444	15.6%
3.	Supplier C	Pharmaceutical products	2010	Pharmaceutical sales	60-90 days	Bank transfer	29,978	12.5%
4.	Supplier F	Pharmaceutical products and consumables	2013	Pharmaceutical manufacturing services	30-60 days	Bank transfer	11,621	4.8%
5.	Supplier D	Equipment, consumables and diagnostic service	2017	Medical diagnostic services and diagnostic technology	60-90 days	Bank transfer	11,376	4.7%
	Total						**156,573**	**65.2%**

For the year ended December 31, 2022

Ranking	Supplier	Type of products/ services purchased	Year of commencement of business relationship with us	Principal business	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	
1.	Supplier B	Pharmaceutical products and consumables	2010	Pharmaceutical manufacturing services and pharmaceutical sales	30-90 days	Bank transfer	37,063	16.2%
2.	Supplier C	Pharmaceutical products	2010	Pharmaceutical sales	60-90 days	Bank transfer	31,133	13.6%
3.	Supplier D	Equipment, consumables and diagnostic service	2017	Medical diagnostic services and diagnostic technology	60-90 days	Bank transfer	13,873	6.1%
4.	Supplier G	Construction	2021	Building decoration and construction	N/A	Bank transfer	11,883	5.2%
5.	Supplier F	Pharmaceutical products and consumables	2013	Pharmaceutical manufacturing services	30-60 days	Bank transfer	10,099	4.4%
	Total						**104,051**	**45.5%**

For the six months ended June 30, 2023

Ranking	Supplier	Type of products/ services purchased	Year of commencement of business relationship with us	Principal business	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	
1.	Supplier B	Pharmaceutical products and consumables	2010	Pharmaceutical manufacturing services and pharmaceutical sales	30-90 days	Bank transfer	21,698	20.3%
2.	Supplier C	Pharmaceutical products	2010	Pharmaceutical sales	60-90 days	Bank transfer	15,367	14.4%
3.	Supplier D	Equipment, consumables and diagnostic service	2017	Medical diagnostic services and diagnostic technology	60-90 days	Bank transfer	6,365	6.0%
4.	Supplier F	Pharmaceutical products and consumables	2013	Pharmaceutical manufacturing services	30-60 days	Bank transfer	4,813	4.5%
5.	Supplier H	Insurance services	2020	Insurance services	N/A	Bank transfer	4,426	4.1%
	Total						**52,669**	**49.3%**

Note:

(1) Pursuant to the construction service agreement entered into by our Zhanjiang Hospital, 50% of the payment for the monthly construction service is settled each month and the remaining amount is accumulated and would be fully settled within five years after the completion of the construction project.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or delay in delivery of our orders from our suppliers.

To the best of our Directors' knowledge, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year/period as of the Latest Practicable Date.

INVENTORY MANAGEMENT

Inventories of our hospitals primarily comprise pharmaceutical products and consumables and others. See "Financial Information — Description of Certain Items of Combined Statements of Financial Position — Inventories." We place our inventories in climate-controlled storage areas in accordance with our storage requirements.

Each of our hospitals, based on their respective actual consumption of pharmaceutical products and consumables and the remaining inventory level, makes monthly procurement plans to ensure sufficient medical supplies. We carry out regular physical inventory counts from time to time to verify the accuracy of our inventory records. We monitor the level of inventory at each hospital on a monthly basis and identify inventories that are obsolete or close to expiration. Once the medical supplies are expired, we safely dispose of them in accordance with applicable laws and regulations and write them off accordingly. During the Track Record Period, we did not experience any significant write-offs of our inventories.

DATA SECURITY AND PATIENT DATA MANAGEMENT

We collect and process data when necessary, in particular certain information of patients, to provide ART and ancillary services. Such information collected and processed by us mainly includes (i) basic personal information of patients (such as name, mobile number and address), (ii) personal identity information (such as identity number), (iii) personal property information (such as bank account number), and (iv) other health and physiological information (such as medical history, in-patient/out-patient medical records, diagnosis results and test reports). We also collect network identity information and online communication records from patients and potential patients when providing online consultation services.

The PRC laws and regulations require medical institutions to protect the privacy of their patients and prohibit unauthorized disclosure of personal information. See "Regulatory Overview — Regulations on Personal Information and Data Protection" for details. We have taken measures to maintain the confidentiality of our patients' medical information, including installing advanced information technology systems to properly manage our patients' information, encrypting such information in our information technology systems so that it cannot be accessed without authorization, and setting up an internet access gateway at each of our hospitals to control and ensure the security of data exchange between them and our central database. In addition, we have implemented a confidential information security policy which requires, among others, (i) all of our employees to keep all patient data confidential and to receive mandatory training on our information security policies; (ii) to adopt security measures in respect of the transmission, storage and disposal of patient data; and (iii) patient data to be used only for the purpose of providing services to the patients themselves. Retention and disposal scheduling of patient data collected through hospital operations is of utmost importance to protect patient privacy and improve business resilience. We set specified medical record retention periods in accordance with the Data Security Law of the PRC in our policies and strictly require our employees to follow them. After the retention periods of medical records are satisfied, we destroy or dispose of them by shredding or other comparable method to make sure that the information cannot be recovered or reconstructed. Once records are scheduled for destruction or disposal, we will secure such records against unauthorized or inappropriate access until the destruction or disposal is complete. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of user data, and nor did we experience any breach of patient confidential information or any other patient information related incidents which could cause a material adverse effect on our business, financial condition or results of operations. According to our PRC Data Compliance Advisor, as of the Latest Practicable Date, we were in compliance with all PRC laws and regulations relating to personal information protection, data security and cybersecurity in all material respects, and we have taken necessary measures to protect data security and cybersecurity in accordance with relevant PRC laws and regulations.

INFORMATION TECHNOLOGY SYSTEMS

Our integrated, centralized information technology systems include HIS (Hospital Information System), LIS (Laboratory Information System), PACS (Picture Archiving and Communication System), ART system, OA (Office Automation) system, and finance system.

We use HIS to manage day-to-day medical activities carried out at our hospitals, including out-patient and in-patient diagnosis, treatment, care and other services, issuing physicians' prescriptions, electronic medical record keeping and maintenance, pharmacy management, and billing and payment. We use LIS to manage clinical laboratories at our hospitals, including sample collection, sample transportation, sample check, sample registration and report issuance. We use PACS in our B-ultrasound and radiology departments for the collection, storage and management of digital images containing medical information generated by devices including ultrasound machine, radiology and laparoscope. We use our ART system to keep patients' records and their detailed medical history, including treatment plans, egg retrievals, embryo cryopreservation, thawing, transfer and development, semen processing, and other related information. We use our OA system for administrative matters, and finance system for finance matters. Each of our information technology systems has an interface with other systems, enabling interconnection and effective sharing of information.

INTELLECTUAL PROPERTY

We regard our patents, trademarks, know-how, domain names and other intellectual property rights as critical to our competitiveness and success. As of the Latest Practicable Date, we had one patent, 30 trademarks and 17 registered domain names registered in the PRC. We are also in the process of applying for one trademark in Hong Kong. See "Appendix VI Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" for more information.

We have taken the following key measures to protect our intellectual property rights: (i) implementing a set of comprehensive internal policies to establish management over our intellectual property rights, (ii) timely registration, filing and application for ownership of our intellectual properties, (iii) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (iv) engaging professional intellectual property service providers.

During the Track Record Period and as of the Latest Practicable Date, we were not engaged in or threatened with any claim for material infringement of any intellectual property rights, whether as a claimant or as a defendant. However, our protective measures may not provide sufficient protection of our intellectual property rights. Our intellectual properties may be misused by business partners or other third parties. Despite any measures taken to protect our intellectual properties, unauthorized parties may attempt to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to adequately protect our intellectual properties. See "Risk Factors — Risks Relating to Our Business and Industry — Unauthorized use of our intellectual property rights by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business and competitive position."

AWARDS AND RECOGNITIONS

We have gained widespread recognition for our services. The following table sets forth our major awards and recognitions during the Track Record Period:

Year	Granted Entity	Award/Recognition	Issuing Authority/Body
2023 . .	Tianjin Hospital	Best Public Welfare Award in the 2023 10th Global Women's Competition (Tianjin Division) (2023年度第十屆全球魅力女性榮譽大賽天津賽區最佳公益獎)	Organizing Committee of the 2023 Global Charming Women's Competition (2023年度全球魅力女性榮譽大賽組委會)

Year	Granted Entity	Award/Recognition	Issuing Authority/Body
2021 . .	Zhanjiang Hospital	Member of the 8th Council of the Zhanjiang Medical Association	Zhanjiang Medical Association
2021 . .	Tianjin Hospital	Pioneer of the "Two New Organizations" in Hedong District, Tianjin (天津市河東區"兩新組織"聚力先鋒)	CPC Tianjin Hedong District Non-Public Economic Organization and Social Organization Working Committee (中國共產黨天津市河東區非公有制經濟組織和社會組織工作委員會)
2020 . .	Our Group	Top 100 Shenzhen Industry Leaders 2020 (2020年度深圳行業領袖百強企業)	Shenzhen Industry Leaders Enterprise Development Promotion Association (深圳行業領袖企業發展促進會) and Shenzhen Business Daily (深圳商報)
2020 . .	Our Group	Special Award in Global Anti-Epidemic Online Forum 2020 (2020全球整合抗疫論壇特別貢獻獎)	World Federation of Integrative Health (整合醫學學會聯合會)

SEASONALITY

We experience seasonal fluctuations in our revenue and results of operations. We have historically experienced higher revenue generation in the second and third quarter of a particular year as compared to the first quarter and fourth quarter of that year based on our unaudited management accounts. We believe this is mainly because patients are less willingly to visit hospitals in cold weather and during the Chinese New Year period, resulting in less patient visits and IVF cycles performed in the first and fourth quarter. Overall, the impact of seasonality on our business has been relatively mild to us. The seasonal trends we have experienced in the past may not apply to, or be indicative of, our future operating results. See "Risk Factors – Risks Relating to Our Business and Industry – Our results of operations are subject to seasonal fluctuations."

COMPETITION

We primarily compete with public and private hospitals which provide ART and ancillary services in China. China's ART and ancillary service market is relatively fragmented, with the top five ART and ancillary service providers accounting for approximately 13.8% of the market share, according to Frost & Sullivan. We believe that there are high barriers for our competitors to enter into the ART and ancillary service market, which include, among other things, difficulties in obtaining requisite licenses to provide ART and ancillary services, brand recognition, corporate image and reputation, seasoned qualified medical professionals, and access to abundant capital. For more information on the competitive landscape of our industry, see "Industry Overview." Our Directors believe that we will maintain our competitiveness over other competitors and our market position by strengthening and developing our competitive strengths. See "— Our Competitive Strengths" for details of our competitive strengths.

EMPLOYEES

As of June 30, 2023, we had a total of 622 full-time employees, substantially all of whom were based in China. The following table sets forth a breakdown of our employees categorized by function as of June 30, 2023.

Function	Number	Percentage
		(%)
Medical professionals	329	52.9
Sales and marketing	94	15.1
Operational and administrative	194	31.2
Management	5	0.8
Total	**622**	**100.0**

See "— Medical Professionals" regarding the detailed information of our medical professionals.

We directly recruit our employees and enter into employment contracts with them, the term of which is generally three years, and will be renewed upon confirmation from both parties upon expiration. Recruiting is conducted through different channels, such as internal referrals, campus recruiting and social media. Our employment contracts with employees generally cover matters such as wages, benefits and grounds for termination. At each hospital, the medical professionals are provided with relatively competitive compensation packages, attractive promotion opportunities, diverse training courses and a professional working environment. Remuneration packages for our employees primarily comprise of base salary, performance-based compensation and/or discretionary bonus. We offer comprehensive benefits to our employees, including compensations for rent, meal, transport and annual body check-up, and benefits for birthdays, festivals and childbirth.

During the Track Record Period, we outsourced labor primarily for security and cleaning services. As of June 30, 2023, we had 86 outsourced employees, of which 27 persons provided security for hospital premises and 48 persons provided cleaning services. We are not responsible for the compensation, social insurance and housing provident funds of these outsourced personnel.

We believe that we generally maintain a good working relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes or strikes.

Social Insurance and Housing Provident Fund Contributions

Companies operating in China are required to participate in various employee benefit plans, including social insurance, housing provident funds and other welfare-oriented payment obligations. The amounts of contributions should be equal to the prescribed percentages of salaries, including bonuses and allowances, of the employees up to a maximum amount specified by the local governments from time to time, at the locations where the companies operate their businesses. According to the relevant PRC laws and regulations, an employer who fails to make social insurance and housing provident fund contributions may be ordered to pay the required contributions and late payment fee. See "Risk Factors — Risks Relating to our Business and Industry — We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities." During the Track Record Period and up to the Latest Practicable Date, we did not make full payments in relation to social insurance and housing provident fund contributions for certain of our employees in accordance with relevant laws and regulations. This was primarily because certain employees have requested us not to make full contributions to social insurance and housing provident funds due to personal reasons.

Our PRC Legal Advisors are of the view that the possibility of us being required to settle historical outstanding social insurance and housing provident funds is remote, considering that: (i) we had not been the subject of any administrative penalties for not making full payment of the social insurance and housing provident funds, or received any notice to pay the shortfall, by relevant social insurance and housing provident fund bureaus during the Track Record Period; (ii) according to the compliance letters issued by the competent social insurance and housing provident fund authorities, during the Track Record Period, such authorities did not impose administrative penalties on us for failure to make full social insurance or housing provident fund contributions; (iii) as of the Latest Practicable Date, there were no material pending disputes or controversies between our employees and us in connection with labor and employment matters including in respect of social insurance and housing provident fund contributions; (iv) during the Track Record Period, no employees or relevant competent authorities raised objections in relation to the contribution arrangements relating to social insurance or housing provident funds, and up to the Latest Practicable Date, we had not received any material objections from any employees or authorities in relation to labor and employment, social insurance or housing provident funds; (v) we have undertaken that in the event that we receive requests from the relevant authorities to pay any historical outstanding social insurance and housing provident fund contributions, or that we are required to pay any related late charges or penalties, we will timely make such payments in full; and (vi) local governments are strictly prohibited from collecting historical outstanding social insurance contributions, according to the Urgent Notice on Stabilizing the Collection of Social Insurance pursuant to the Executive Meeting of the State Council (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued by the General Office of the Ministry of Human Resources and Social Security (人力資源社保障部辦公廳) in September 2018.

Based on the above, and taking into account that we have obtained an indemnity from our Controlling Shareholders in respect of any historical outstanding social insurance and housing provident fund contributions of our Group during the Track Record Period and any related late charges or penalties which our Group pays to the relevant authorities pursuant to their requests after the [**REDACTED**], our Directors are of the view that the abovementioned issues in relation to the contributions of social insurance and housing provident funds would not have a material adverse effect on our business, results of operations or financial condition and the possibility for any relevant competent authorities imposing administrative penalty or seeking recovery from us in relation to any outstanding social insurance and housing provident fund contributions incurred during the Track Record Period is remote.

We will review our social insurance and housing provident fund contributions on a regular basis and will make social insurance and housing provident plan contributions in accordance with applicable legal requirements. We have implemented the following internal control measures to rectify and prevent the recurrence of such issues: (i) we plan to adopt internal policies governing social insurance and housing provident fund arrangements and contributions according to the requirements of the Labor Law of the PRC and applicable regulations, for the purpose of monitoring and ensuring our compliance with such laws and regulations; (ii) we will consult PRC legal advisors as well as relevant competent authorities, as and when necessary and/or practicable, for the purpose of assessing and ensuring the contribution basis of social insurance and housing provident funds for our eligible employees comply with applicable laws and regulations on an ongoing basis; and (iii) we will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds, and provide internal training for our Directors, members of senior management and employees on the relevant laws and regulations.

INSURANCE

During the Track Record Period, we provided mandatory social insurance for our employees as required by PRC social insurance regulations, such as pension insurance, unemployment insurance, work injury insurance and medical insurance. We also maintain insurance policies that cover against risks and unexpected events in our hospitals. Our Directors consider our insurance policy as a whole to be in line with market practice and complies with the relevant rules and regulations in China. However, we are exposed to potential liabilities that are inherent to the provision of medical services, and we cannot guarantee that we carry adequate insurance for such liabilities. See "Risk Factors — Risks Relating to Our Business and Industry — We may not carry adequate insurance for professional and other liabilities which may arise in the course of business." As of the Latest Practicable Date, we had not experienced any business interruptions that had a material adverse effect on our business.

LICENSES, PERMITS AND CERTIFICATES

We are required by applicable laws and regulations in the PRC to obtain various licenses, permits, approvals and certificates to provide ART and ancillary services. See "Regulatory Overview — Regulations on the Management of Medical Institutions" and "Regulatory Overview — Regulations on Human Assisted Reproductive Technology" for details of relevant requirements.

The following table sets forth key information regarding the major licenses held by our hospitals as of the Latest Practicable Date:

Zhanjiang Hospital

License/Approval	Authority	Licensed items	Issuance Date	Expiration Date
Medical Institution Practicing License (醫療機構執業許可證) . . .	Health Bureau, Zhanjiang (湛江市衛生健康局)	Provision of medical services	March 17, 2022	March 16, 2037
Human Assisted Reproductive Technology Approval (人類輔助生殖技術批准證書).	Health Commission of Guangdong Province (廣東省衛生健康委員會)	AIH, Conventional IVF and ICSI	April 19, 2022	May 24, 2025
Maternal and Child Healthcare Technical Service License (母嬰保健技術服務執業許可證)	Health Bureau, Chengtou District, Zhanjiang (湛江市城頭區衛生健康局)	Abortion surgeries	June 15, 2023	July 8, 2025

Tianjin Hospital

License/Approval	Authority	Licensed items	Issuance Date	Expiration Date
Medical Institution Practicing License (醫療機構執業許可證)	Administrative Approval Bureau, Hedong District, Tianjin (天津市河東區行政審批局)	Provision of medical services	November 16, 2023	July 6, 2027
Decision Letter of Government Service (政務服務辦理決定書)	Tianjin Health Commission (天津市衛生健康委員會)	AIH, Conventional IVF and ICSI	June 14, 2023	June 30, 2025
Maternal and Child Healthcare Technical Service License (母嬰保健技術服務執業許可證)	Administrative Approval Bureau, Hedong District, Tianjin (天津市河東區行政審批局)	Level II midwifery technology (助產技術二級)	February 15, 2023	N/A(1)
Maternal and Child Healthcare Technical Service License (母嬰保健技術服務執業許可證)	Administrative Approval Bureau, Hedong District, Tianjin (天津市河東區行政審批局)	Ligation surgeries, Abortion surgeries	February 16, 2023	N/A(1)

Jieyang Hospital

License/Approval	Authority	Licensed items	Issuance Date	Expiration Date
Medical Institution Practicing License (醫療機構執業許可證)	Health Bureau, Rongcheng District, Jieyang (揭陽市榕城區衛生健康局)	Provision of medical services	October 10, 2023	June 9, 2027
Human Assisted Reproductive Technology Approval (人類輔助生殖技術批准證書)	Health Commission of Guangdong Province (廣東省衛生健康委員會)	AIH, Conventional IVF and ICSI	June 2, 2023	May 24, 2025
Maternal and Child Healthcare Technical Service License (母嬰保健技術服務執業許可證)	Health Bureau, Rongcheng District, Jieyang (揭陽市榕城區衛生健康局)	Abortion surgeries	July 11, 2023	July 19, 2025

Kunming Hospital

License/Approval	Authority	Licensed items	Issuance Date	Expiration Date
Medical Institution Practicing License (醫療機構執業許可證) . . .	Health Commission, Kunming (昆明市衛生健康委員會)	Provision of medical services	October 20, 2023	August 23, 2028
Human Assisted Reproductive Technology Approval (人類輔助生殖技術批准證書).	Yunnan Provincial Department of Health (雲南省衛生廳)	AIH, Conventional IVF and ICSI	September 19, 2014	September 15, 2024
Maternal and Child Healthcare Technical Service License (母嬰保健技術服務執業許可證)	Social Affairs Bureau, Economic and Technological Development District, Kunming (昆明經濟技術開發區社會事務局)	Abortion surgeries	May 22, 2023	May 21, 2026

Note:

(1) The license does not have an expiration date.

In addition to the above licenses, permits and certificates, we have also obtained other licenses, approvals and certificates, including Radiation Safety License (輻射安全許可證), Radiotherapy License (放射診療許可證), Medical Advertising Review Certificate (醫療廣告審查證明) and permit for use of narcotics and first-category psychotropic drugs. Our PRC Legal Advisors have advised that as of the Latest Practicable Date, we have obtained all material licenses, permits, approvals and certificates from the relevant government authorities that are required for our business operations, all of which are valid and effective and had not been revoked as of the Latest Practicable Date. We plan to renew the necessary licenses, permits, approvals and certificates upon expiration. Our PRC Legal Advisors are of the view that there is no material legal impediment in renewing these licenses, permits, approvals and certificates as long as we are in compliance with the applicable rules, laws and regulations.

LAND AND PROPERTIES

Owned Land and Properties

As of the Latest Practicable Date, we possessed three parcels of land with a total site area of approximately 33,272 sq.m. and owned a total of 77 properties with a total GFA of approximately 87,737 sq.m. in China for uses of hospital premises, offices and equipment and inventory warehouse. The following table sets forth a summary of our owned land and properties as of the Latest Practicable Date:

No.	Owner	Location	Approved Land Use	Current Status	Total Site/Gross Floor Area	Land Use Right/Property Ownership Certificate
					(sq.m)	
Owned parcels of land						
1. . . .	Zhanjiang Hospital	Zhanjiang, Guangdong	Medical and health charity land	In use	24,137.5	Yes
2. . . .	Jieyang Hospital	Jieyang, Guangdong	Medical and health charity land	Reserved for future use	6,168.8	Yes
3 . . .	Kunming Hospital	Kunming, Yunnan	Industrial land	In use	2,965.7	Yes
Owned properties						
1. . . .	Zhanjiang Hospital	Zhanjiang, Guangdong	Medical hygiene and others	In use as hospital premise	64,561.6	Yes
2. . . .	Kunming Hospital	Kunming, Yunnan	Warehouse and plant	In use as equipment and inventory warehouse	23,175.1	Yes

As of the Latest Practicable Date, our PRC Legal Advisors are of the view that we have the legal ownership of the above properties and thus have the right to occupy, use, transfer, lease, mortgage or otherwise dispose of the property in accordance with applicable PRC laws and regulations.

Leased Properties

As of the Latest Practicable Date, we leased six properties in the PRC with a total GFA of approximately 21,087 sq.m. These properties were used primarily for our hospital premises, offices and equipment and inventory warehouse. Our lease agreements in respect of the abovementioned leased properties generally have lease terms ranging from three to 19 years.

Failure of Registration of Lease Agreements

Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the local property administration authority. As of the Latest Practicable Date, we had not obtained lease registration for four of our lease agreements in China, primarily because the relevant lessors failed to provide necessary documents for us to register the lease agreements with the local government authorities, which were beyond our control. The four unregistered lease agreements include two agreements of Tianjin Hospital, one agreement of Jieyang Hospital and one agreement of Kunming Hospital. As advised by our PRC Legal Advisors, failure to register an executed lease agreement will not affect its legality, validity or enforceability. According to the relevant PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. See "Risk Factors — Risks Relating to Our Business and Industry — We may be liable for failure to register our lease agreements, which may subject us to penalties." We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be RMB40,000, which we believe is immaterial. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our results of operations or financial condition. As of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant government authorities. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

Non-compliance Issues Relating to Our Leased Properties

Property Leased by Jieyang Hospital

In November 2010, the local government of Rongcheng District of Jieyang invited us to establish Jieyang Hospital for the purpose of improving the overall medical service level in the region. Based on such purpose, under the arrangement of the local health bureau, the local community healthcare clinic leased two floors to Jieyang Hospital for use of hospital premises and offices. As of the Latest Practicable Date, the local community healthcare clinic was unable to provide a valid ownership certificate or other sufficient ownership documents evidencing the right to lease the property to us, and consequently, Jieyang Hospital could not separately submit for the environmental impact assessment filing and fire safety inspection procedures, or apply for drainage permit, sewage disposal approval or building construction permit for its own construction work.

1. Lack of valid ownership certificates

As of the Latest Practicable Date, the lessor of Jieyang Hospital's leased property was unable to provide a valid ownership certificate or other sufficient ownership documents evidencing the right to lease the property to us. Any dispute or claim in relation to the title of the property that Jieyang Hospital occupies, including any litigation involving allegations of illegal or unauthorized use of the property, could limit our ability to continue to use such property if the lessor's right to lease such property is successfully challenged by any third party, and consequently, require us to relocate our hospital or offices. See "Risk Factors — Risks Relating to Our Business and Industry — We may incur additional costs as a result of any dispute or claim arising from the title defects of our leased properties."

We have obtained a written confirmation (the "**Health Bureau Written Confirmation**") from the local health bureau, confirming that (i) the property is owned and leased by the local community healthcare clinic; and (ii) Jieyang Hospital can continue to use the leased property as hospital premises and offices in the current manner, and that the authority will not require Jieyang Hospital to vacate from the leased property. As of the Latest Practicable Date, we had not received any request of relocation from the lessor, the government or any third parties. In addition, we reserve the right to claim the lessor's liabilities arising from an event of default under the relevant PRC laws and the relevant agreement.

2. Failure to complete environmental impact assessment filing procedure and lack of drainage permit and sewage disposal approval

Jieyang Hospital's operations are subject to PRC environmental laws and regulations that, among other matters, (i) require filing and reporting of environmental impact assessment documents, and (ii) impose limitations on the discharge of pollutants and require enterprises that engage in certain activities, including medical treatment, to apply to the competent urban drainage department for permission. As of the Latest Practicable Date, Jieyang Hospital had not completed the environmental impact assessment filing procedure or obtained the drainage permit and sewage disposal approval, the lack of which may subject us to fines or even suspension of use of the leased property. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to environmental laws and regulations, including those in relation to the dealing of medical wastes, drainage and sewage disposal. In addition, we are subject to requirements relating to fire safety and building construction."

We have obtained a compliance certificate (the "**Environment Compliance Certificate**") from the local ecology and environment bureau, confirming that Jieyang Hospital was not imposed of any administrative penalty measures by such bureau with respect to any environmental issues. In addition, as of the Latest Practicable Date, we were not required by any party to suspend the use of the leased property. Furthermore, to the best knowledge of our PRC Legal Advisors, they were not aware of any fines imposing on us due to the failure to complete the relevant procedure and obtain the approvals as of the Latest Practicable Date.

3. Failure to complete fire safety inspection procedure and lack of building construction permit

Jieyang Hospital's operations are subject to risks relating to fire safety and building construction. As of the Latest Practicable Date, Jieyang Hospital could not submit for the fire safety inspection procedure or apply for building construction permit or conducted project completion acceptance due to the lack of the ownership certificate. The lack of relevant procedures and permits relating to fire safety and building construction may subject Jieyang Hospital to fines or even suspension of use of the leased property. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to environmental laws and regulations, including those in relation to the dealing of medical wastes, drainage and sewage disposal. In addition, we are subject to requirements relating to fire safety and building construction."

We have obtained an inspection report (the "**Fire Safety Inspection Report**") issued by an independent qualified third party, confirming that as of the Latest Practicable Date, the fire safety infrastructures maintained by Jieyang Hospital, including the fire hydrant system, fire extinguishers, fire doors, fire emergency lighting and evacuation indication system, were in compliance with the relevant provincial fire protection standard. We have also obtained a compliance certificate (the "**Building Construction Compliance Certificate**") from the local government, confirming that Jieyang Hospital was not imposed of any administrative penalty measures by the competent authorities with respect to any fire safety issues during the Track Record Period. As of the Latest Practicable Date, Jieyang Hospital was not imposed of any administrative penalty measures by the competent authorities with respect to any fire safety issues. In addition, as of the Latest Practicable Date, we were not required by any party to suspend the use of the leased property. Furthermore, to the best knowledge of our PRC Legal Advisors, they were not aware of any fines imposing on us due to the failure to complete the relevant procedure and obtain the approval as of the Latest Practicable Date.

4. Overall impact and PRC Legal Advisors' view

Our PRC Legal Advisors have advised that the risk of Jieyang Hospital being imposed of material administrative penalty measures which may result in a material adverse effect on its business operations is relatively low, on the basis that (i) we were invited by the local government to establish Jieyang Hospital, and the property was leased under the arrangement of the local health bureau; (ii) Jieyang Hospital has obtained the Health Bureau Written Confirmation, the Environment Compliance Certificate, the Fire Safety Inspection Report and the Building Construction Compliance Certificate; (iii) as of the Latest Practicable Date, Jieyang Hospital had not received any administrative penalty measures by competent authorities or required by any party to suspend the use of the leased property, nor did it have any unresolved dispute with its lessor or the relevant authorities; (iv) Jieyang Hospital will take prompt rectifying measures should it receive any requirement from the relevant authorities; (v) Jieyang Hospital possesses one parcel of reserved land which is available for construction of hospital premises in the event of relocation; (vi) the revenue contribution of Jieyang Hospital in each year/period during the Track Record Period did not exceed 15.0% of our total revenue, being the lowest among all of our four hospitals; and (vii) we have obtained an indemnity from our Controlling Shareholders that he will fully compensate the Group or Jieyang Hospital, as applicable, with respect to any future losses arising from administrative penalty measures imposed on Jieyang Hospital by the relevant authorities.

Property Leased by Kunming Hospital

In April 2012, the local government of Economic and Technology Development District of Kunming invited us to establish Kunming Hospital for the purpose of improving the overall medical service level in the region. Based on such purpose, the local government entered into an investment agreement with us, and arranged the lease of one property to Kunming Hospital for use of hospital premises and offices. As of the Latest Practicable Date, the lessor, who is a controlled subsidiary of the local government, was unable to provide a valid ownership certificate or other sufficient ownership documents evidencing the right to lease the property to us, and Kunming Hospital could not separately submit for the fire safety inspection procedure due to the lack of the ownership certificate.

1. Lack of valid ownership certificates

As of the Latest Practicable Date, the lessor of Kunming Hospital's leased property was unable to provide a valid ownership certificate or other sufficient ownership documents evidencing the right to lease the property to us. Any dispute or claim in relation to the title of the property that Kunming Hospital occupies, including any litigation involving allegations of illegal or unauthorized use of the property, could limit our ability to continue to use such property if the lessor's right to lease such property is successfully challenged by any third party, and consequently, require us to relocate our hospital or offices. See "Risk Factors — Risks Relating to Our Business and Industry — We may incur additional costs as a result of any dispute or claim arising from the title defects of our leased properties."

We have obtained a written confirmation (the "**Lessor Written Confirmation**") from the lessor, confirming that (i) according to the investment agreement we entered into with the local government, the local government has promised to assist in completing the relevant procedures and obtaining the requisite approvals as soon as possible; and (ii) Kunming Hospital can continue to use the leased property as hospital premises and offices in the current manner, and that the authority will not require Kunming Hospital to vacate from the leased property. As of the Latest Practicable Date, we had not received any request of relocation from the lessor, the government or any third parties. In addition, we reserve the right to claim the lessor's liabilities arising from an event of default under the relevant PRC laws and the relevant agreement.

2. Failure to complete fire safety inspection procedure

Kunming Hospital's operations are subject to risks relating to fire safety. As of the Latest Practicable Date, Kunming Hospital had not submitted for the fire safety inspection procedure, the lack of which may subject Kunming Hospital to fines or even suspension of use of the leased property. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to environmental laws and regulations, including those in relation to the dealing of medical wastes, drainage and sewage disposal. In addition, we are subject to requirements relating to fire safety and building construction."

We have obtained a written confirmation (the "**Fire Safety Written Confirmation**") from the local fire rescue brigade, confirming that Kunming Hospital was not imposed of any administrative penalty measures by the competent authorities with respect to any fire safety issues during the Track Record Period. In addition, as of the Latest Practicable Date, we were not required by any party to suspend the use of the leased property. Furthermore, to the best knowledge of our PRC Legal Advisors, they were not aware of any fines imposing on us due to the failure to complete the relevant procedure as of the Latest Practicable Date.

3. Overall impact and PRC Legal Advisors' view

Our PRC Legal Advisors have advised that the risk of Kunming Hospital being imposed of administrative penalty measures which may result in a material adverse effect on the [**REDACTED**] is relatively low, on the basis that (i) we were invited by the local government to establish Kunming Hospital, and the leased property was arranged by the local government; (ii) Kunming Hospital has obtained the Lessor Written Confirmation and the Fire Safety Written Confirmation; (iii) as of the Latest Practicable Date, Kunming Hospital had not received any administrative penalty measures by competent authorities or required by any party to suspend the use of the leased property, nor did it have any unresolved dispute with its lessor or the relevant authorities; (iv) Kunming Hospital will take prompt rectifying measures should it receive any requirement from the relevant authorities; and (v) we have obtained an indemnity from our Controlling Shareholders that he will fully compensate the Group or Kunming Hospital, as applicable, with respect to any future losses arising from administrative penalty measures imposed on Kunming Hospital by the relevant authorities.

Property Leased by Our Group and Aisheng Enterprise

As of the Latest Practicable Date, the actual land use of the two leased properties of our Group and Aisheng Enterprise, respectively, was different from the approved land use. We primarily use such properties as our offices. Relevant government authorities may impose penalties on the owners of such leased properties and we could be required to vacate such properties. See "Risk Factors — Risks Relating to Our Business and Industry — We may incur additional costs as a result of any dispute or claim arising from the title defects of our leased properties."

As of the Latest Practicable Date, we had not received any request of relocation from the lessors or the authorities. Even if we are required to do so in the future, we believe that we will not incur substantial costs for seeking alternative premises due to the convenience of relocating offices. In addition, we reserve the right to claim the lessors' liabilities arising from an event of default under the relevant PRC laws and the lease agreements. Based on the foregoing, our PRC Legal Advisors have advised that such issue does not have a material adverse impact on our business operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Overview

We are subject to various PRC laws, rules and regulations with respect to environmental, social and governance ("**ESG**") matters, including hospital sanitation, reduction of occupational hazards in hospitals, prevention of medical accidents, disease control, disposal of medical waste, and discharge of wastewater, pollutants and radioactive substances. For details, see "Regulatory Overview — Regulations on Environmental Protection Related to Medical Institutions."

We are committed to complying with PRC regulatory requirements, preventing and reducing various hazards and risks associated with our operation, and ensuring the health and safety of our patients and employees of our hospitals and surrounding communities. We acknowledge our environment protection and social responsibilities and are aware of the environmental, energy, climate-related and workplace safety issues that may impact our business operation.

Our Board has overall responsibility for (i) overseeing and determining our ESG risks and opportunities that impact our Group, (ii) establishing ESG targets of our Group, (iii) adopting the ESG policies, and (iv) reviewing our Group's performance in ESG matters. We strive to continuously raise ESG awareness of all of our Directors, senior management and employees. Our Directors closely follow and monitor the latest requirements regarding ESG disclosure and regulatory compliance. We place great emphasis on the Stock Exchange's ESG requirements, and in order to ensure continuous compliance with the said requirements, our Directors and senior management will oversee the compilation of our ESG report, and shall review the content and quality of the ESG report after the [**REDACTED**].

Environmental Protection

We give high regard for environmental protection, and are committed to promoting corporate social responsibility and sustainable development. We will constantly monitor ESG risks and opportunities that may impact on our business, strategy and financial performance and evaluate the magnitude of resulting impact over the short, medium and long-term horizon. We will also take these issues into account when developing our business strategy and may adjust our strategy in response to changing ESG landscape. We are committed to sustainability as part of our corporate strategy, and we strive to cultivate a sustainable mindset among our employees and work environment.

Resource Consumption

Electricity consumption. We have monitored our electricity consumption levels and implemented measures to improve energy efficiency. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our electricity consumption levels were approximately 1,379 MWh, 1,515 MWh, 5,091 MWh and 2,589 MWh, respectively.

Water consumption. We have monitored our water consumption levels and implement measures to promote water conservation. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, our water consumption levels were 171,317 tonnes, 179,671 tonnes, 203,072 tonnes and 107,817 tonnes, respectively.

Waste Management

During the Track Record Period, we engaged qualified third-party medical waste treatment companies and environmental protection companies to dispose medical waste and sewage for us and ensure that our business is in line with the requirements and standards of environmental protection. In 2020, 2021 and 2022 and for the six months ended June 30, 2023, we incurred RMB0.2 million, RMB0.3 million, RMB0.3 million and RMB0.2 million, respectively, as costs of compliance with the applicable rules and regulations in relation to the disposal of medical waste and sewage. Additionally, we have implemented sewage treatment and air purification equipment to promote daily environment quality at our hospitals. Our hospitals do not produce radioactive medical waste.

Our Board will set targets at the beginning of each financial year in accordance with the relevant rules and regulations upon [**REDACTED**]. The relevant targets will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting the environmental protection-related targets, we will take into account not only our historical consumption or discharge levels, but also our future business expansion, the overall goals of our Group and available information from industry peers in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development. We will adjust the targets and goals in accordance with our actual business operations, and we will closely monitor the financial and non-financial impact on our business for actions taken to achieve these goals and targets. In addition, we have adopted and will continue to adopt various measures, including but not limited to:

- encouraging all staff to reduce the production of paper waste, reduce consumption of water resources and electrical appliances by posting water-saving or power-saving signs in eye-catching areas to cultivate our employees' awareness of environment protection;

- encouraging our employees to avoid printing hard copies and requiring double-sided printing whenever possible;

- requiring employees to turn off lights, equipment and other electronic devices when the devices are not in operation and before they leave the premises;

- ensuring air-conditioning is used only when necessary, and at the appropriate temperature; and

- encouraging teleconferences as opposed to physical meetings to reduce travel.

During the Track Record Period, we did not encounter any non-compliance or complaints in relation to the environmental protection. Going forward, we expect that the annual cost of compliance with health, safety and environmental rules and regulations will continue to increase in line with increase during the Track Record Period.

Safety Management for Patients and Employees

We value the importance of maintaining a safe, healthy and efficient work environment for all of our employees. We have adopted various measures to maintain a safe and sustainable environment. For example, we have established internal reporting procedures, which is in line with the requirements in the Regulations on the Prevention and Handling of Medical Disputes (《醫療糾紛預防和處理條例》) to mitigate health and safety risks and reduce potential medical disputes.

Furthermore, our employees are required to abide by occupational health and safety regulations in the PRC, as well as health guidelines in our employee handbooks. We maintain an internal inspection procedure to ensure the safety of our hospital premises for patients, the public and staff, including, among others, inspection for safety issues, such as medical treatment safety, environment safety and occupational safety. We also provide regular trainings to our employees to raise their work safety awareness.

Our Directors confirm that during the Track Record Period, no material workplace accidents or work-related injuries occurred at either of our hospitals that had a material adverse effect on our business, results of operations and prospects.

Well-being and Development of Employees

We embrace diversity and adhere to local labor law requirements to prevent any form of discrimination based on gender, age, nationality, religious beliefs, or social status. Set below is our full-time employees' data categories by gender and age group in each year/period comprising the Track Record Period:

	Year ended December 31,						Six months ended June 30,	
	2020		2021		2022		2023	
		%		%		%		%
By gender								
Male	130	25.1	146	25.6	143	23.6	150	24.1
Female	389	74.9	425	74.4	462	76.4	472	75.9
By age group								
At or below 30	98	18.9	131	22.9	168	27.8	195	31.3
31-40	232	44.7	248	43.5	256	42.3	258	41.5
41-50	110	21.2	115	20.1	116	19.2	105	16.9
At or above 51	79	15.2	77	13.5	65	10.7	64	10.3

We recognize the importance of talents for sustainable business growth and competitive advantages. As part of our human resources strategy, we believe we offer employees relatively competitive compensation packages, performance-based bonuses, and other incentives. We also attach great importance on staff training, and strive to create a multiple-incentive mechanism and a friendly working environment to fulfill our employees' full potential. For more details, see " — Employees."

Social Responsibility

We place great importance on our social responsibility and take an active role in public welfare initiatives. During the Track Record Period, we actively participated in various public welfare activities, including providing free fertility tests and ovarian stimulation medicine or cost reductions to local infertile couples with financial difficulties, offering financial aid to frontline personnel participating in combating the COVID-19 pandemic, and hosting various reproductive health education clinics, lectures, and charity sales.

Impact of ESG Changes in Future Trends and Policies

We acknowledge that ESG issues pose a certain level of threat to us. We believe that ESG issues may bring about the risk of increasingly severe extreme weather events, such as more frequent storms, flooding and typhoons. We may potentially be impacted by higher operation and maintenance cost, as well as more insurance premium payable for protection. The health and safety of employees may also be endangered. Due to climate change and work safety and climate-related issues, regulators may require more extensive ESG disclosures. We may be impacted by increased cost to execute more stringent monitoring measures on resource consumption and employee protection. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to environmental laws and regulations, including those in relation to the dealing of medical wastes, drainage and sewage disposal. In addition, we are subject to requirements relating to fire safety and building construction."

Continuous Assessment and Management of ESG Risks

We will continue to identify, assess, manage and mitigate the ESG risks. Our approach includes but is not limited to:

- monitoring relevant laws, regulations and industry standards to regularly assess our compliance with applicable regulatory rules;
- reviewing and assessing the ESG reports of similar companies in the industry to ensure that all relevant ESG risks are identified on a timely basis;
- discussing among management from time to time to ensure all the material ESG issues are recognized and reported;
- discussing with key stakeholders on key ESG principles and practices to ensure that the significant aspects are covered;
- organizing a specific ESG risk management process to identify and manage ESG risks and opportunities as an integrated part of overall business risks and opportunities; and
- building up sophisticated business continuity management system to handle various kinds of ESG risks and assure our business continuity to the most extent.

We will conduct an enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to, the risks arising from the ESG aspects and strategic risk around disruptive forces. Our Board will assess or, when needed, engage an external expert to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvements will be implemented to mitigate the risks. We will work towards integrating ESG in the risk management mechanism to further strengthen the monitoring and mitigating ESG risks across our Group.

LEGAL PROCEEDINGS AND COMPLIANCE

We are subject to legal proceedings and claims that may arise in the ordinary course of our business. Such medical disputes are generally related to failures of IVF treatment or controversial embryo transfers under special circumstances. Generally, such incidents could not have been completely avoided due to the inherent risks involved or unforeseeable conditions of our ART and ancillary services. As part of our risk management and internal control procedures, our hospitals have taken sufficient steps to inform the patients of these inherent risks and obtained their informed consent before performance of the relevant treatments or procedures.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or our Directors that could have a material adverse effect on our business, financial condition or results of operations. During the Track Record Period, most of the medical disputes between our hospitals and their patients and/or their families were settled through private negotiations or mediations, and none of our hospitals and our medical professionals had been involved in any disciplinary proceedings or determined to be liable for any medical malpractice incidents in all material respects. During the Track Record Period and up to the Latest Practicable Date, our hospitals were not involved in any litigation, arbitration or administrative proceedings arising from medical disputes which may have a material adverse effect on our Group, and nor did we incur material amount of monetary compensation in settling the medical disputes. We will continue to monitor the development of our ongoing litigations and try to minimize any potential adverse effect on us. We may continue to face potential legal proceedings and claims in our operations. See "Risk Factors — Risk Related to Our Business and Industry — We are exposed to inherent risks of medical disputes and legal proceedings arising from our operations."

During the Track Record Period and up to the Latest Practicable Date, we have complied, in all material respects, with all the relevant PRC laws and regulations relating to our business operations, except as otherwise disclosed in "— Land and Properties — Leased Properties" in this section, which our Directors consider would not have a material and adverse effect on our business, financial condition, or results of operations.

In addition, we are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws and regulations, and we did not experience any non-compliance incident of the laws and regulations, which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business, results of operations or financial condition.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management and Corporate Governance

We are exposed to various risks in our operations and have established a risk management system with relevant policies and procedures that we believe are appropriate for our business operations. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, compliance, and anti-bribery and kick-back. Such risk management policies are established by our Board based on the current effective laws and regulations of the PRC and our Memorandum and Articles and Association.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted and will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. For details of the qualifications and experience of these committee members, see "Directors and Senior Management;"

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to policies and procedures related to internal control and risk management, periodically reviewing their effectiveness and compliance to relevant rules and regulations; and

- continue to organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies [**REDACTED**] in Hong Kong.

Internal Control

In preparation for the [**REDACTED**], we have engaged an independent third party consultant (the "**Internal Control Consultant**") to perform a review of our internal control in certain aspects, covering, among others, corporate governance and risk assessment in our business operations.

Anti-corruption and Anti-bribery Measures

We are subject to stringent requirements to prevent improper payments and other benefits received by physicians, staff and hospital administrators in connection with the provision of ART and ancillary services, and the procurement of pharmaceuticals and medical supplies. See "Regulatory Overview — Regulations on Medical Practitioners of Medical Institutions."

During the Track Record Period, we have not encountered any corruption or bribery incidents. We have taken a number of measures to prevent improper activities including bribery and kickbacks by our employees in connection with, among others, the provision of ART and ancillary services and the procurement of pharmaceuticals, medical consumables and medical devices. These measures include establishing internal policies and guidelines governing our employees and reviewing and discussion of any suspicious incidents by our Board. In addition, we have adopted a comprehensive anti-bribery policy and code of conduct for our employees to further institutionalize our anti-bribery practice. In accordance with our internal policy, our employees are prohibited from receiving, giving or offering bribes or otherwise engaging in activities that would violate the applicable anti-corruption laws.

According to our internal anti-corruption and anti-bribery policies, our internal audit and inspection department is responsible for prevention of commercial bribery and supervision over our employees in relation to anti-bribery and anti-corruption matters. Our employees are encouraged to submit inquiries or report suspicious behaviors to their supervisors, and supervisors at all levels have additional deterrence and detection duties, including maintaining effective monitoring, review and control procedures that will prevent or detect acts of violations. Our multiple whistle-blowing channels in relation to commercial bribery with strict measures protect the confidentiality of whistle-blowers throughout the entire process of investigation. The department in charge will make open as well as secret inquiries in relation to the anti-corruption and anti-bribery matters. Our employees are required to sign a statement acknowledging they have read, and undertake to abide by, our internal policies. Any violation of these rules may result in penalties, and compliance with our internal anti-corruption and anti-bribery policies by our employees is an important factor in their evaluation, promotion or discharge.

BOARD OF DIRECTORS

Upon completion of the [**REDACTED**], our Board will consist of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening shareholders' meetings, reporting the Board's work at these meetings, implementing the resolutions passed on these meetings, determining business and investment plans, formulating our annual budget and financial accounts, and formulating our proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles. We [have entered] into a service agreement with each of our executive Directors and a letter of appointment with each of our non-executive Director and independent non-executive Directors.

The table below sets forth information regarding our current Directors and members of our senior management team:

Directors

Name	Age	Date of appointment as Director	Date of joining our Group	Current position(s) in our Company	Key responsibilities	Relationship with other Director(s) and senior management
Mr. Ren Jizhong (任吉忠)	[60]	September 8, 2023	September 5, 2006	Executive Director, chairman of our Board, chief executive officer and president	Overall operations and management of our Group as well as overall strategic and business planning of our Group	Spouse of Ms. Zhang
Ms. Huang Yaqin (黃亞琴)	[40]	November 20, 2023	April 2, 2011	Executive Director, chief financial officer and joint company secretary	Financial management, management of investors relationship and company secretarial matters of our Group	N/A
Ms. Zhang Lianyue (張連悅)	[46]	November 20, 2023	July 4, 2012	Executive Director	Overall operations and management of Tianjin Hospital and provision of guidance for the overall development of our Group	N/A

Name	Age	Date of appointment as Director	Date of joining our Group	Current position(s) in our Company	Key responsibilities	Relationship with other Director(s) and senior management
Ms. Zhang Xiaowen (張曉文)	[57]	November 20, 2023	June 4, 2007	Non-executive Director	Provision of guidance for the overall development of our Group	Spouse of Mr. Ren
Ms. Chen Ling (陳伶)	[46]	[●]	[●]	Independent non-executive Director	Provision of independent advice to our Board	N/A
Ms. Zhao Guiying (趙貴英)	[69]	[●]	[●]	Independent non-executive Director	Provision of independent advice to our Board	N/A
Ms. Sun Wei (孫偉)	[69]	[●]	[●]	Independent non-executive Director	Provision of independent advice to our Board	N/A

Senior Management

Name	Age	Date of appointment as a senior management	Date of joining our Group	Current Position in our Company	Roles and Responsibilities	Relationship with other Director(s) and senior management
Mr. Ren Jizhong (任吉忠)	[60]	September 5, 2006	September 5, 2006	Executive Director, chairman of our Board, chief executive officer and president	Overall operations and management of our Group as well as overall strategic and business planning of our Group	Spouse of Ms. Zhang
Ms. Huang Yaqin (黃亞琴)	[40]	January 1, 2020	April 2, 2011	Executive Director, chief financial officer and joint company secretary	Financial management, management of investors relationship and company secretarial matters	N/A

Name	Age	Date of appointment as a senior management	Date of joining our Group	Current Position in our Company	Roles and Responsibilities	Relationship with other Director(s) and senior management
Ms. Wang Xiaohui (王曉惠)	[54]	September 5, 2006	September 5, 2006	Executive vice president	Day-to-day operations and management of our Group	N/A
Mr. Fan Xiujun (范秀軍)	[46]	June 1, 2023	June 1, 2023	Chief scientific officer	Construction of the integrated medical discipline and business development and evaluation of the Group	N/A

Executive Directors

Mr. Ren Jizhong (任吉忠), aged [60], is an executive Director of our Company and one of our Controlling Shareholders. Mr. Ren was appointed as our Director on September 8, 2023 and was re-designated as our executive Director and appointed as the chairman of our Board, our chief executive officer and president on November 20, 2023. He is primarily responsible for the overall operations and management of our Group as well as overall strategic and business planning of our Group. He has been serving as the chairman of the board of Shenzhen IVF since September 2006 and the general manager of Shenzhen IVF from September 2006 to May 2023.

Mr. Ren has over 16 years of experience in the healthcare industry. Mr. Ren found our business in September 2006 and has guided its development and growth since then. Since 2006, the Group has been committed to providing ARS to patients with infertility. Mr. Ren served as the general manager of Shenzhen IVF from September 2006 to August 2023 and has been serving as the chairman of the board of directors of Shenzhen IVF since September 2006. Mr. Ren has had extensive experience in business and financial management. From December 1992 to June 1994, he worked at Shenzhen Branch of China National Building Material Corporation (中國建築材料深圳公司), a state-owned building material company, where he primarily assisted in financial management, accounting, capital planning, and analysis of business activities. From November 1996 to August 2006, he served as the general manager at Tianjin Branch of CAV Lisheng Audio Corporation (CAV麗聲音響天津公司), a company principally engaged in sales and distribution of audio equipment, where he was primarily responsible for the overall operation and management of such company.

Mr. Ren obtained a college graduate certificate from Tianjin College of Finance and Economics (天津財經學院) (now known as Tianjin University of Finance and Economics (天津財經大學)) in the PRC majoring in accounting in June 1988. Mr. Ren served as the president of Shenzhen Alumni Association of Luoyang Institute of Science and Technology (洛陽理工學

院深圳校友會) from December 2014 to March 2023 and has been serving as the executive president of Shandong Chamber of Commerce in Shenzhen (深圳市山東商會) since April 2020 and president of Shandong Dezhou Chamber of Commerce in Shenzhen (深圳市山東德州商會) since April 2021. He was awarded as the CCTV 2006 Innovation Prize of "Agriculture, Rural Areas, and Rural Residents Figures" (CCTV 2006年度"三農人物"創新獎) in January 2007 by CCTV.

Ms. Huang Yaqin (黃亞琴), aged [40], was appointed as our executive Director on November 20, 2023 and appointed as our chief financial officer on August 2, 2023 and joint company secretary on [●]. She is primarily responsible for the financial management, management of investor relationship and company secretarial matters. Ms. Huang joined our Group in April 2011 as the financial manager of Shenzhen IVF and has been serving as the director of Shenzhen IVF from April 2021 to October 2023 and board secretary of Shenzhen IVF from January 2020 to October 2023 and the chief financial officer of Shenzhen IVF since August 2023.

From April 2008 to March 2011, she served as the accounting supervisor at Wal-Mart (China) Investment Co., Ltd. (沃爾瑪中國投資有限公司), a company principally engaged in retail business, where she was primarily responsible for the supervision of accounting and tax affairs.

Ms. Huang Yaqin obtained her bachelor's degree in accounting from Hubei University of Economics (湖北經濟學院) in the PRC in June 2005 and her master's degree in business administration from Shenzhen University (深圳大學) in the PRC in June 2018. Ms. Huang Yaqin obtained the Intermediate Accounting Qualification Certificate (會計中級資格證) issued by the Ministry of Finance of the PRC (中華人民共和國財政部) (the "**MOF**") in May 2010.

Ms. Zhang Lianyue (張連悅), aged [46], was appointed as our executive Director on November 20, 2023. She is primarily responsible for the overall operations and management of Tianjin Hospital and provision of guidance for the overall development of our Group. She joined our Group in July 2012 and consecutively served as the director of the executive office at Tianjin Hospital from July 2012 to August 2016, the assistant to the president and the purchasing manager from August 2016 to January 2018, the assistant to the president and the director of the executive office from January 2018 to November 2022. She has been serving as the assistant president at Tianjin Hospital since November 2022 and the director of Shenzhen IVF from September 2021 to October 2023.

Ms. Zhang Lianyue obtained a college graduation certificate from Inner Mongolia Economics College (內蒙古經濟專修學院) in the PRC majoring in public relationship and marketing in July 1998.

Non-executive Director

Ms. Zhang Xiaowen (張曉文), aged [57], one of our Controlling Shareholders, was appointed as our non-executive Director on November 20, 2023. She is primarily responsible for the provision of guidance on the overall development of our Group and participating in decision-making in respect of major matters such as corporate and business strategies of our Group through the Board. She joined our Group in June 2007 as the financial director of Tianjin Hospital until November 2023, where she was primarily responsible for provision of guidance and supervision on financial matters. She has been serving as the general manager of each of Kunming Hospital and Jieyang Hospital since May 2023, the general manager of Shenzhen IVF since August 2023 and the general manager of Zhanjiang Hospital since November 2023, where she is mainly responsible for providing guidance and supervision on the overall development of such companies and is not involved in their day-to-day operations.

From January 2000 to May 2006, she served as the financial manager at Tianjin Branch of CAV Lisheng Audio Corporation (CAV麗聲音響天津公司), a company principally engaged in sales and distribution of audio equipment, where she was primarily responsible for the management and supervision of financial affairs.

Ms. Zhang obtained a college graduate certificate from Beijing Foreign Studies University (北京外國語大學) in the PRC majoring in business administration in January 2018 through online learning.

Independent non-executive Directors

Ms. Chen Ling (陳伶), aged [46], was appointed as our independent non-executive Director on [●]. She is primarily responsible for the provision of independent advice to our Board. She joined our Group in November 2021 and has been serving as the independent director of Shenzhen IVF since then.

Ms. Chen Ling has over 15 years of experience in professional accounting. Since January 2007, she has been serving as the manager of the audit department at Foshan Chengxin Tax Agent Co., Ltd. (佛山市誠信稅務師事務所有限責任公司), where she is primarily responsible for taxation auditing services and consulting services as the tax advisor. Since January 2014, she has been serving as the manager of the audit department at Foshan Dazheng Certified Public Accountants Co., Ltd. (佛山市達正會計師事務所有限公司), where she is primarily responsible for auditing services and consulting services as the financial advisor.

Ms. Chen Ling obtained her bachelor's degree in accounting from Ji'nan University (暨南大學) in the PRC in December 2002. Ms. Chen Ling has obtained the Intermediate Accounting Qualification Certificate (會計中級資格證) conferred by the MOF in May 2006, the Certified Tax Agent Certificate (註冊稅務師證) issued by the Personnel Department of Guangdong Province (廣東省人事廳) in September 2009 and the Certified Public Accountant Certificate (註冊會計師證書) issued by the MOF in May 2016.

Ms. Zhao Guiying (趙貴英), aged [69], was appointed as our independent non-executive Director on [●]. She is primarily responsible for the provision of independent advice to our Board. She joined our Group in November 2021 and has been serving as the independent director of Shenzhen IVF since then.

Ms. Zhao Guiying joined the Institute of Medical Biotechnology, Chinese Academy of Medical Sciences (中國醫學科學院醫藥生物技術研究所) (formerly known as Chinese Antimicrobial Research Institute of Academy of Medical Sciences (中國醫學科學院抗菌素研究所)) in February 1977 and consecutively served as a research intern from December 1985 to November 1986, an assistant research fellow from November 1986 to June 1993, an associate research fellow from June 1993 to July 1998 and a research fellow from July 1998 to May 2015, where she was primarily responsible for research works of the antibiotic chemistry. She served as the deputy chief of scientific research department from May 1989 to June 1994, chief of scientific research department from June 1994 to January 1999 and the chief of development department from January 1999 to February 2008 at the Institute of Medical Biotechnology, Chinese Academy of Medical Sciences, where she was primarily responsible for the management of the research subjects and declaration of the national science funds. Since December 2018, she has been serving as the independent director at Shanghai Rightongene Biotechnology Co., Ltd. (上海睿昂基因科技股份有限公司), a biotechnology company listed on the Shanghai Stock Exchange (stock code: 688217), where she is primarily responsible for supervising and providing independent judgment to the board of such company.

Ms. Zhao Guiying was appointed as the secretary general of the 6th China Quality Association for Pharmaceuticals (中國醫藥質量管理協會) in February 2015 and vice president of the 7th China Quality Association for Pharmaceuticals in April 2022. She was appointed as the chairman of the board of supervisors of China Medicinal Biotechnology Association (中國醫藥生物技術協會) in October 2019.

Ms. Zhao Guiying obtained her bachelor's degree in chemical pharmaceutical from Nanjing Pharmaceutical College (南京藥學院) (now known as China Pharmaceutical University (中國藥科大學)) in the PRC in January 1977.

Ms. Sun Wei (孫偉), aged [69], was appointed as our independent non-executive Director on [●]. She is primarily responsible for the provision of independent advice to our Board.

Ms. Sun Wei has over 43 years of experience in gynecology and reproductive medicine. She joined the Second Affiliated Hospital of Shandong University of Traditional Chinese Medicine (Shandong Hospital of Traditional Chinese and Western Medicine) (山東中醫藥大學第二附屬醫院(山東省中西醫結合醫院)) (formerly known as Ji'nan Railway Central Hospital (濟南鐵路中心醫院)) in December 1979 and consecutively served as a resident physician from December 1979 to December 1990, an attending physician from January 1991 to December 1995, the deputy chief physician from January 1996 to September 2003, the chief physician from October 2003 to September 2018, and the head of the department of reproductive medicine from December 2000 to September 2018. She was primarily responsible for presiding over the department of reproductive medicine, the diagnosis and treatment of patients, teaching and scientific affairs in the aforementioned hospital. She was appointed as a second-grade professor by the Second Affiliated Hospital of Shandong University of Traditional Chinese Medicine (Shandong Hospital of Traditional Chinese and Western Medicine) (山東中醫藥大學第二附屬醫院(山東省中西醫結合醫院)) since March 2011.

Ms. Sun Wei obtained a college degree in medicine from Nanjing Railway Medical College (南京鐵道醫學院) (now known as Southeast University School of Medicine (東南大學醫學院)) in the PRC in December 1979. She is entitled to special government allowance granted by the State Council of the PRC in January 1991 for her prominent contributions to the medical and health undertakings of China.

Ms. Sun Wei has obtained the Certificate of Practicing Physician Qualification (執業醫師資格證) issued by the Health Department of Shandong Province (山東省衛生廳) in May 1999 and the Certificate of Practicing Physician (執業醫師執業證) by the Health Department of Shandong Province in December 1999.

Ms. Sun Wei has received numerous awards for her achievements in the research, diagnosis and treatment of patients with infertility. She was awarded the Excellent Figure of Health Science and Technology Education of Shandong Province (山東省衛生科技教育工作先進個人) by the Health Department of Shandong Province in May 2010, the Outstanding Technology Innovation Achievement of Employees of Shandong Province (山東省職工優秀技術創新成果) by the General Union of Shandong Province (山東省總工會), the Department of Science and Technology of Shandong Province (山東省科學技術廳), the Economy and Informatization Committee of Shandong Province (山東省經濟和信息化委員會) and Shandong Department of Human Resources and Social Security (山東省人力資源與社會保障廳) in September 2010, the Touching Shandong Health Guard (感動山東健康衛士) and the Second Class Merit (二等功) by Shandong Department of Human Resources and Social Security and the Health Department of Shandong Province in April 2011, the Second Class Prize of Science and Technology Progress of Shandong Province (山東省科技進步二等獎) by Shandong Provincial People's Government (山東省人民政府) in November 2012, the Science and Technology Innovation Achievement Award (科技創新成果獎) by the Medical Science and Technology Award Committee of Shandong Province (山東醫學科技獎獎勵委員會) in February 2012, the First Session Spring City Top 10 Famous Doctors (首屆泉城十大名醫) by Ji'nan Science and Technology Association (濟南市科學技術協會), Ji'nan Health Bureau (濟南市衛生局) and Ji'nan Daily Newspaper Group (濟南日報報業集團) in July 2013 and the Third Class Prize of Science and Technology Progress of Shandong Province (山東省科技進步三等獎) by Shandong Provincial People's Government in January 2015.

Save as disclosed above, each of our Directors has confirmed that there is no other information in relation to his/her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and that there are no other matters need to be brought to the attention of our Shareholders.

Save as disclosed above, none of our Directors has any directorships in listed companies during the three years immediately prior to the date of this document.

SENIOR MANAGEMENT

Mr. Ren Jizhong (任吉忠), aged [60], is one of our executive Directors, chairman of our Board, our chief executive officer and president. See "— Board of Directors — Executive Director" for details of his background.

Ms. Huang Yaqin (黃亞琴), aged [40], is one of our executive Directors, chief financial officer and the joint company secretary of our Company. See "— Board of Directors — Executive Directors" for details of her background.

Ms. Wang Xiaohui (王曉惠), aged [54], was appointed as our executive vice president on January 12, 2023. She is mainly responsible for the day-to-day operations and management of our Group. She joined our Group in September 2006 as the office director, manager of the overseas business department and director of the development department of Shenzhen IVF from September 2006 to October 2020, the deputy general manager of Shenzhen IVF from October 2020 to January 2023 and the executive vice president of Shenzhen IVF since January 2023.

From September 1993 to June 2001, Ms. Wang Xiaohui worked at Luoyang Sub-branch of the Industrial and Commercial Bank of China (中國工商銀行股份有限公司洛陽分行), where she was mainly responsible for the accounting of savings, cash management, payroll, preparation of vouchers and settlement affairs.

Ms. Wang Xiaohui obtained a college degree from Henan University (河南大學) in the PRC majoring in economic management in July 1999. Ms. Wang Xiaohui is in the process of obtaining her bachelor's degree in human resources from Jiangxi University of Science and Technology (江西理工大學) since December 2022 and is studying at the Enterprise Operations and Management Innovation Practicing Training Class of the Shenzhen Graduate School of Peking University (北京大學深圳研究院企業經營與管理創新實戰研修班) since June 2023.

Mr. Fan Xiujun (范秀軍), aged [46], was appointed as our chief scientific officer on June 1, 2023. He joined our Group in June 1, 2023 as the chief scientific officer.

Mr. Fan Xiujun was the postdoctoral researcher from October 2006 to September 2011 and the research associate from October 2011 to July 2014 of the School of Medicine of Stanford University, where he was primarily responsible for the research of the pathogenesis of pregnancy-related diseases. From May 2014 to June 2019, he served as the associate research fellow of the Shenzhen Institutes of Advanced Technology, Chinese Academy of Science (中國科學院深圳先進技術研究院), where he was primarily responsible for the research of the targeted therapy of pregnancy diseases and mechanism of recurrent abortion. From February 2017 to January 2019, he served as the honorary associate research fellow of Shenzhen Reproductive Medicine Centre, the University of Hong Kong (香港大學深圳醫學生殖醫學中心), where he was primarily responsible for the supervision of the graduate students and research projects in the field of the pathogenesis of preeclampsia. From September 2019 to November 2021, he was the general manager of Tamil Technology

(Shenzhen) Co., Ltd. (泰樂米爾科技(深圳)有限公司), a company principally engaged in the research and development of biomedical products and testing technologies and related technical consulting, where he was primarily responsible for leading the study of prevention and treatment of the non-alcoholic fatty liver disease and cirrhosis by repairing the telomere length of hepatocytes. He is the co-founder of the PhytoAB Inc, a company principally engaged in the development of antibody, where he is primarily responsible for the global sales of antibody and detection products of such company.

Mr. Fan Xiujun obtained his bachelor's degree in animal medicine from Northeast Agriculture University (東北農業大學) in the PRC in July 2000, his master's degree in clinical obstetrics from Northeast Agriculture University (東北農業大學) in the PRC in July 2003 and his doctor's degree in physiology from the Institute of Zoology of the Chinese Academy of Sciences (中國科學院動物研究所) in the PRC in July 2006.

Mr. Fan Xiujun was a member of the Management of High-risk Pregnancy Professional Committee of China Maternal and Child Health Association (中國婦幼保健協會高危妊娠管理專業委員會) from February 2017 to February 2022. He was awarded the Second Prize of Science and Technology Progress Award of Heilongjiang Province (黑龍江省科技進步二等獎) by the Heilongjiang Provincial People's Government (黑龍江省人民政府) in August 2002, the Shenzhen Overseas High-level Class B Talents (深圳市海外高層次B類人才) by the Shenzhen Human Resources and Social Security Bureau (深圳市人力資源和社會保障局) in September 2014, the "Pilot Talent" of Nanshan District of Shenzhen (深圳市南山區"領航人才") by the Human Resources Bureau of Nanshan District of Shenzhen (深圳市南山區人力資源局) in April 2017 and the Second Prize of Science and Technology Progress Award of Shenzhen (深圳市科技進步二等獎) by the Shenzhen Municipal People' Government (深圳市人民政府) in June 2023.

JOINT COMPANY SECRETARIES

Ms. Huang Yaqin (黃亞琴), aged [40], was appointed as our joint company secretary on [●]. See "— Board of Directors — Executive Directors" for details of her background.

Ms. Suen Ka Yan (孫嘉恩), aged [29], was appointed as our joint company secretary on [●]. Ms. Suen Ka Yan currently serves as an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited. She has over 7 years of professional experience in corporate secretarial field and has been providing corporate secretarial services to both listed and private companies incorporated in Hong Kong and overseas. Ms. Suen obtained her bachelor's degree in business administration from the Caritas Institute of Higher Education in Hong Kong in November 2016. She is a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEE

Our Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

We established an Audit Committee on [●] with effect from the [**REDACTED**], with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**CG Code**").

The primary duties of the Audit Committee include but are not limited to (i) reviewing and supervising our financial reporting process and internal control system of our Company, risk management and internal audit; (ii) making recommendations to the Board on the appointment, reappointment and removal of the external auditor; (iii) providing advice and comments to our Board; and (iv) performing other duties and responsibilities as may be assigned by our Board.

The Audit Committee consists of three members, namely Ms. Chen Ling, Ms. Zhang and Ms. Zhao Guiying. The chairlady of the Audit Committee is Ms. Chen Ling, and Ms. Chen Ling has the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

Remuneration Committee

We established a Remuneration Committee on [●] with effect from the [**REDACTED**], with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of Part 2 of the CG Code.

The primary duties of the Remuneration Committee include, but are not limited to (i) establishing, reviewing and providing advices to the Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of our Directors and senior management; and (iii) reviewing and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time.

The Remuneration Committee consists of three members, namely Ms. Zhao Guiying, Mr. Ren and Ms. Chen Ling. The chairlady of the Remuneration Committee is Ms. Zhao Guiying.

Nomination Committee

We established the Nomination Committee on [●] with effect from the [**REDACTED**], with written terms of reference in compliance with paragraph B.3 of Part 2 of the CG Code.

The primary duties of the Nomination Committee include, but are not limited to (i) reviewing the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identifying, selecting or making recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of the Board members; (iii) assessing the independence of our independent non-executive Directors; and (iv) making recommendations to the Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors.

The Nomination Committee consists of three members, namely Mr. Ren, Ms. Chen Ling and Ms. Zhao Guiying. The chairman of the Nomination Committee is Mr. Ren.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive, compensation in the form of fees, salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments.

The aggregate amount of remuneration including fees, salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments granted to our Directors for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were approximately RMB1.1 million, RMB2.1 million, RMB1.5 million and RMB1.0 million, respectively.

The aggregate amount of remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments) which were paid by our Group to our five highest paid individuals for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were approximately RMB4.2 million, RMB6.2 million, RMB6.4 million and RMB2.3 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023. No Director has waived or has agreed to waive any emoluments during the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023.

Under the arrangements presently in force, the estimated aggregate remuneration and benefits in kind payable to our Directors for the year ending December 31, 2023, excluding discretionary bonus, is expected to be approximately RMB2,167,570.

For information on Directors' or the five highest paid individuals' remuneration during the Track Record Period, see Note 9 of the Accountants' Report set out in Appendix I to this document.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to talents, skills, gender, age, ethnicity, experience, independence and knowledge.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic and business planning, medical research, finance and accounting. They obtained degrees in various areas including accounting, business administration, medicine, chemical pharmaceutical and public relationship and marketing. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of the Board. Our Directors range from [40] years old to [69] years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies the Board diversity policy.

We will continue to will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules after [**REDACTED**]. We will select potential Board candidates based on merit and his/her potential contribution to the Board while taking into account the Board diversity policy and other factors. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After [**REDACTED**], our Nomination Committee will review the board diversity policy and its implementation from time to time to ensure its implementation and monitor its continued effectiveness, and the same will be disclosed in our corporate governance report in accordance with the Listing Rules after [**REDACTED**].

COMPLIANCE ADVISOR

We have appointed Gram Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the [**REDACTED**] and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

CORPORATE GOVERNANCE CODE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability. We have adopted the code provisions stated in the CG Code. We are committed to the view that our Board should include a balanced composition of executive Directors, non-executive Director and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

Pursuant to code provision C.2.1 of the CG Code, companies [**REDACTED**] on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Ren currently performs the two roles. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. In addition, as all major decisions will be made in consultation with the members of our Board and the relevant Board committees, and there are three independent non-executive Directors on our Board who can provide independent advice on the operations and management of our Group, our Board takes the view that there is adequate safeguard in place to ensure a sufficient balance of powers within our Board. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively.

Save for the deviation from code provision C.2.1 of the CG Code as disclosed above, it is expected that our Group will be able to comply with the code provisions in the CG Code upon the [**REDACTED**].

OVERVIEW

Immediately following the completion of the [**REDACTED**] and [**REDACTED**] (assuming the [**REDACTED**] is not exercised), LBRS Holdings, Jiuhe BVI and Suda BVI will hold in aggregate approximately [**REDACTED**]% of the [**REDACTED**] share capital of our Company. Each of LBRS Holdings and Jiuhe BVI is wholly owned by Mr. Ren as an investment holding entity with no business activity. Suda BVI is legally owned by Mr. Ren who is the administrator of the RSU Scheme for holding the Shares underlying the RSU Scheme. Ms. Zhang, our non-executive Director, is the spouse of Mr. Ren. Mr. Ren and Ms. Zhang have managed their equity interests in the Company jointly and consistent with the PRC Marriage Law, they consider their interests in the Company as jointly owned marital assets. They make key decisions and reach consensus regarding such assets on a joint basis through obtaining each other's concurrence. As such, Ms. Zhang will also constitute a Controlling Shareholder of our Company upon completion of the [**REDACTED**] and [**REDACTED**]. Accordingly, Mr. Ren, Ms. Zhang LBRS Holdings, Jiuhe BVI, and Suda BVI will be a group of Controlling Shareholders of our Company under the Listing Rules after the [**REDACTED**].

INTERESTS OF OUR CONTROLLING SHAREHOLDERS AND OUR DIRECTORS IN OTHER BUSINESS

As of the Latest Practicable Date, each of our Controlling Shareholders (including his/her/its respective close associates (other than members of our Group)) and Directors confirms that he/she/it does not have any interest in a business, other than the business of our Group, which competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates (other than members of our Group) after the [**REDACTED**].

Management Independence

We have a Board and senior management team that function independently of our Controlling Shareholders and their close associates. Our Board comprises of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. For details, see "Directors and Senior Management" in this document.

Each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. According to the Articles of Association, in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any of our Directors or their respective close associates, unless otherwise permitted by the Articles of Association, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. We have three independent non-executive Directors with extensive experience in their respective areas of expertise to ensure that the decision of our Board are made after due consideration of independent and impartial opinions and in the best interests of our Company and our Shareholders as a whole. Matters including connected transactions are required to be referred to our independent non-executive Directors for review and approval. In addition, we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance Measures" in this section.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Operational Independence

We have make all decisions on, and carry out, our own business operations independently from our Controlling Shareholders and their respective close associates, and will continue to do so after [**REDACTED**]. We (through our subsidiaries) hold and enjoy the benefit of all relevant licenses, concessions and qualifications and own all relevant intellectual properties material to the operation of our business. As of the Latest Practicable Date, we were leasing one office premise in PRC for our operations from Ms. Zhang. Our Directors are of the view that such leased premise can be easily replaced by other comparable premises with comparable rentals, without any material disruptions to our operations. Save as disclosed above, all the properties and facilities necessary for our business operations are independent from our Controlling Shareholders and/or their respective close associates. We also have independent access to, among others, customers, suppliers, technical and medical experts and other resources required for our Group's business. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business. For details, see "— Corporate Governance Measures" in this section.

Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. We have internal control and accounting systems and an independent accounting and finance department for discharging the treasury function. We do not expect to rely on our Controlling Shareholders or their close associates for financing after the [**REDACTED**] as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the [**REDACTED**] from the [**REDACTED**].

In addition, we are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective associates. As of the Latest Practicable Date, our Company did not have any outstanding loans, advances or balances due to or from our Controlling Shareholders or their respective close associates or financial assistance arrangement with our Controlling Shareholders or their respective close associates, and our Company had not provided any guarantee in respect of any loans of our Controlling Shareholders and their respective close associates and vice versa.

Based on the above, we believe we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) we are committed that our Board should include a balanced composition of executive Directors, non-executive Director and independent non-executive Directors. We have appointed independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free from any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders;

(b) in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group and our Controlling Shareholders, our Controlling Shareholders and/or our Company shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors (including why business opportunities referred to it by our Controlling Shareholders were not taken up) either in its annual report or by way of announcements;

(c) we have appointed Gram Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance;

(d) our Company has established internal control mechanisms to identify conflict of interest and connected transactions. A Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the Board meetings on matters which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors; and

(e) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole.

We have entered into certain agreements and arrangements with our connected persons, the details of which are set out below. Upon [**REDACTED**], the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon [**REDACTED**] and the nature of their relationship with our Group:

Connected Person	Connected Relationship
Ms. Zhang	one of our Controlling Shareholders and our non-executive Director
Aiwei Zhengyuan	a company held as to 99% by Ms. Zhang and hence an associate of Ms. Zhang
Aiwei Zhongyuan	a limited partnership held by Aiwei Zhongjiu (wholly owned by Ms. Zhang) as a general partner and Ms. Zhang as the sole limited partner as to 99% and 1%, respectively, and hence an associate of Ms. Zhang
Aiwei Sancai	a limited partnership held by Aiwei Zhongjiu (wholly owned by Ms. Zhang) as a general partner and Ms. Zhang as the sole limited partner as to 99% and 1%, respectively, and hence an associate of Ms. Zhang
Aiwei Feiqing	a limited partnership held by Aiwei Zhongjiu (wholly owned by Ms. Zhang) as a general partner and Ms. Zhang as the sole limited partner as to 99% and 1%, respectively, and hence an associate of Ms. Zhang
Aiwei Zhenglu	a limited partnership held by Aiwei Zhongjiu (wholly owned by Ms. Zhang) as a general partner and Ms. Zhang as the sole limited partner as to 99% and 1%, respectively, and hence an associate of Ms. Zhang

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Continuing Connected Transactions	Applicable Listing Rules	Waiver Sought
Contractual Arrangements	Rule 14A.34-36 Rule 14A.49 Rule 14A.52-53 Rule 14A.59 Rule 14A.105	Announcement, circular, independent Shareholders' approval, annual cap and term of agreements not exceeding three years

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

In light of the Foreign Ownership Restriction, and in order to comply with PRC laws and regulations and obtain the 30% economic benefits of Shenzhen IVF attributable to the Registered Shareholders, we entered into the Contractual Arrangements on November 16, 2023. The Contractual Arrangements allow Aisheng Enterprise (our wholly-owned subsidiary) to control and consolidate economic benefits of Shenzhen IVF, as to the portion of interests in them not held by the Group.

See the section headed "Contractual Arrangements" in this document for details of the key terms of the Contractual Arrangements.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [**REDACTED**] as certain parties to the Contractual Arrangements, namely Ms. Zhang, Aiwei Zhengyuan, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing and Aiwei Zhenglu, are connected persons of our Company.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the legal structure and business of our Group, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into by, among others, Ms. Zhang, Aiwei Zhengyuan, Aiwei Zhongyuan, Aiwei Sancai, Aiwei Feiqing, Aiwei Zhenglu, and any member of our Group (the "**New Intergroup Agreements**") technically constitute our continuing connected transactions under Chapter 14A of the Listing Rules after the [**REDACTED**], our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, announcement, circular and independent Shareholders' approval requirements.

WAIVER APPLICATIONS FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement for setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [**REDACTED**] on the Stock Exchange, subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to any of the agreements constituting the Contractual Arrangements will be made without the independent Shareholders' approval. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Shenzhen IVF and the VIE Hospitals through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the equity interests and assets attributable to Shenzhen IVF at the minimum amount of consideration permitted under applicable PRC laws, (ii) the business structure under which the profit generated by Shenzhen IVF and the VIE Hospitals is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Aisheng Enterprise by Shenzhen IVF under the Exclusive Operation Services Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the VIE Hospitals and Shenzhen IVF.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, Shenzhen IVF, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by Shenzhen IVF to the holder of its equity interest which are not otherwise subsequently assigned or transferred to our Group, (iii) no dividends or other distributions have been made by the VIE Hospitals to Shenzhen IVF which are not otherwise subsequently assigned or transferred to our Group, and (iv) any new contracts entered into, renewed or reproduced between our Group and Shenzhen IVF during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by Shenzhen IVF to the holder of its equity interest which are not otherwise subsequently assigned to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Shenzhen IVF is our subsidiary, and at the same time, the directors, chief executives or substantial shareholder of Shenzhen IVF and its associates will be treated as connected persons of our Company (excluding for this purpose, Shenzhen IVF), and transactions between these connected persons and our Group (including for this purpose, Shenzhen IVF), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

- Shenzhen IVF will undertake that, for so long as the Shares are [**REDACTED**] on the Stock Exchange, Shenzhen IVF will provide the Group's management and the Company's auditor's full access to its relevant records for the purpose of their review of the continuing connected transactions.

In addition, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (ii) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) limiting the term of any New Intergroup Agreements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [**REDACTED**] on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and Shenzhen IVF will continue to be treated as our subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Shenzhen IVF and their respective associates will be treated as connected persons of our Company (excluding for this purpose, Shenzhen IVF), and transactions between these connected persons and our Group (including for this purpose, Shenzhen IVF), other than those under the Contractual Arrangements and the New Intergroup Agreements, will be subject to requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements, and for which waivers have been sought, have been entered into and will continue to be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Further, our Directors (including the independent non-executive Directors) are also of the view that with respect to the terms of the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has (i) reviewed the relevant documents prepared and provided by the Company in relation to the Contractual Arrangements; (ii) obtained necessary representations and confirmations from our Company and our Directors, and (iii) participated in the due diligence and discussions with the management of our Group and our PRC Legal Advisors. Based on the above, the Sole Sponsor is of the view that the Contractual Arrangements have been entered into and will continue to be carried out in the ordinary and usual course of business of our Group and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Further, the Sole Sponsor concurs with the Directors' view that the duration of the Contractual Arrangements are in line with normal business practice.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately prior to and following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Post-[**REDACTED**] Share Scheme), the following persons will have interest or short position in the Shares or underlying Shares, which would be required to be disclosed to our Company pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Shares held as of the date of this document immediately prior to the completion of the [REDACTED] and the [REDACTED]		Shares held immediately following the completion of the [REDACTED] and the [REDACTED]	
		Number of Shares (L)[1]	Approximate percentage	Number of Shares (L)[1]	Approximate percentage
Mr. Ren[2][3][4]	Interest in controlled corporations	918,129	91.81%	[REDACTED]	[REDACTED]%
Jiuhe BVI[3]	Beneficial owner	666,903	66.69%	[REDACTED]	[REDACTED]%
LBRS Holdings[3]	Beneficial owner	240,000	24.00%	[REDACTED]	[REDACTED]%
Ms. Zhang[2]	Interest of spouse	918,129	91.81%	[REDACTED]	[REDACTED]%
Shenzhen Capital[5]	Beneficial owner	19,152	1.92	[REDACTED]	[REDACTED]%
	Interest in controlled corporations	62,719	6.27	[REDACTED]	[REDACTED]%

Notes:

(1) The letter "L" denotes long positions in our Shares.

(2) Ms. Zhang is the spouse of Mr. Ren. By virtue of the SFO, Ms. Zhang is deemed to be interested in the Shares held by Mr. Ren.

(3) Jiuhe BVI and LBRS Holdings are both wholly owned by Mr. Ren. By virtue of the SFO, Mr. Ren is deemed to be interested in the Shares directly held by Jiuhe BVI and LBRS Holdings.

(4) Suda BVI is legally owned by Mr. Ren who is the administrator of the RSU Scheme for holding the underlying Shares under the RSU Scheme. As such, Mr. Ren is deemed to be interested in the 2,245,200 Shares held by Suda BVI in the Company upon the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Post-[**REDACTED**] Share Scheme).

(5) Please refer to the section headed "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investments — Information Relating to Our Pre-[**REDACTED**] Investors" for details of Shenzhen Capital.

Save as disclosed above [and the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests — (c) Interests of Our Substantial Shareholders of Any Member of Our Group (Other than Our Company)"] in Appendix VI to this document, our Directors are not aware of any person who will, immediately following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any options which may be granted under the Post-[**REDACTED**] Share Scheme), have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized and share capital in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**] or any options that may be granted under the Post-[**REDACTED**] Share Scheme):

		Nominal value
		HK$
Authorized share capital:		
3,900,000,000	Shares of HK$0.0001 each	390,000
Issued and to be issued, fully paid or credited as fully paid:		
1,000,000	Shares in issue as of the date of this document	100
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	**Total**	[**REDACTED**]

Assuming the [**REDACTED**] is exercised in full, the share capital in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the [**REDACTED**] and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Post-[**REDACTED**] Share Scheme) will be as follows:

		Nominal value
		HK$
Issued and to be issued, fully paid or credited as fully paid:		
1,000,000	Shares in issue as of the date of this document	100
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	**Total**	[**REDACTED**]

ASSUMPTIONS

The above table assumes that the [**REDACTED**] becomes unconditional and the issue of Shares pursuant to the [**REDACTED**] and the [**REDACTED**] are made. The above does not take into account any shares which may be issued pursuant to the exercise of the [**REDACTED**], any options which may be granted under the Post-[**REDACTED**] Share Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in our share capital and rank equally in all respects with all Shares currently in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Company's Memorandum and Articles of Association, the Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, the Company may subject to the provisions of the Cayman Companies Act reduce its share capital by special resolution of shareholders. For details, see "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of capital" in Appendix V to this document.

Pursuant to the Cayman Companies Act and the terms of the Company's Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (ii) Variation of rights of existing shares or classes of shares" in Appendix V to this document.

RSU SCHEME

On October 30, 2023, we have adopted the RSU Scheme. See "Statutory and General Information — D. RSU Scheme" in Appendix VI to this document for details of the RSU Scheme.

POST-[REDACTED] SHARE SCHEME

Our Company has conditionally adopted the Post-[**REDACTED**] Share Scheme. The principal terms of the Post-[**REDACTED**] Share Scheme are summarized in "Statutory and General Information — E. Post-[**REDACTED**] Share Scheme" in Appendix VI to this document.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Subject to the conditions stated in the section headed "[**REDACTED**]" in this document, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the total number of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

(i) 20% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]); and

(ii) the total number of Shares repurchased by us (if any) under the general mandate to repurchase Shares referred to in the sub-section headed "— General Mandate to Repurchase Shares" below.

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Written Resolutions of Our Shareholders passed on [●], 2024" in Appendix VI to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "[**REDACTED**]", our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase such number of Shares as will represent not more than 10% of the total number of Shares in issue immediately following the completion of the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are [**REDACTED**] (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Group — 5. Repurchases of Our Own Securities" in Appendix VI to this document.

This general mandate to repurchase Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please see the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Written Resolutions of Our Shareholders Passed on [●], 2024" in Appendix VI to this document.

You should read the following discussion and analysis in conjunction with our combined financial statements as of and for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 set forth in the Accountants' Report in Appendix I to this document, together with the accompanying notes. Our combined financial statements have been prepared in accordance with IFRSs, which may differ in certain aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed "Risk Factors" and "Business."

OVERVIEW

We are a leading one-stop ART and ancillary service provider with a prominent market position in China. Through our four licensed hospitals in Guangdong, Tianjin and Yunnan, we focus on providing ART and ancillary services to patients with infertility in China. According to Frost & Sullivan, we are the fourth largest private ART service provider in terms of IVF cycles performed in China in 2022.

During the Track Record Period, our financial performance illustrated our capability to achieve robust business growth. In 2020, 2021 and 2022, our revenue amounted to RMB369.4 million, RMB419.5 million and RMB407.2 million, respectively. Our revenue increased by 29.8% from RMB177.4 million for the six months ended June 30, 2022 to RMB230.4 million for the six months ended June 30, 2023. In 2020, 2021 and 2022, our gross profit amounted to RMB156.5 million, RMB192.6 million and RMB176.4 million, respectively. Our gross profit increased by 39.0% from RMB72.0 million for the six months ended June 30, 2022 to RMB100.2 million for the six months ended June 30, 2023. In 2020, 2021, 2022 and for the six months ended June 30, 2022 and 2023, we recorded gross profit margin at 42.4%, 45.9%, 43.3%, 40.6% and 43.5%, respectively.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, including the following:

The Evolving ART Service Market in China

During the Track Record Period, our revenue was primarily generated from providing ART and ancillary services through our hospitals in China. Our financial results are driven primarily by the growing demand for ART services from infertile population. Infertility is becoming increasingly prevalent in China, primarily due to the changing natural environment, such as environment pollution, and the changing social environment, such as later fertility age, unhealthy living habits like smoking, excessive drinking, staying up late, sedentary, and increased mental pressure. According to Frost & Sullivan, the size of China's ART service market increased from RMB25.2 billion in 2018 to RMB27.9 billion in 2022, and is expected to reach RMB37.7 billion in 2026 and RMB55.2 billion in 2030. We believe that by leveraging our leadership position in China's ART service market, we are well-positioned to capture the tremendous market opportunities, and we expect our results of operations and financial performance to further enhance in the future.

Moreover, laws and regulations enacted by China's governmental authorities, as well as government incentive policies, such as the three-child policy announced in May 2021, and other governmental supports have a significant impact on the prospect of China's ART service market. Changes in the factors that impact the growth rate of China's ART service market and competitive landscape would have significant impact on the demand for our ART and ancillary services, and in turn, our business and prospects. Our ability to anticipate and respond to potential changes in industry trends will have a significant impact on our future performance.

Ability to Maintain Our Reputation in the Industry and the Patients' Trust in Us

Brand reputation is crucial in acquiring new patients, given the high opportunity cost and cost of failure associated with IVF treatment. Therefore, our success will depend on our ability to maintain our reputation in the industry and our patients' trust in us, which would affect the number of IVF patients and IVF cycles, in turn affecting our revenue. To maintain good brand reputation, we strive to deliver ART and ancillary services to the satisfaction of our patients. We have maintained high success rate during the Track Record Period, which we believe was primarily attributable to our skilled and experienced physicians and the advanced technology we applied, such as time-lapse incubation technology, through which we could monitor and analyze the incubation process in an effective and efficient manner. To maintain superior patient experience, we constantly improve the quality of our service, optimize our service process, develop diversified service programs based on the principles of precision medicine and invest on information technology to facilitate the treatment process. We maintained high customer referral rate at 44.6%, 46.3%, 46.3%, 46.1% and 51.1% in 2020, 2021 and 2022, and for the six months ended June 30, 2022 and 2023, respectively, underlining our patients' trust in us. The total number of IVF cycles performed at our four hospitals were 6,202, 7,023 and 6,706 in 2020, 2021 and 2022, respectively, and increased from 2,804 for the six months ended June 30, 2022 to 3,638 for the six months ended June 30, 2023.

Ability to Expand Our Medical Network

During the Track Record Period, our revenue was primarily generated from our four hospitals in China. As part of our long-term business vision and growth strategy, we intend to establish or acquire hospitals in developing countries in Southeast Asia, Middle East or South Asia. While we believe growing the medical network will lead to higher revenue and profitability for us in the long term, additional hospitals may not be accretive initially because new hospitals generally have lower income and higher operating costs during the initial stages of their operations. We may also incur substantial expenses before the commencement of operations of new hospitals, including construction and renovation costs and equipment costs, which could have a negative impact on our liquidity and profitability.

In addition, as we have historically operated only in China, there are a number of risks and uncertainties associated with the expansion of our business overseas. See "Risk Factors — Risks Relating to Our Business and Industry — If we fail to effectively implement our business strategies, including managing business in new geographic regions through acquisitions, our business, financial condition and results of operations may be adversely affected." As a result, our operating results could be influenced by the new hospitals established or acquired. Our ability to establish or acquire and manage the additional hospitals in a cost-efficient manner determines whether and how quickly we can recover our investment, and may materially affect our revenue and profitability.

Ability to Control Our Costs and Expenses

Our results of operations have been and will continue to be affected by our ability to control our cost of revenue and other expenses. During the Track Record Period, cost of materials and salaries and welfare represent the two largest components of our costs and expenses.

Our cost of materials represents cost of pharmaceuticals, reagents and medical consumables that we use in the course of providing our services, which constituted the largest portion of our cost of revenue. In 2020, 2021 and 2022, and for the six months ended June 30, 2022 and 2023, cost of materials amounted to RMB120.0 million, RMB133.4 million, RMB130.2 million, RMB57.0 million and RMB71.2 million, respectively, accounting for 56.4%, 58.8%, 56.4%, 54.1% and 54.7% of our cost of revenue in the same years/periods, respectively. The prices of raw materials are determined principally by market forces and changes in government policies, as well as our bargaining power with our suppliers. Any fluctuation in raw material costs from current levels would impact our cost of revenue. For pharmaceutical products, we consolidated the procurement volume of our hospitals by product category in order to obtain more favorable prices through public tender. For reagents and medical consumables, we negotiated price directly with suppliers at the group level to increase our bargaining power.

In addition, attracting and retaining medical professionals involves a significant cost to our business. Our staff costs comprised salaries, wages, bonuses and other benefits, contributions to defined contribution retirement plan, and equity-settled share-based payments expenses recognized in our cost of revenue, selling and distribution expenses and administrative expenses. Our total staff costs amounted to RMB99.9 million, RMB115.6 million, RMB117.7 million, RMB59.3 million and RMB64.2 million in 2020, 2021 and 2022, and for the six months ended June 30, 2022 and 2023, respectively, accounting for 34.8%, 36.4%, 35.0%, 37.4% and 34.7% of our cost of revenue, selling and distribution expenses and administrative expenses in the same years/periods, respectively. The number of our employees has been increasing along with the growth of our business, and the increases in the staff costs during the Track Record Period were primarily attributable to such increase in the headcount and increased compensation level in order to recruit and retain qualified physicians and other employees. We depend on our professional team to provide medical services to our patients who look for quality ART and ancillary services from a trusted and reputable provider, as well as a professional management team to manage our medical network. Being able to attract and retain quality medical professionals would provide us with a competitive advantage over our competitors. As a result, we expect cost of materials and staff costs to continue to be our significant costs and expenses going forward. Our ability to effectively control such costs and expenses may materially affect our profitability.

BASIS OF PREPARATION AND PRESENTATION

We were established in the Cayman Islands on September 8, 2023 as an exempted company with limited liability. Prior to our incorporation and completion of the reorganization as described below, our principal business was carried out by Shenzhen IVF which was established on September 5, 2006 in the PRC and its subsidiaries (the "**VIE Hospitals**"). Upon completion of the reorganization in November 2023, we became the holding company of the companies now comprising the Group. See "History, Reorganization and Corporate Structure" for details regarding the reorganization. There were no changes in the economic substance of the ownership and business carried out by the VIE Hospitals before and after the reorganization. Accordingly, the historical financial information has been prepared and presented as a continuation of the combined financial statements of the VIE Hospitals with the assets and liabilities recognized and measured at their historical carrying amounts prior to the reorganization.

Since business conducted by the VIE Hospitals is subject to foreign investment restrictions under the relevant laws and regulations in the PRC, as part of the reorganization, Aisheng Enterprise, our wholly-owned subsidiary, entered into a series of agreements with Shenzhen IVF and its registered shareholders on October 11, 2023, details of which are set out in the section head "Contractual Arrangements" in the Document. Pursuant to the Contractual Arrangements, 30.0% equity interests in the VIE Hospitals are controlled by Aisheng Enterprise. Together with the remaining 70.0% ownership in the VIE Hospitals originally owned by Aisheng Enterprise, we are able to effectively own 100% equity interests in and control the VIE Hospitals and receive substantially all the economic benefit of the business and operations of the VIE Hospitals. As a result, the VIE Hospitals became our indirect wholly-owned subsidiaries and we can consolidate 100.0% interests over the VIE Hospitals without non-controlling interests.

Our historical financial information has been prepared in accordance with all applicable IFRSs, which collective term includes all applicable standards and interpretations issued by the IASB. For the purpose of preparing the historical financial information, we have consistently adopted all applicable new and revised IFRSs throughout the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2023.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified various accounting policies that are material to the preparation of our financial information, and the understanding of our financial condition and results of operations. See Note 2 to the Accountants' Report in Appendix I to this document for details regarding our accounting policies.

Our Directors are required to make judgements, estimates and assumptions that affect our application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on our historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by our management on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. See Note 3 to the Accountants' Report in Appendix I to this document for details regarding our accounting estimates.

The following paragraphs discuss, among others, our critical accounting policies, estimates and judgements applied in preparing our financial information:

Revenue recognition

Revenue is recognized when control over a product or service is transferred to the customer at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties such as VAT or other sales taxes.

ART Services

We are primarily engaged in the provision of ART services to patients, which includes two major solutions: AI and IVF-ET.

Regular ART services

The customers normally receive the services which contain various treatment components. They include (i) initial consultation and pre-treatment services, (ii) AI or IVF-ET treatment services, (iii) services after pregnancy and other related services, and (iv) sale of pharmaceutical products.

Initial consultation and pre-treatment services, services after pregnancy and other related services are transferred at a point of time. Revenue is recognized when the customer obtains the control of the completed service and the we have present right to payment.

AI treatment — it mainly includes follicle monitoring, semen processing and artificially sperm introduction. Revenue is recognized when the customer obtains the control of the completed service and we have present right to payment.

IVF-ET treatment — it mainly includes ovarian stimulation, egg retrieval and fertilization and embryo development and transfer which involves the performance of various medical treatment and procedures. For certain procedures, revenue is recognized over the period of performance as we have an enforceable right to payment for the contracted price of the specific procedure and the performance does not create an asset with an alternative use. For remaining procedures, revenue is recognized when the customer obtains the control of the completed service and we have present right to payment.

Sale of pharmaceutical products — revenue is recognized when control of the products has transferred, being when the products are delivered to the customer, and we have present right to payment.

Packaged ART and ancillary service programs

We provide packaged ART and ancillary services which covers the whole diagnostic and treatment process. Patients who participate in the packaged ART and ancillary service programs enjoy multiple embryo transfers under lump-sum payment arrangement. If a patient fails to achieve clinical pregnancy after the pre-agreed numbers of embryo transfers within a specific period of time, the patient is entitled to receive a refund of the lump-sum payment. The program includes a series of treatment or procedures that are not separately distinct and identified as a single performance obligation satisfied over time as our performance enhances the assets (retrieved/fertilized eggs) the patient controls.

In order to achieve clinical pregnancy, we may need to perform multiple procedures including embryo transfers. As we cannot reasonably measure the progress towards achieve clinical pregnancy but expect to recover the costs incurred in satisfying the performance obligation, we recognize revenue to the extent of the costs incurred during the service period, before the clinical pregnancy is achieved or failed.

The patient is entitled to receive a refund of the lump-sum payment if clinical pregnancy is failed after pre-agreed numbers of embryo transfers. We estimate the amount of consideration to which we will be entitled using the expected value method. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each year/period comprising the Track Record Period, we update the estimated transaction price.

Ancillary services

Revenue from ancillary medical services is recognized when the related services have been rendered.

Property, plant and equipment ("PPE")

PPE are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed items of PPE includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs. Gains or losses arising from the retirement or disposal of an item of PPE 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 retirement or disposal.

Depreciation is calculated to write off the cost of items of PPE, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. Where parts of an item of PPE have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less impairment losses. Cost comprises the purchase costs of the asset and the related construction and installation costs. Construction in progress is transferred to PPE when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above. No depreciation is provided in respect of construction in progress.

Income tax

Income tax expense comprises current tax and deferred tax. It is recognized in profit or loss.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the Track Record Period. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- temporary differences related to investment in subsidiaries to the extent that the group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

We recognized deferred tax assets and deferred tax liabilities separately in relation to our lease liabilities and right-of-use assets.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for our individual subsidiaries. Deferred tax assets are reviewed at the end of each year/period comprising the Track Record Period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

DESCRIPTION OF SELECTED ITEMS FROM COMBINED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our combined statements of profit or loss, with line items in absolute amounts and as a percentage of our revenue for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(unaudited)			
Revenue	369,439	100.0	419,520	100.0	407,177	100.0	177,418	100.0	230,369	100.0
Cost of revenue	(212,939)	(57.6)	(226,893)	(54.1)	(230,775)	(56.7)	(105,369)	(59.4)	(130,201)	(56.5)
Gross profit	156,500	42.4	192,627	45.9	176,402	43.3	72,049	40.6	100,168	43.5
Other net income	5,072	1.4	17,104	4.1	22,150	5.4	2,888	1.6	1,352	0.6
Selling and distribution expenses	(22,928)	(6.2)	(24,188)	(5.8)	(25,294)	(6.2)	(11,443)	(6.4)	(13,388)	(5.8)
Administrative expenses	(51,321)	(13.9)	(66,306)	(15.8)	(80,695)	(19.8)	(41,667)	(23.5)	(41,714)	(18.1)
Profit from operations	87,323	23.6	119,237	28.4	92,563	22.7	21,827	12.3	46,418	20.1
Finance costs	(16,029)	(4.3)	(14,009)	(3.3)	(5,593)	(1.4)	(2,703)	(1.5)	(1,311)	(0.6)
Profit before taxation	71,294	19.3	105,228	25.1	86,970	21.4	19,124	10.8	45,107	19.6
Income tax	(25,337)	(6.9)	(10,666)	(2.5)	(22,453)	(5.5)	(5,477)	(3.1)	(11,224)	(4.9)
Profit for the year/period	45,957	12.4	94,562	22.5	64,517	15.8	13,647	7.7	33,883	14.7

Revenue

During the Track Record Period, we generated our revenue by providing ART and ancillary services to patients with infertility in China mainly through our four hospitals in Guangdong, Tianjin and Yunnan. Revenue from provision of ART and ancillary services increased from RMB369.4 million in 2020 to RMB419.5 million in 2021, and decreased to RMB407.2 million in 2022, and increased from RMB177.4 million for the six months ended June 30, 2022 to RMB230.4 million for the six months ended June 30, 2023. Revenue from provision of ART and ancillary services was primarily subject to the following factors:

– *IVF cycles*. Each IVF cycle is an egg retrieval cycle, which refers to the process in which a patient undergoes medication to promote follicular development until follicular maturation, and the egg is removed surgically. Fluctuations in the number of IVF cycles we performed were related to the number of patients we served, which depends on our reputation, service quality and market demand.

– *Average spending per IVF cycle*. Fluctuations in the average spending per IVF cycle result from various factors, including the use of different treatment plans tailored by our physicians to specific patient conditions, especially in the ovarian stimulation stage in the IVF treatment process, and the prices of services, pharmaceuticals, reagents and medical consumables affected by the number of visits due to changes in patients' treatment conditions.

We price our ART and ancillary services based on certain factors, including operating costs, age and physical conditions of individual patients, patient needs, complexity of treatment, local market conditions and pricing strategies adopted by competitors, with reference to the local medical insurance catalogs of public hospitals. In addition to our regular ART and ancillary services, we also offer packaged ART and ancillary service programs which cover the whole diagnostic and treatment process.

The following table sets forth a breakdown of our revenue by hospital for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
							(unaudited)			
Zhanjiang Hospital	175,672	47.6	212,297	50.6	213,988	52.6	92,245	52.0	107,117	46.5
Tianjin Hospital	67,266	18.2	79,628	19.0	76,821	18.9	30,134	17.0	60,018	26.1
Jieyang Hospital	49,134	13.3	55,696	13.3	60,025	14.7	28,098	15.8	29,775	12.9
Kunming Hospital	55,211	14.9	62,683	14.9	56,343	13.8	26,941	15.2	33,459	14.5
Shenzhen Gynecological Hospital(1)	22,156	6.0	9,216	2.2	–	–	–	–	–	–
Total	369,439	100.0	419,520	100.0	407,177	100.0	177,418	100.0	230,369	100.0

Note:

(1) Our Shenzhen Gynecological Hospital ceased operation since July 2021. See "Business — Our Medical Network" for details.

Our revenue from each hospital is primarily affected by local economic development, the perception of medical treatment prevailing in the local market, the number of local competitors, the hospital's reputation, the quality of hospital services, and technical skills of professional physicians.

During the Track Record Period, revenue generated from Zhanjiang Hospital and Tianjin Hospital contributed to a significant portion of our total revenue, accounting for 65.8%, 69.6%, 71.5%, 69.0% and 72.6% in 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, respectively. Zhanjiang Hospital, as the first reproductive center in the west of Guangdong, enjoyed first mover's advantages, and we adopted packaged ART and ancillary service programs in Zhanjiang Hospital early in 2019, which is a differentiated fee model we adopted to accelerate the penetration of the local ART service market. The location of Tianjin Hospital at a transportation hub in a densely populated area plays a pivotal role in its revenue growth. Tianjin Hospital has experienced a significant growth after relocating to a new hospital campus with convenient transportation in early 2023.

Our Shenzhen Gynecological Hospital was established in December 2013 and provided obstetrics and gynecology treatment. As we intend to focus on providing ART and ancillary services, we ceased the operation of Shenzhen Gynecological Hospital in July 2021 and officially closed Shenzhen Gynecological Hospital in 2022 for better resource allocation. See "Business — Our Medical Network" and "History, Reorganization and Corporate Structure — Our History and Development" for details.

Cost of revenue

Our cost of revenue primarily consisted of (i) cost of materials; (ii) staff costs; (iii) depreciation and amortization; and (iv) rental and utilities expenses.

The following table sets forth a breakdown of our cost of revenue by nature for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(unaudited)			
Cost of materials	120,013	56.4	133,381	58.8	130,225	56.4	57,010	54.1	71,221	54.7
Staff costs	59,336	27.9	64,751	28.5	66,817	29.0	32,218	30.6	35,883	27.6
Depreciation and amortization	17,643	8.3	9,114	4.0	12,603	5.5	6,635	6.3	8,746	6.7
Rental and utilities expenses	6,734	3.2	6,053	2.7	4,203	1.8	1,614	1.5	3,776	2.9
Others	9,213	4.2	13,594	6.0	16,927	7.3	7,892	7.5	10,575	8.1
Total	212,939	100.0	226,893	100.0	230,775	100.0	105,369	100.0	130,201	100.0

Cost of materials represent cost of pharmaceuticals, reagents and medical consumables that we use in the course of providing our services, which constituted the largest portion of our cost of revenue during the Track Record Period. Cost of materials was primarily subject to number of IVF cycles, and was also affected by various other factors, such as patient condition, and practices adopted in treatment and surgeries.

Staff costs were primarily incurred in connection with salaries, wages, bonuses and other benefits, contributions to defined contribution retirement plan, and equity-settled share-based payments expenses of our medical staff.

Depreciation and amortization represent depreciation of PPE and right-of-use assets and amortization of intangible assets.

Rental and utilities expenses represent the expenses incurred for providing ART and ancillary services, such as rental fees for short-term leases, water and electricity fees.

Others primarily represent external testing fees paid to third-party medical testing agencies, and insurance fees paid to insurance companies for covering the risk of refunds arising from our packaged ART and ancillary service programs.

The following table sets forth a breakdown of our cost of revenue by hospital for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(unaudited)			
Zhanjiang Hospital	89,328	42.0	107,680	47.5	118,739	51.4	52,836	50.1	59,170	45.4
Tianjin Hospital	43,583	20.5	48,225	21.3	50,449	21.9	21,880	20.8	38,461	29.5
Jieyang Hospital	24,879	11.7	27,035	11.9	28,078	12.2	14,124	13.4	13,885	10.7
Kunming Hospital	32,412	15.2	36,592	16.1	33,509	14.5	16,529	15.7	18,685	14.4
Shenzhen Gynecological Hospital(1)	22,737	10.6	7,361	3.2	–	–	–	–	–	–
Total	212,939	100.0	226,893	100.0	230,775	100.0	105,369	100.0	130,201	100.0

Note:

(1) Our Shenzhen Gynecological Hospital ceased operation since July 2021. See "Business — Our Medical Network" for details.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of revenue. In 2020, 2021 and 2022, and for the six months ended June 30, 2022 and 2023, our gross profit was RMB156.5 million, RMB192.6 million, RMB176.4 million, RMB72.0 million and RMB100.2 million, respectively. Our gross profit is primarily driven by the increase in the number of IVF cycles.

Our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. In 2020, 2021 and 2022, and for the six months ended June 30, 2022 and 2023, our gross profit margin was 42.4%, 45.9%, 43.3%, 40.6% and 43.5%, respectively. The following table sets forth a breakdown of our gross profit/loss and gross profit/loss margin by hospital for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Zhanjiang Hospital	86,344	49.2	104,617	49.3	95,249	44.5	39,409	42.7	47,947	44.8
Tianjin Hospital	23,683	35.2	31,403	39.4	26,372	34.3	8,254	27.4	21,557	35.9
Jieyang Hospital	24,255	49.4	28,661	51.5	31,947	53.2	13,974	49.7	15,890	53.4
Kunming Hospital	22,799	41.3	26,091	41.6	22,834	40.5	10,412	38.6	14,774	44.2
Shenzhen Gynecological Hospital[1]	(581)	(2.6)	1,855	20.1	–	–	–	–	–	–
Total	156,500	42.4	192,627	45.9	176,402	43.3	72,049	40.6	100,168	43.5

Note:

(1) Our Shenzhen Gynecological Hospital ceased operation since July 2021. See "Business — Our Medical Network" for details.

During the Track Record Period, Jieyang Hospital generally had a higher gross profit margin than other hospitals, primarily because the fixed costs of Jieyang Hospital, including depreciation and amortization and rental and utilities expenses, were relatively small as it only rented two floors. In addition, according to Frost & Sullivan, Jieyang Hospital is the only private ART medical institution in the east of Guangdong province and faces with less intense market competition, and accordingly does not suffer as much downward price pressure as its peers operating in more competitive markets.

During the Track Record Period, Tianjin Hospital generally had a lower gross profit margin than other hospitals, primarily because (i) the average compensation paid to our medical staff of Tianjin Hospital was generally higher than that of the other three hospitals, as Tianjin is more economically developed; and (ii) the fixed cost of Tianjin Hospital was higher than that of the other three hospitals, as Tianjin Hospital is a Class II obstetrics and gynecology hospital that must meet certain requirements, in terms of, for instance, venue, beds, medical equipment and medical staff.

The fluctuation of our cost of revenue was relatively small compared with the fluctuation of revenue during the Track Record Period because a portion of cost of revenue was relatively fixed. The base salary of medical staff, being a substantial component of our staff costs categorized under cost of revenue, was fixed cost as it was not linked to revenue of our hospitals. Depreciation and amortization, and rental and utilities expenses of our hospitals were also relatively fixed, except for special circumstances such as relocation.

Other net income

Our other net income primarily consisted of (i) net realized and unrealized gain on financial assets at FVPL; (ii) interest income from bank deposits; (iii) net loss or gain on disposal of PPE, right-of-use assets and intangible assets; and (iv) government grants. The following table sets forth a breakdown of our other net income for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(unaudited)			
Net realized and unrealized gain on financial assets at FVPL	3,848	75.8	4,070	23.9	3,575	16.2	1,985	68.7	801	59.2
Interest income from bank deposits	552	10.9	568	3.3	646	2.9	310	10.7	581	43.0
(Provision for)/reversal of impairment losses on trade and other receivables	(77)	(1.5)	(253)	(1.5)	162	0.7	78	2.7	(157)	(11.6)
Net (loss)/gain on disposal of PPE, right-of-use assets and intangible assets	(611)	(12.0)	11,878	69.4	16,838	76.0	20	0.7	(39)	(2.9)
Government grants	370	7.3	544	3.2	359	1.6	129	4.5	5	0.4
Others[1]	990	19.5	297	1.7	570	2.6	366	12.7	161	11.9
Total	5,072	100.0	17,104	100.0	22,150	100.0	2,888	100.0	1,352	100.0

Note:

(1) Others primarily consisted of consulting service income.

Net realized and unrealized gain on financial assets at FVPL represent income from mature wealth management products and fair value gain on the unmatured wealth management products we purchased for investment purpose, which were issued by various reputable commercial banks in the PRC with a floating return which will be paid together with the principal on the maturity dates. The fluctuations in net realized and unrealized gains on financial assets at FVPL during the Track Record Period were primarily due to an increase or a decrease in scale and changes in structure of such investment.

We recorded net gain on disposal of PPE, right-of-use assets and intangible assets of RMB11.9 million in 2021, primarily because we ceased the operation of Shenzhen Gynecological Hospital and disposed relevant PPE in 2021. We recorded net gain on disposal of PPE, right-of-use assets and intangible assets of RMB16.8 million in 2022, primarily because we disposed a building owned by Shenzhen IVF in 2022 in order to optimize our asset portfolio. Our other net loss or gain on disposal of PPE, right-of-use assets and intangible assets during the Track Record Period represent loss or gain on disposal of a small amount of unused or expired medical equipment.

Government grants primarily represent government subsidies for the purpose of encouraging our compliance with the government policy in relation to unemployment insurance, and COVID-19-related subsidies to stabilize employment. The establishment of the incentive programs and grant of such subsidies are subject to the government's discretion and the receipt of such subsidies is thus unpredictable. There are no unfulfilled conditions relating to such government subsidies recognized.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consisted of (i) staff costs of our sales and marketing staff; (ii) advertising and promotion expenses; (iii) travelling and office expenses; and (iv) depreciation and amortization. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our selling and distribution expenses accounted for 6.2%, 5.8%, 6.2%, 6.4% and 5.8% of our revenue, respectively. The following table sets forth a breakdown of our selling and distribution expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(unaudited)			
Staff costs	12,158	53.0	12,637	52.3	14,577	57.6	6,637	58.0	7,620	56.8
Advertising and promotion expenses	8,780	38.3	9,778	40.4	8,528	33.7	3,855	33.7	4,600	34.4
Travelling and office expenses	1,138	5.0	993	4.1	1,015	4.0	386	3.4	654	4.9
Depreciation and amortization	614	2.7	558	2.3	547	2.2	276	2.4	293	2.2
Others	238	1.0	222	0.9	627	2.5	289	2.5	221	1.7
Total	22,928	100.0	24,188	100.0	25,294	100.0	11,443	100.0	13,388	100.0

Administrative Expenses

Our administrative expenses primarily consisted of (i) staff costs of our general and administrative staff; (ii) utilities and office expenses; (iii) depreciation and amortization; (iv) taxation expenses; and (v) professional service fees, which mainly arising from the engagement of professional service providers for the A Share Listing Attempt. The following table sets forth a breakdown of our administrative expenses for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(unaudited)			
Staff costs	28,451	55.4	38,201	57.6	36,340	44.9	20,421	49.0	20,725	49.7
Utilities and office expenses	5,536	10.8	6,790	10.2	11,434	14.2	5,616	13.5	6,013	14.4
Depreciation and amortization	9,433	18.4	10,919	16.5	15,912	19.7	8,105	19.5	6,837	16.4
Taxation expenses	1,348	2.6	1,382	2.1	4,488	5.6	2,046	4.9	2,040	4.9
Professional service fees	1,793	3.5	3,786	5.7	6,987	8.7	2,438	5.9	3,723	8.9
Others[1]	4,760	9.3	5,228	7.9	5,534	6.9	3,041	7.2	2,376	5.7
Total	51,321	100.0	66,306	100.0	80,695	100.0	41,667	100.0	41,714	100.0

Note:

(1) Others primarily consisted of maintenance fees and sanitation fees.

Finance Costs

Our finance costs primarily consisted of (i) interest on bank loans and other borrowings; (ii) interest expenses on lease liabilities; and (iii) interest expenses on financial instruments issued to investors. The following table sets forth a breakdown of our finance costs for the years/periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
							(unaudited)			
Interest expenses on bank loans and other borrowings	2,777	17.4	6,741	48.1	3,891	69.6	1,850	68.4	504	38.4
Interest expenses on lease liabilities	2,902	18.1	2,440	17.4	1,702	30.4	853	31.6	807	61.6

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000* (unaudited)	*% of total*	*RMB'000*	*% of total*
Interest expenses on financial instruments issued to investors	11,789	73.5	11,370	81.2	–	–	–	–	–	–
Less: interest expenses capitalized into construction in progress	(1,439)	(9.0)	(6,542)	(46.7)	–	–	–	–	–	–
Total	16,029	100.0	14,009	100.0	5,593	100.0	2,703	100.0	1,311	100.0

Interest expenses on bank loans and other borrowings primarily include interest expenses on bank loans and construction payables of Zhanjiang Hospital.

Interest expenses on lease liabilities represent the interest elements on lease liabilities, which were related to our lease contracts for hospitals and office buildings, which have lease terms between three to 19 years.

In December 2019, Shenzhen IVF entered into investment agreements with certain independent investors for pre-[**REDACTED**] investments, according to which the pre-[**REDACTED**] investors were granted preferential rights. Interest expenses on financial instruments issued to investors represent the interest expenses related to our obligation to purchase the shares held by the pre-[**REDACTED**] investors. In December 2021, our obligation under the investors' preferential rights were waived by the pre-[**REDACTED**] investors, and therefore no interest expenses on financial instruments issued to investors were incurred afterwards.

Income Tax

Our income tax expenses consisted of current tax and deferred tax. The following table sets forth a breakdown of our income tax expenses for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax	22,453	26,208	15,995	5,855	8,684
Deferred tax	2,884	(15,542)	6,458	(378)	2,540
Total	25,337	10,666	22,453	5,477	11,224

We were not subject to any income, estate, corporation, capital gains or other tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period. We are not subject to income or capital gains tax in the BVI. No provision for Hong Kong profits tax has been made during the Track Record Period as we did not generate any assessable profits arising in Hong Kong.

Our PRC subsidiaries are subject to the statutory EIT rate of 25.0%, except for Kunming Hospital. Pursuant to Notice on Issues Concerning Relevant Tax Policies to In-depth Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關稅收政策問題的通知) issued on July 27, 2011, and Announcement on the Continuation of the Enterprise Income Tax Policy for the Western Development Strategy (關於延續西部大開發企業所得稅政策的公告) issued on April 23, 2020, companies in the western region that engage in the industries encouraged in the catalogue and whose income within the catalogue accounts for more than 60.0% of the total income can enjoy the preferential corporate income tax rate of 15.0% from January 1, 2011 to December 31, 2030. Kunming Hospital is engaged in the eligible industry and entitled to enjoy the preferential income tax rate.

Our effective tax rate, calculated as income tax divided by profit before taxation, was 35.5%, 10.1%, 25.8%, 28.6% and 24.9% in 2020, 2021 and 2022, and for the six months ended June 30, 2022 and 2023, respectively. Our effective tax rate in 2021 was lower than statutory EIT rate, primarily because Shenzhen IVF recognized tax losses generated from loss of interest of subsidiary and other receivables to Shenzhen Gynecological Hospital which was deregistered in 2022.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with the relevant tax authorities.

DISCUSSION OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

Revenue

Our revenue increased by 29.8% from RMB177.4 million for the six months ended June 30, 2022 to RMB230.4 million for the six months ended June 30, 2023, which was attributable to the revenue growth of our four hospitals, particularly Zhanjiang Hospital and Tianjin Hospital.

Zhanjiang Hospital. Revenue from Zhanjiang Hospital increased by 16.1% from RMB92.2 million for the six months ended June 30, 2022 to RMB107.1 million for the six months ended June 30, 2023. Such increase was generally in line with the increase in the number of IVF cycles of Zhanjiang Hospital by 17.2% from 1,486 to 1,742 during the same period, which was primarily attributable to the impact of COVID-19 pandemic on our customers' willingness in visiting our Zhanjiang Hospital in the first half of 2022, especially in May 2022 when the pandemic situation in Zhanjiang was severe. As the PRC government adjusted anti-pandemic measures in the first half of 2023, the number of out-patient visits of Zhanjiang Hospital increased from 81,998 for the six months ended June 30, 2022 to 96,851 for the six months ended June 30, 2023, leading to an increase in the number of IVF cycles.

Tianjin Hospital. Revenue from Tianjin Hospital increased by 99.2% from RMB30.1 million for the six months ended June 30, 2022 to RMB60.0 million for the six months ended June 30, 2023, primarily due to the increase in the number of IVF cycles of Tianjin Hospital by 97.0% from 436 to 859 during the same period, which was primarily due to the impact of COVID-19 pandemic in the first half of 2022, and the relocation of Tianjin Hospital to a new hospital campus with more convenient transportation network and larger area for providing more treatment programs in January 2023 that led to an increase in the number of out-patient visits of Tianjin Hospital from 20,064 for the six months ended June 30, 2022 to 37,738 for the six months ended June 30, 2023.

Jieyang Hospital. Revenue from Jieyang Hospital increased by 6.0% from RMB28.1 million for the six months ended June 30, 2022 to RMB29.8 million for the six months ended June 30, 2023. Such increase was generally in line with the increase in the number of IVF cycles of Jieyang Hospital by 4.7% from 407 to 426 during the same period.

Kunming Hospital. Revenue from Kunming Hospital increased by 24.2% from RMB26.9 million for the six months ended June 30, 2022 to RMB33.5 million for the six months ended June 30, 2023. Such increase was generally in line with the increase in the number of IVF cycles of Kunming Hospital by 28.6% from 475 to 611 during the same period, which was primarily due to the impact of COVID-19 pandemic in the first half of 2022, especially in April 2022 when the pandemic situation in Kunming was severe. As the PRC government adjusted anti-pandemic measures in the first half of 2023, the number of out-patient visits of Kunming Hospital increased from 19,229 for the six months ended June 30, 2022 to 22,366 for the six months ended June 30, 2023, leading to an increase in the number of IVF cycles.

Cost of revenue

Our cost of revenue increased by 23.6% from RMB105.4 million for the six months ended June 30, 2022 to RMB130.2 million for the six months ended June 30, 2023, which was generally in line with our revenue growth. This increase was primarily due to (i) an increase of RMB14.2 million in cost of materials, primarily due to the increase in the number of IVF cycles; (ii) an increase of RMB3.7 million in staff costs, primarily due to increased headcount and compensation level of our medical staff; (iii) an increase of RMB2.6 million in others, primarily due to the increase in testing fees in relation to our increased number of IVF cycles and the increase in insurance fees in relation to the increased number of packaged ART and ancillary service agreements we entered into with our patients; (iv) an increase of RMB2.2 million in rental and utilities expenses, primarily due to the increase in rental and utilities expenses of the new hospital campus of Tianjin Hospital due to the larger rental area and superior geographical location; and (v) an increase of RMB2.1 million in depreciation and amortization, primarily due to the increase in depreciation in relation to the renovation of the new hospital campus of Tianjin Hospital.

Gross Profit and Gross Profit Margin

Our gross profit increased by 39.0% from RMB72.0 million for the six months ended June 30, 2022 to RMB100.2 million for the six months ended June 30, 2023, primarily due to the increase in the number of IVF cycles performed at our hospitals. Our gross profit margin increased from 40.6% for the six months ended June 30, 2022 to 43.5% for the six months ended June 30, 2023, primarily because the increase in revenue outpaced the increase in cost of revenue. While revenue from our four hospitals increased, the fixed cost in cost of revenue, including base salary in staff costs, depreciation and amortization, and rental and utilities expenses increased to a lesser extent than revenue.

Other net income

Our other net income decreased by 53.2% from RMB2.9 million for the six months ended June 30, 2022 to RMB1.4 million for the six months ended June 30, 2023, primarily due to a decrease of RMB1.2 million in net realized and unrealized gain on financial assets at FVPL due to a decrease in our investment scale in wealth management products.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 17.0% from RMB11.4 million for the six months ended June 30, 2022 to RMB13.4 million for the six months ended June 30, 2023, primarily due to (i) an increase of RMB1.0 million in staff costs of our sales and marketing staff as a result of an increase in the number of our sales and marketing staff to support our Tianjin Hospital, Jieyang Hospital and Kunming Hospital; and (ii) an increase of RMB0.7 million in advertising and promotion expenses, as a result of our increasing branding efforts and our promotion of the four hospitals.

Administrative Expenses

Our administrative expenses remained stable at RMB41.7 million for the six months ended June 30, 2022 and RMB41.7 million for the six months ended June 30, 2023.

Finance Costs

Our finance costs decreased by 51.5% from RMB2.7 million for the six months ended June 30, 2022 to RMB1.3 million for the six months ended June 30, 2023, primarily due to a decrease of RMB1.3 million in interest expenses on bank loans and other borrowings, resulting from the repayment of all of our bank loans.

Income Tax

Our income tax increased from RMB5.5 million for the six months ended June 30, 2022 to RMB11.2 million for the six months ended June 30, 2023, primarily due to an increase in our profit before taxation.

Profit for the Period

As a result of the foregoing, our profit for the period increased RMB13.6 million for the six months ended June 30, 2022 to RMB33.9 million for the six months ended June 30, 2023.

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

Revenue

Our revenue decreased by 2.9% from RMB419.5 million in 2021 to RMB407.2 million in 2022, primarily because (i) we ceased the operation of Shenzhen Gynecological Hospital, which generated revenue of RMB9.2 million in 2021, in July 2021 and we did not record revenue from Shenzhen Gynecological Hospital in 2022; and (ii) COVID-19 pandemic affected patient visits, especially for Tianjin Hospital and Kunming Hospital.

Zhanjiang Hospital. Revenue from Zhanjiang Hospital remained relatively stable at RMB212.3 million in 2021 and RMB214.0 million in 2022. The average spending per IVF cycle of Zhanjiang Hospital increased by 2.4% from RMB57,440 in 2021 to RMB58,820 in 2022, which was primarily attributable to the upgrade of Zhanjiang Hospital to Class II general hospital and our relocation of Zhanjiang Hospital to our self-owned hospital campus with a larger area, enabling us to offer more treatment programs, such as traditional Chinese medicine therapy, which further diversified our income streams. Meanwhile, such increase was partially offset by a decrease in the number of IVF cycle of Zhanjiang Hospital by 1.6% from 3,696 in 2021 to 3,638 in 2022 due to the impact of COVID-19 pandemic in 2022.

Tianjin Hospital. Revenue from Tianjin Hospital remained relatively stable at RMB79.6 million in 2021 and RMB76.8 million in 2022. The number of IVF cycles of Tianjin Hospital decreased by 14.0% from 1,333 in 2021 to 1,146 in 2022, primarily due to the impact of COVID-19 pandemic in 2022. Meanwhile, such decrease was partially offset by an increase in the average spending per cycle of Tianjin Hospital by 12.2% from RMB59,736 in 2021 to RMB67,034 in 2022 due to (i) the additional testing programs which required more advanced testing technologies such as thromboelastography test, provided to our patients before entering IVF cycles; (ii) the establishment of a specialty clinic for recurrent miscarriages in July 2021; and (iii) the adjustment of pricing in 2022 in line with the market price.

Jieyang Hospital. Revenue from Jieyang Hospital increased by 7.8% from RMB55.7 million in 2021 to RMB60.0 million in 2022, primarily due to an increase in the average spending per IVF cycle of Jieyang Hospital by 8.5% from RMB65,602 in 2021 to RMB71,204 in 2022 due to (i) the additional testing programs which required more advanced testing technologies such as sperm hyaluronic acid binding test, provided to our patients before entering IVF cycles; and (ii) the additional time-lapse incubation program provided due to our technology development.

Kunming Hospital. Revenue from Kunming Hospital decreased by 10.1% from RMB62.7 million in 2021 to RMB56.3 million in 2022, primarily due to the decrease in the number of IVF cycles of Kunming Hospital by 5.8% from 1,145 in 2021 to 1,079 in 2022, which was primarily due to the impact of COVID-19 pandemic that caused a decrease in the number of out-patient visits of Kunming Hospital from 41,777 in 2021 to 40,604 in 2022.

Cost of revenue

Our cost of revenue remained relatively stable at RMB226.9 million in 2021 to RMB230.8 million in 2022, primarily due to an increase of RMB11.1 million in cost of revenue of Zhanjiang Hospital, offset by a decrease of RMB7.4 million in cost of revenue of Shenzhen Gynecological Hospital because we ceased its operation since July 2021.

Gross Profit and Gross Profit Margin

Our gross profit decreased by 8.4% from RMB192.6 million in 2021 to RMB176.4 million in 2022, primarily due to the decrease in the number of IVF cycles performed at our hospitals. Our gross profit margin decreased from 45.9% in 2021 to 43.3% in 2022, primarily because (i) while revenue from Zhanjiang Hospital remained relatively stable, the depreciation and amortization and utilities expenses of Zhanjiang Hospital increased significantly as we began to use our self-owned hospital building in 2022; and (ii) while revenue from Kunming Hospital decreased, the fixed cost in cost of revenue, including base salary in staff costs, depreciation and amortization, and rental and utilities expenses remained relatively stable; and (iii) fewer patients in Tianjin Hospital proceeded to embryo development and transfer stage, which was the stage that may lead to an increase in the gross profit margin of the whole ART service process, due to the change in local travel restrictions during the COVID-19 pandemic.

Other net income

Our other net income increased by 29.5% from RMB17.1 million in 2021 to RMB22.2 million in 2022, primarily due to an increase of RMB5.0 million in net gain on disposal of PPE, right-of-use assets and intangible assets in relation to the disposal of a building owned by Shenzhen IVF in 2022 in order to optimize our asset portfolio.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 4.6% from RMB24.2 million in 2021 to RMB25.3 million in 2022, primarily due to an increase of RMB1.9 million in staff costs as a result of an increase in the number of our sales and marketing staff to support our newly relocated Zhanjiang Hospital, as well as our headquarters and other hospitals, and was partially offset by a decrease of RMB1.3 million in advertising and promotion expenses as we have not incurred relevant expenses in relation to Shenzhen Gynecological Hospital since we ceased its operation in July 2021.

Administrative Expenses

Our administrative expenses increased by 21.7% from RMB66.3 million in 2021 to RMB80.7 million in 2022, primarily due to (i) an increase of RMB5.0 million in depreciation and amortization, including primarily the depreciation of additional PPE purchased due to the relocation of Zhanjiang Hospital; (ii) an increase of RMB4.6 million in utilities and office expenses, including primarily the increased utilities and property management fees of Zhanjiang Hospital; (iii) an increase of RMB3.1 million in taxation expenses in relation to the real estate tax levied on our self-owned Zhanjiang Hospital building; and (iv) an increase of RMB3.2 million in professional service fees due to the engagement of professional service providers for attempted A-share listing in the PRC and consulting services for business-finance integration, partially offset by a decrease of RMB1.9 million in staff costs in relation to Shenzhen Gynecological Hospital.

Finance Costs

Our finance costs decreased by 60.1% from RMB14.0 million in 2021 to RMB5.6 million in 2022, primarily due to a decrease of RMB11.4 million in interest expenses on financial instruments issued to investors as the pre-[**REDACTED**] investors waived the preferential rights on December 2021, and was partially offset by an increase of RMB6.5 million in interest expenses capitalized into construction in progress in relation to the construction payables of Zhanjiang Hospital.

Income Tax

Our income tax increased from RMB10.7 million in 2021 to RMB22.5 million in 2022, primarily because we utilized tax losses recognized in previous year and reversed deferred tax to income tax, and was partially offset by a decrease in current tax due to our decreased profit before taxation.

Profit for the Year

As a result of the foregoing, our profit for the year decreased from RMB94.6 million in 2021 to RMB64.5 million in 2022.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 13.6% from RMB369.4 million in 2020 to RMB419.5 million in 2021, primarily due to an increase in revenue from our four hospitals, especially Zhanjiang Hospital and Tianjin Hospital, and was partially offset by a decrease in revenue from Shenzhen Gynecological Hospital.

Zhanjiang Hospital. Revenue from Zhanjiang Hospital increased by 20.8% from RMB175.7 million in 2020 to RMB212.3 million in 2021. Such increase was generally in line with the increase of 18.9% in the number of IVF cycles of Zhanjiang Hospital from 3,108 in 2020 to 3,696 in 2021, which was primarily attributable to our employment of a reputable and experienced chief physician that attracted more patients and led to an increase in the number of out-patient visits of Zhanjiang Hospital from 149,838 in 2020 to 172,186 in 2021.

Tianjin Hospital. Revenue from Tianjin Hospital increased by 18.4% from RMB67.3 million in 2020 to RMB79.6 million in 2021, primarily due to (i) the increase in average spending per IVF cycle by 14.5% from RMB52,185 in 2020 to RMB59,736 in 2021 as Tianjin Hospital provided additional testing programs and treatment programs, and established a specialty clinic for recurrent miscarriages in July 2021; and (ii) the increase in the number of IVF cycles of Tianjin Hospital by 3.4% from 1,289 in 2020 to 1,333 in 2021 due to the packaged ART and ancillary service programs introduced by Tianjin Hospital that attracted more patients and led to an increase in the number of out-patient visits of Tianjin Hospital from 45,043 in 2020 to 52,806 in 2021.

Jieyang Hospital. Revenue from Jieyang Hospital increased by 13.4% from RMB49.1 million in 2020 to RMB55.7 million in 2021, which was generally in line with the increase in the number of IVF cycles of Jieyang Hospital by 12.7% from 753 in 2020 to 849 in 2021.

Kunming Hospital. Revenue from Kunming Hospital increased by 13.5% from RMB55.2 million in 2020 to RMB62.7 million in 2021, primarily due to the increase in the number of IVF cycles of Kunming Hospital by 8.8% from 1,052 in 2020 to 1,145 in 2021, which was primarily attributable to the establishment of gynecological clinic and the employment of a reputable and experienced chief physician that attracted more patients and led to an increase in the number of out-patient visits of Kunming Hospital from 37,472 in 2020 to 41,777 in 2021.

Cost of revenue

Our cost of revenue increased by 6.6% from RMB212.9 million in 2020 to RMB226.9 million in 2021, primarily due to (i) an increase in cost of materials of RMB13.4 million, primarily due to the increase in the number of IVF cycles; (ii) an increase in staff costs of RMB5.4 million, primarily due to increased headcount and compensation level of our medical staff; and (iii) an increase in others of RMB4.4 million, primarily due to the increased testing fees paid to third-party medical testing agencies in relation to our increased business volume, and was partially offset by a decrease in depreciation and amortization of RMB8.5 million, primarily because we disposed the PPE of Shenzhen Gynecological Hospital, resulting in decreased depreciation.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB156.5 million in 2020 to RMB192.6 million in 2021, primarily due to the increase in the number of IVF cycles performed at our hospitals. Our gross profit margin increased from 42.4% in 2020 to 45.9% in 2021, primarily because the increase in revenue outpaced the increase in cost of revenue. While our revenue increased by 13.6% from RMB369.4 million in 2020 to RMB419.5 million in 2021, the fixed cost of our four hospitals, including base salary in staff costs, depreciation and amortization, and rental and utilities expenses remained relatively stable, and depreciation and amortization in cost of revenue decreased by 48.3% as we disposed the PPE of Shenzhen Gynecological Hospital.

Other net income

Our other net income increased significantly by 237.2% from RMB5.1 million in 2020 to RMB17.1 million in 2021, primarily because we recorded net loss on disposal of PPE, right-of-use assets and intangible assets of RMB0.6 million in 2020, and net gain on disposal of PPE, right-of-use assets and intangible assets of RMB11.9 million in 2021 mainly because we disposed the PPE of Shenzhen Gynecological Hospital in 2021.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 5.5% from RMB22.9 million in 2020 to RMB24.2 million in 2021, primarily due to an increase of RMB1.0 million in advertising and promotion expenses, as a result of our increasing branding efforts and our promotion of our hospitals, especially Kunming Hospital in 2021.

Administrative Expenses

Our administrative expenses increased by 29.2% from RMB51.3 million in 2020 to RMB66.3 million in 2021, primarily due to (i) an increase of RMB9.8 million in staff costs as a result of an increase in the number of our general and administrative staff to support our headquarters and Jieyang Hospital, an increase in average compensation paid to our general and administrative staff due to our increased performance bonus in Zhanjiang Hospital, and an increase in resignation compensation paid to departing employees of Shenzhen Gynecological Hospital; (ii) an increase of RMB2.0 million in professional service fees due to the engagement of professional service providers for attempted A-share listing in the PRC; (iii) an increase of RMB1.5 million in depreciation and amortization, including primarily the depreciation of right-of-use assets in relation to the renovation of the additional leased premises of Tianjin Hospital; and (iv) an increase of RMB1.3 million in utilities and office expenses, including primarily the increased property management fees of Tianjin Hospital.

Finance Costs

Our finance costs decreased by 12.6% from RMB16.0 million in 2020 to RMB14.0 million in 2021, primarily due to a decrease of RMB5.1 million in interest expenses capitalized into construction in progress. The decrease was partially offset by an increase of RMB4.0 million in interest expenses on bank loans and other borrowings in relation to construction payables of Zhanjiang Hospital.

Income Tax

Our income tax decreased from RMB25.3 million in 2020 to RMB10.7 million in 2021, primarily due to the recognition of previously unrecognized tax losses of RMB19.8 million upon the closure of the Shenzhen Gynecological Hospital. The decrease was partially offset by an increase in current tax due to our increased profit before taxation.

Profit for the Year

As a result of the foregoing, our profit for the year increased significantly from RMB46.0 million in 2020 to RMB94.6 million in 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements primarily through cash generated from our business operations and bank loans. In the future, we expect to continue primarily relying on cash flows from operating activities, bank loans and net [**REDACTED**] from the [**REDACTED**] to fund our working capital needs. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had cash and cash equivalents of RMB45.2 million, RMB70.2 million, RMB81.4 million and RMB107.6 million, respectively.

Cash Flows

The following table sets forth a summary of our combined statements of cash flows for the years/periods indicated:

	Years ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating cash flows before movements in working capital	114,353	135,207	103,360	37,765	62,779
Changes in working capital	7,128	(13,240)	3,854	6,450	16,184
Tax paid	(22,386)	(26,907)	(19,226)	(9,832)	(5,363)
Net cash generated from operating activities	99,095	95,060	87,988	34,383	73,600
Net cash used in investing activities	(52,235)	(87,427)	(5,869)	(42,204)	(45,942)
Net cash (used in)/ generated from financing activities	(75,234)	17,344	(70,974)	(8,196)	(1,447)
Net (decrease)/increase in cash and cash equivalents	(28,374)	24,977	11,145	(16,017)	26,211
Cash and cash equivalents as of January 1	73,611	45,237	70,214	70,214	81,359
Cash and cash equivalents as of December 31/June 30	45,237	70,214	81,359	54,197	107,570

Net cash generated from operating activities

Our net cash generated from operating activities was RMB73.6 million for the six months ended June 30, 2023, which was primarily attributable to our profit before taxation of RMB45.1 million, as adjusted by (i) non-cash items, which primarily comprised depreciation and amortization of RMB16.5 million; and (ii) changes in working capital, which primarily comprised increase in contract liabilities of RMB9.5 million, which was consistent with the increase in the number of patients that chose packaged ART and ancillary service programs and were in treatment process as of the period end.

Our net cash generated from operating activities was RMB34.4 million for the six months ended June 30, 2022, which was primarily attributable to our profit before taxation of RMB19.1 million, as adjusted by (i) non-cash items, which primarily comprised depreciation and amortization of RMB15.4 million; and (ii) changes in working capital, which primarily comprised increase in contract liabilities of RMB7.5 million, in line with the increase in the number of patients that chose packaged ART and ancillary service programs and were in treatment process.

Our net cash generated from operating activities was RMB88.0 million in 2022, which was primarily attributable to our profit before taxation of RMB87.0 million, as adjusted by (i) non-cash items, which primarily comprised depreciation and amortization of RMB29.7 million and net gain on disposal of PPE, right-of-use assets and intangible assets of RMB16.8 million; and (ii) changes in working capital, which primarily comprised (a) increase in contract liabilities of RMB7.4 million, in line with the increase in the number of patients that chose packaged ART and ancillary service programs and were in treatment process, and (b) increase in inventories of RMB4.7 million due to our increased procurement to minimize the risk of inventory shortage during COVID-19.

Our net cash generated from operating activities was RMB95.1 million in 2021, which was primarily attributable to our profit before taxation of RMB105.2 million, as adjusted by (i) non-cash items, which primarily comprised depreciation and amortization of RMB22.9 million, finance costs of RMB14.0 million and net gain on disposal of PPE, right-of-use assets and intangible assets of RMB11.9 million; and (ii) changes in working capital, which primarily comprised decrease in trade and other payables of RMB14.5 million primarily due to the decreased trade payables of Shenzhen Gynecological Hospital.

Our net cash generated from operating activities was RMB99.1 million in 2020, which was primarily attributable to our profit before taxation of RMB71.3 million, as adjusted by (i) non-cash items, which primarily comprised depreciation and amortization of RMB29.0 million and finance costs of RMB16.0 million; and (ii) changes in working capital, which primarily comprised increase in contract liabilities of RMB4.4 million, in line with the increase in the number of patients that chose packaged ART and ancillary service programs and were in treatment process.

Net cash used in investing activities

Our net cash used in investing activities was RMB45.9 million for the six months ended June 30, 2023, which was primarily due to payment for investment in other financial assets of RMB134.2 million and payment for the purchase of PPE and intangible assets of RMB21.9 million, partially offset by proceeds from redemption of other financial assets of RMB110.0 million.

Our net cash used in investing activities was RMB42.2 million for the six months ended June 30, 2022, which was primarily due to payment for investment in other financial assets of RMB224.0 million and payment for the purchase of PPE and intangible assets of RMB66.7 million, partially offset by proceeds from redemption of other financial assets of RMB248.4 million.

Our net cash used in investing activities was RMB5.9 million in 2022, which was primarily due to payment for investment in other financial assets of RMB374.0 million, payment for the purchase of PPE and intangible assets of RMB141.5 million, partially offset by proceeds from redemption of other financial assets of RMB469.5 million.

Our net cash used in investing activities was RMB87.4 million in 2021, which was primarily due to payment for investment in other financial assets of RMB800.5 million and payment for the purchase of PPE and intangible assets of RMB95.1 million, partially offset by proceeds from redemption of other financial assets of RMB751.9 million.

Our net cash used in investing activities was RMB52.2 million in 2020, which was primarily due to payment for investment in other financial assets of RMB190.0 million and payment for the purchase of PPE and intangible assets of RMB93.2 million, partially offset by proceeds from redemption of other financial assets of RMB271.8 million.

Net cash (used in)/generated from financing activities

Our net cash used in financing activities was RMB1.4 million for the six months ended June 30, 2023, which was primarily due to repayments of bank loans of RMB11.7 million, capital element and interest element of lease rentals paid of RMB2.3 million, partially offset by repayment for restricted bank deposits for bank loans of RMB13.0 million.

Our net cash used in financing activities was RMB8.2 million for the six months ended June 30, 2022, which was primarily due to repayments of bank loans of RMB3.3 million and capital element and interest element of lease rentals paid of RMB3.0 million.

Our net cash used in financing activities was RMB71.0 million in 2022, which was primarily due to capital reduction of shareholders of RMB38.7 million, payment for restricted bank deposits for bank loans of RMB13.0 million and repayments of bank loans of RMB6.7 million.

Our net cash generated from financing activities was RMB17.3 million in 2021, which was primarily due to proceeds from issuance of new shares of RMB43.9 million, partially offset by repayments of bank loans of RMB13.5 million, interest paid of RMB6.7 million, capital element and interest element of lease rentals paid of RMB6.0 million.

Our net cash used in financing activities was RMB75.2 million in 2020, which was primarily due to repayments to related parties of RMB99.5 million, repayments of bank loans of RMB13.1 million, partially offset by proceeds from new bank loans of RMB30.0 million and advances from related parties of RMB20.9 million.

NET CURRENT ASSETS

The following table sets forth our net current assets of the combined statements of financial position as of the respective dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets					
Inventories	13,661	13,703	18,357	18,195	20,763
Trade and other receivables	46,512	6,137	6,897	7,809	9,289
Other financial assets	99,027	145,507	49,130	52,633	47,630
Restricted deposits	–	–	13,000	–	–
Cash and cash equivalents	45,237	70,214	81,359	107,570	134,124
Total current assets	204,437	235,561	168,743	186,207	211,806
Current liabilities					
Trade and other payables	56,442	111,058	62,506	74,149	76,848
Contract liabilities	15,038	18,532	25,905	35,430	33,805
Bank loans	13,524	6,664	6,664	–	–
Lease liabilities	4,538	2,813	4,038	6,262	5,067
Financial instruments issued to investors	159,640	–	–	–	–
Current taxation	6,350	5,651	2,420	5,741	2,074
Total current liabilities	255,532	144,718	101,533	121,582	117,794
Net current (liabilities)/assets	(51,095)	90,843	67,210	64,625	94,012

We recorded net current assets of RMB90.8 million as of December 31, 2021, as compared to net current liabilities of RMB51.1 million as of December 31, 2020, primarily due to the significant decrease in our current liabilities resulting from a decrease of RMB159.6 million in financial instruments issued to investors.

Our net current assets decreased from RMB90.8 million as of December 31, 2021 to RMB67.2 million as of December 31, 2022, primarily due to a decrease of other financial assets of RMB96.4 million, partially offset by an increase of RMB13.0 million in restricted deposits and an increase of RMB11.1 million in cash and cash equivalents.

Our net current assets remained relatively stable at RMB67.2 million as of December 31, 2022 and RMB64.6 million as of June 30, 2023.

DESCRIPTION OF CERTAIN ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Inventories

Our inventories represent pharmaceutical products, and consumables and others. The following table sets forth the breakdown of inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pharmaceutical products	9,551	9,418	11,599	12,610
Consumables and others	4,110	4,285	6,758	5,585
Total	13,661	13,703	18,357	18,195

Our pharmaceutical products mainly represent fertility drugs, generic drugs, traditional Chinese medicine, anesthetics and healthcare products in connection with the provision of ART and ancillary services. Our consumables and others mainly represent reagents and medical consumables, such as embryonic nutrient solution, various culture media reagents, laboratory kits and egg retrieval needles used in providing ART and ancillary services.

We actively monitor the sales performance and inventory level to minimize the risk of inventory shortage or accumulation. We have also established an inventory management policy to monitor each stage of the warehousing process. We did not experience any material shortage or accumulation of inventory during the Track Record Period.

Our inventories remained relatively stable at RMB13.7 million as of December 31, 2020 and RMB13.7 million as of December 31, 2021. Our inventories increased from RMB13.7 million as of December 31, 2021 to RMB18.4 million as of December 31, 2022, primarily due to our increased procurement, especially imported pharmaceutical products and consumables to minimize the risk of inventory shortage during the COVID-19 pandemic. Our inventories remained relatively stable at RMB18.4 million as of December 31, 2022 and RMB18.2 million as of June 30, 2023.

The following table sets forth an aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year (inclusive)	13,371	13,539	18,172	17,895
Over one year	290	164	185	300
Total	13,661	13,703	18,357	18,195

The table below sets forth the turnover days of our inventories for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Inventory turnover days(1)	22.3	22.0	25.4	25.3

Note:

(1) Inventory turnover days were calculated based on the average of opening and closing inventory balance divided by cost of revenue for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days or 180 days, as applicable.

The inventory turnover days indicate the average time required for us to consume our inventories. Our inventory turnover days remained relatively stable at 22.3 days in 2020 and 22.0 days in 2021. Our inventory turnover days increased from 22.0 days in 2021 to 25.4 days in 2022, primarily due to our increased procurement of imported pharmaceutical products and consumables to minimize the risk of inventory shortage during the COVID-19 pandemic, and the slowed down consumption of inventories due to the COVID-19 pandemic. Our inventory turnover days remained relatively stable at 25.4 days in 2022 and 25.3 days for the six months ended June 30, 2023.

As of October 31, 2023, RMB15.5 million or 85.4% of our inventories as of June 30, 2023 had been subsequently consumed or sold.

Trade and Other Receivables

Our trade and other receivables represent (i) trade receivables; (ii) deposits; (iii) prepayments; (iv) amounts due from related parties; and (v) others, which primarily consisted of deposit in transit due to time required by banks to complete the deposit. The following table sets forth the breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	1,143	226	654	1,210
Deposits	41,326	2,982	2,872	2,750
Prepayments	1,791	1,344	2,221	1,209
Amounts due from related parties	22	100	–	181
Others	2,230	1,485	1,150	2,459
Total	46,512	6,137	6,897	7,809

Our patients settle payments by cash, credit cards, debit cards or third-party payment platforms. We do not provide any credit period to our patients. For payments by credit cards or third-party payment platforms, the banks normally settle the amounts one or two days after the trade date.

Our trade receivables primarily consisted of (i) receivables from medical insurance fund management bureau for certain services provided in Zhanjiang Hospital and Tianjin Hospital; and (ii) receivables from our patients when the actual spending for inpatient hospital services or egg retrieval or transplantation surgery exceeded the amount of advanced payment made by patients. Before we provide our inpatient hospital services and egg retrieval or transplantation surgery, our patients are required to pay in advance based on the amount charged for regular treatment process. When the service fees exceed the advanced payment, our patients are required to make the payment when or after the services are rendered. If the advanced payment exceeds the service fees incurred, we refund the patients.

Our trade receivables as of December 31, 2020 mainly included receivables from the relevant medical insurance fund management bureau for Shenzhen Gynecological Hospital, which were fully settled in 2021. As a result, our trade receivables decreased from RMB1.1 million as of December 31, 2020 to RMB0.2 million as of December 31, 2021. Our trade receivables as of December 31, 2021 and 2022, and June 30, 2023 mainly included receivables from the relevant medical insurance fund management bureau for Tianjin Hospital. Our trade receivables increased from RMB0.2 million as of December 31, 2021 to RMB0.7 million as of December 31, 2022, primarily due to the expansion of local medical insurance reimbursement scope in Tianjin, including patients from other cities seeking medical treatment in Tianjin. Our trade receivables further increased from RMB0.7 million as of December 31, 2022 to RMB1.2 million as of June 30, 2023, primarily due to (i) the expansion of medical insurance reimbursement scope, including patients from rural areas seeking medical treatment in urban area, and the extended payment period for medical insurance due to policy adjustments that part of the medical insurance payment will be reserved by the local medical insurance fund management bureau and paid the following year; and (ii) the increase in the number of patients visits after relocation of Tianjin Hospital.

Our Directors are of the view that there has been no significant increase in credit risk of default because the amounts are from local medical insurance fund management bureaus or similar government departments or insurance company with good credit ratings and history of continuous repayments.

Our deposits represent (i) deposits paid by us for lease of premises or medical equipment; and (ii) a deposit of RMB41.0 million for a potential acquisition of an IVF hospital in Zhaoqing, Guangdong Province in 2020, which was terminated with deposits returned to us in 2021. As a result, our deposits decreased from RMB41.3 million as of December 31, 2020 to RMB3.0 million as of December 31, 2021.

Our prepayments primarily represent prepaid rentals for short-term leases and property management fees, and prepaid online promotion fees. Our prepayments decreased from RMB1.8 million as of December 31, 2020 to RMB1.3 million as of December 31, 2021, primarily due to the decreased online promotion fees. Our prepayments increased from RMB1.3 million as of December 31, 2021 to RMB2.2 million as of December 31, 2022, primarily due to the increased prepaid lease rentals and property management fees for Tianjin Hospital. Our prepayments decreased from RMB2.2 million as of December 31, 2022 to RMB1.2 million as of June 30, 2023, primarily due to the decreased prepaid lease rentals.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated, based on the invoice date and net of credit loss allowance.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year (inclusive)	1,133	161	582	1,098
Over one year	10	65	72	112
	1,143	226	654	1,210

The table below sets forth the turnover days of our trade receivables for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Trade receivables turnover days[(1)]	1.0	0.6	0.4	0.7

Note:

(1) Trade receivables turnover days were calculated based on the average of opening and closing trade receivables balance divided by revenue for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days or 180 days, as applicable.

The trade receivables turnover days indicate the average time required for us to collect cash payments. We were able to maintain a quick turnover rate because only service fees charged for certain ancillary medical services, including obstetrics and internal medicine, can be reimbursed and settled by the local medical insurance fund management bureaus. As a result, the trade receivables balance was relatively small compared with our revenue.

As of October 31, 2023, RMB0.9 million or 70.9% of our trade receivables as of June 30, 2023 had been subsequently settled.

Other Financial Assets

The following table sets forth our other financial assets as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss ("FVPL") – current				
– Investment in wealth management products issued by banks	99,027	145,507	49,130	52,633
Financial assets at amortized cost – non-current				
– Investment in time deposits over one year	–	–	–	20,868
	99,027	145,507	49,130	73,501

The current portion of our other financial assets represented our financial assets at FVPL, which comprised of investment in wealth management products issued by reputable commercial banks in the PRC with a floating return which will be paid together with the principal on the maturity dates. The current portion of our financial assets at FVPL was RMB99.0 million, RMB145.5 million, RMB49.1 million and RMB52.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of wealth management products while mitigating our exposure to investment risks. These policies and measures include:

- investments shall be made when we have idle funds and not interfere with our normal business activities or capital expenditures;

- we only purchase low-risk wealth management products issued by reputable commercial banks and/or other qualified financial institutions;

- investments exceeding certain thresholds must be approved by our board of directors, or both our board of directors and shareholders at a general meeting, in accordance with relevant laws and regulations and our Articles of Association; and

- our chief executive officer, subject to the review and approval of our management, is responsible for the overall execution of our investments, including risk assessment.

The non-current portion of our other financial assets represent our financial assets at amortized cost, which comprised of investment in time deposits at bank of more than one year with fixed returns which will be paid together with the principal on the maturity date.

Trade and Other Payables

Our trade and other payables represent (i) trade payables; (ii) payables for acquisition of PPE and intangible assets; (iii) accrued payroll and benefits; (iv) amounts due to related parties; and (v) others. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	27,422	19,209	20,602	29,215
Payables for acquisition of PPE and intangible assets	92,475	141,642	70,854	55,474
Accrued payroll and benefits	16,016	17,813	18,662	14,924
Amounts due to related parties	797	–	7	–
Others	10,131	2,394	2,381	4,536
	146,841	181,058	112,506	104,149
Less: Payables for acquisition of PPE – Non-current portion	(90,399)	(70,000)	(50,000)	(30,000)
	56,442	111,058	62,506	74,149

Our trade payables primarily represent trade payable to our suppliers for pharmaceutical products and consumables. Our trade payables decreased from RMB27.4 million as of December 31, 2020 to RMB19.2 million as of December 31, 2021, primarily due to the decreased trade payables of Shenzhen Gynecological Hospital. Our trade payables remained relatively stable at RMB19.2 million as of December 31, 2021 and RMB20.6 million as of December 31, 2022. Our trade payables further increased from RMB20.6 million as of December 31, 2022 to RMB29.2 million as of June 30, 2023, primarily due to the higher procurement volume in the second quarter of a year than the fourth quarter due to the seasonal fluctuations in our revenue. We are typically provided a credit period of 30 to 90 days from the invoice date of the corresponding pharmaceutical products and consumables of our trade payables.

Our payables for acquisition of PPE and intangible assets primarily represent payables to a third-party construction supplier in relation to the construction of our Zhanjiang Hospital, which commenced in the fourth quarter of 2019 and completed in December 2021. Payables for acquisition of PPE and intangible assets were RMB92.5 million, RMB141.6 million, RMB70.9 million and RMB55.5 million as of December 31, 2020, 2021 and 2022, and June 30, 2023, respectively.

Our accrued payroll and benefits primarily relates to salaries, bonus, welfare and social security payments. Our accrued payroll and benefits increased from RMB16.0 million as of December 31, 2020 to RMB17.8 million as of December 31, 2021, and further increased to RMB18.7 million as of December 31, 2022, primarily due to the increase in the headcount and the increase compensation level of our employees. Our accrued payroll and benefits decreased from RMB18.7 million as of December 31, 2022 to RMB14.9 million as of June 30, 2023, primarily because only half-year salaries and bonus were included for the accrued payroll and benefits as of June 30, 2023, and year-end bonus was not included.

Amounts due to related parties were unsecured, interest-free and payable on demand. Amounts due to related parties as of December 31, 2020 were amounts due to Mr. Ren to support our business expansion, which were non-trade in nature. As of June 30, 2023, amounts due to related parties had been fully settled.

Others primarily represent accrued short-term lease rentals, other taxes and lease termination fee. Others decreased from RMB10.1 million as of December 31, 2020 to RMB2.4 million as of December 31, 2021, primarily due to payables for lease termination fee in 2020 for Tianjin Hospital. Others remained stable at RMB2.4 million as of December 31, 2021 and 2022. Others increased from RMB2.4 million as of December 31, 2022 to RMB4.5 million as of June 30, 2023, primarily due to the provision of half a year's property tax as of June 30, 2023 in relation to our self-owned Zhanjiang Hospital building.

The following table sets forth the aging analysis of our trade payables, based on the invoice dates, as of the dates indicated:

	As of December 31,			**As of June 30,**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	27,371	19,199	20,401	29,003
One year to two years	51	10	199	11
Two years to three years	–	–	2	201
	27,422	19,209	20,602	29,215

The following table sets forth our average trade payables turnover days for the years/periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
Trade payables turnover days[(1)]	43.6	37.5	31.5	34.4

Note:

(1) Trade payables turnover days were calculated based on the average of opening and closing trade payables balance divided by cost of revenue for the relevant year/period, and multiplied by the number of days in the relevant year/period, being 365 days or 180 days, as applicable.

Our trade payables turnover days decreased from 43.6 days as of December 31, 2020 to 37.5 days as of December 31, 2021, primarily due to our prompt payment to suppliers in exchange for favorable price. Our trade payables turnover days decreased from 37.5 days as of December 31, 2021 to 31.5 days as of December 31, 2022, primarily due to the relatively higher opening balance of trade payables in 2021 from Shenzhen Gynecological Hospital. Our trade payables turnover days increased from 31.5 days as of December 31, 2022 to 34.4 days as of June 30, 2023, primarily due to the increase of trade payables as discussed above.

As of October 31, 2023, RMB28.8 million, or 98.4% of our trade payables as of June 30, 2023, had been subsequently settled.

Contract Liabilities

Our contract liabilities represent advance payments from our customers while the underlying services have not been provided, which primarily represented (i) advance payments made by our patients for packaged ART and ancillary service programs; and (ii) advance payments made by our patients before egg retrieval or transplantation surgery.

For packaged ART and ancillary service programs, in order to achieve clinical pregnancy, we may need to perform multiple procedures including embryo transfers. As we cannot reasonably measure the progress towards achieve clinical pregnancy but expect to recover the costs incurred in satisfying the performance obligation, we recognize revenue to the extent of the costs incurred during the service period, until the patient conceives or fails to achieve clinical pregnancy after the pre-agreed number of embryo transfers in our hospitals within a specified period of time. The number of patients that chose packaged ART and ancillary service programs and were in treatment process becomes the major factor affecting our contract liabilities.

We record contract liabilities of RMB15.0 million as of December 31, 2020, RMB18.5 million as of December 31, 2021, RMB25.9 million as of December 31, 2022, and RMB35.4 million as of June 30, 2023. The increase of contract liabilities during the Track Record Period was consistent with the increase in the number of patients that chose packaged ART and ancillary service programs and were in treatment process as of the respective year or period end.

As of October 31, 2023, RMB13.0 million, or 36.7% of our contract liabilities as of June 30, 2023, had been subsequently recognized as revenue.

INDEBTEDNESS

Our indebtedness consisted of bank borrowings and lease liabilities. The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Bank Loans – secured and guaranteed					
Current	13,524	6,664	6,664	–	–
Non-current	18,338	11,674	5,010	–	–
	31,862	18,338	11,674	–	–
Lease Liabilities					
Current	4,538	2,813	4,038	6,262	5,067
Non-current	36,720	32,260	30,596	28,834	31,921
	41,258	35,073	34,634	35,096	36,988
Total	73,120	53,411	46,308	35,096	36,988

Bank Loans

Our bank loans during the Track Record Period were denominated in Renminbi. As of December 31, 2020, we had interest-bearing bank loans of RMB31.9 million, including (i) secured and guaranteed bank loans of RMB6.9 million, which were borrowed by Kunming Hospital for purchase of building, and were secured by buildings owned by Kunming Hospital and were guaranteed by Mr. Ren, Ms. Zhang and Shenzhen IVF, and were fully repaid in 2021; and (ii) secured and guaranteed bank loans of RMB25.0 million, which were borrowed by Zhanjiang Hospital for construction of a new hospital campus, of which RMB6.7 million was repaid in 2021, RMB6.7 million was repaid in 2022 and the remaining balance of RMB11.7 million as of December 31, 2022 was repaid in the first half of 2023. As of December 31, 2020 and 2021, the secured and guaranteed bank loans of RMB25.0 million and RMB18.3 million were secured by properties of Mr. Ren, Ms. Zhang and Ms. Li Nan and were guaranteed by Mr. Ren, Ms. Zhang and Shenzhen IVF. As of December 31, 2022, the secured and guaranteed bank loans of RMB11.7 million were secured by properties of Mr. Ren, Ms. Zhang and Ms. Li Nan, and pledged deposits of Zhanjiang Hospital, and were guaranteed by Mr. Ren, Ms. Zhang and Shenzhen IVF. As of June 30, 2023, we did not have any outstanding bank loans.

As of December 31, 2020, 2021 and 2022, the effective interest rates of the secured and guaranteed bank loans were ranged from 5.3% to 6.8%, 5.3%, 5.3% per annum, respectively. We consider these interest rates to be within the range of market interest rates.

We consider our bank loan agreements to contain standard terms, conditions and covenants that are customary for commercial bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank loans nor default in payment of bank loans or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of the Latest Practicable Date, we did not have any unutilized credit facilities.

Lease liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements primarily for the office premise of our headquarters, and the hospital premises of Tianjin Hospital and Kunming Hospital. Our leases of properties have lease terms of three to 19 years. Our lease liabilities decreased from RMB41.3 million as of December 31, 2020 to RMB35.1 million as of December 31, 2021, primarily due to a decrease of RMB5.8 million in non-current lease liabilities in relation to the termination of lease agreement of Shenzhen Gynecological Hospital. Our lease liabilities remained relatively stable at RMB35.1 million as of December 31, 2021, RMB34.6 million as of December 31, 2022, and RMB35.1 million as of June 30, 2023.

Our Directors confirm that there has been no material change in our indebtedness position since October 31, 2023, being the most recent practicable date for the purpose of the indebtedness statement.

CONTINGENT LIABILITIES

Save as disclosed above, as of October 31, 2023, being the indebtedness date for the purpose of the indebtedness statement, we did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since October 31, 2023 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the years/periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2020	**2021**	**2022**	**2023**
Profitability ratios				
Gross profit margin[1]	42.4%	45.9%	43.3%	43.5%
Net profit margin[2]	12.4%	22.5%	15.8%	14.7%
Return on equity[3]	21.8%	24.4%	11.7%	5.8%
Return on assets[4]	7.2%	13.2%	8.3%	4.4%
Liquidity ratios				
Current ratio[5]	0.8	1.6	1.7	1.5
Quick ratio[6]	0.7	1.5	1.5	1.4
Capital adequacy ratios				
Gearing ratio[7]	13.7%	3.4%	2.1%	0.0%

Notes:

(1) Gross profit margin is calculated as dividing gross profit for the year/period by revenue for the same year/period and multiplied by 100%.

(2) Net profit margin is calculated as dividing profit for the year/period by revenue for the same year/period and multiplied by 100.0%.

(3) Return on equity is calculated as dividing profit for the year/period by average balance of total equity at the beginning and the end of that year/period and multiplied by 100%.

(4) Return on assets is calculated as dividing profit for the year/period by average balance of total assets at the beginning and the end of that period and multiplied by 100%.

(5) Current ratio is calculated as dividing total current assets by current liabilities as of the end of that year/period.

(6) Quick ratio is calculated as dividing total current assets less inventories by current liabilities as of the end of that year/period.

(7) Gearing ratio is calculated as dividing total debt by total equity as of the end of that year/period. Total debt represents the sum of current and non-current portion of bank loans.

See "— Discussion of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit margin during the Track Record Period.

Return on Equity

Our return on equity increased from 21.8% in 2020 to 24.4% in 2021, primarily due to the increase in our profit for the year outpaced the increase in the average balance of total equity at the beginning and the end of the year from 2020 to 2021. Our return on equity decreased from 24.4% in 2021 to 11.7% in 2022, primarily due to the decrease in our profit for the year and the increase in the average balance of total equity at the beginning and the end of the year from 2021 to 2022.

Return on Assets

Our return on assets increased from 7.2% in 2020 to 13.2% in 2021, primarily due to the increase in our profit for the year outpaced the increase in the average balance of total assets at the beginning and the end of the year from 2020 to 2021. Our return on assets decreased from 13.2% in 2021 to 8.3% in 2022, primarily due to the decrease in our profit for the year outpaced the decrease in the average balance of total assets at the beginning and the end of the year from 2021 to 2022.

Current Ratio

Our current ratio increased from 0.8 times as of December 31, 2020 to 1.6 times as of December 31, 2021, primarily due to the increase in current assets and the decrease in current liabilities. Our current ratio remained stable at 1.6 times as of December 31, 2021 and 1.7 times as of December 31, 2022. Our current ratio remained stable at 1.7 times as of December 31, 2022 and 1.5 times as of June 30, 2023.

Quick Ratio

Consistent with the changes in our current ratio, we recorded quick ratios of 0.7 times, 1.5 times, 1.5 times and 1.4 times as of December 31, 2020, 2021 and 2022, and June 30, 2023, respectively.

Gearing Ratio

Our gearing ratio decreased from 13.7% as of December 31, 2020 to 3.4% as of December 31, 2021, and further decreased to 2.1% as of December 31, 2022, primarily due to the decrease in our bank loans and the increase in equity. As of June 30, 2023, we did not have outstanding bank loans.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period primarily consisted of payment for the purchase of PPE and intangible assets in cash. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, we incurred capital expenditures of RMB93.2 million, RMB95.1 million, RMB141.5 million, RMB66.7 million and RMB21.9 million, respectively.

During the Track Record Period, we funded our capital expenditures mainly through cash generated from our business operations and bank loans. We intend to fund our planned capital expenditures mainly through cash generated from our business operations, bank loans and net [**REDACTED**] from the [**REDACTED**].

Capital Commitments

Our capital commitments represent capital expenditure in respect of purchase of PPE and intangible assets that were contracted but not provided for. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had capital commitments of RMB143.0 million, RMB9.7 million, RMB8.9 million and RMB4.6 million, respectively. The capital commitments of RMB143.0 million as of December 2020 were mainly related to the construction of Zhanjiang Hospital.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save for disclosed in "— Capital Expenditures and Commitments — Capital Commitments" above, as of the Latest Practicable Date, we had not entered into any off-balance sheet commitment or like arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with our related parties from time to time. See Note 28 to the Accountants' Report set forth in Appendix I to this document for details regarding our related party transactions. It is the view of our Directors that our transactions with related parties during the Track Record Period were conducted on an arm's length basis and with normal commercial terms. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

FINANCIAL RISKS DISCLOSURE

Credit Risk

Credit risk is primarily attributable to other receivables arising when a counterparty defaults on its contractual obligations resulting in our financial loss. Our Directors consider our exposure to credit risk arising from trade receivables was not significant as the balances of trade receivables as of December 31, 2020, 2021 and 2022 and June 30, 2023 remained immaterial and we have not experienced significant actual losses historically. Credit risk arising from cash and cash equivalents is also limited because the counterparties are banks and financial institutions of which we consider as representing low credit risks. We have established a credit policy and the exposure to credit risk is monitored on an ongoing basis.

We assessed that during the Track Record Period, other receivables did not have a significant increase in credit risk since initial recognition. Therefore, we have adopted a 12-month expected credit loss approach that results from possible default event within 12 months from the end of each year/period comprising the Track Record Period. We expect the occurrence of losses from non-performance by the counterparties of other receivables was remote and loss allowance provision for other receivables was immaterial.

Liquidity Risk

Our policy is to regularly monitor liquidity requirement and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and longer term. For details of remaining contractual maturities at the end of each year/period comprising the Track Record Period of our financial liabilities, please refer to Note 26(b) to the Accountants' Report included in Appendix I to this document.

Interest Rate Risk

Our interest-bearing financial instruments at variable rates as of December 31, 2020, 2021 and 2022 and June 30, 2023 are the cash at bank, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short-maturity is not considered significant. Our majority interest-bearing financial instruments at fixed interest rates as of December 31, 2020, 2021 and 2022 and June 30, 2023 are fixed deposits, bank loans and lease liabilities that are measured at amortized cost, and the change of market interest rate does not expose us to significant interest risk. For further details, see Note 26(c) to the Accountants' Report in Appendix I to this document. Overall, our exposure to interest rate risk is not significant.

DIVIDENDS

As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Our Board has the discretion to pay interim dividends and to recommend to Shareholders to pay final dividends, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. However, dividend payment is subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends either out of profits and/or share premium account, and provided always that in no circumstances may a dividend be paid out of share premium if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend has been proposed, paid or declared by our Company since its incorporation or our subsidiaries during the Track Record Period. Currently, we do not have a formal dividend policy or a fixed dividend payout ratio.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the estimated net [**REDACTED**] from the [**REDACTED**] and other financial resources available to us, including expected cash flow from operating activities and cash balance, we have sufficient working capital to meet our present needs and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation, save for investment holding and the transactions related to the Reorganization. Accordingly, our Company had no reserves available for distribution to our Shareholders as of the Latest Practicable Date.

[REDACTED] EXPENSES

Based on the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] per Share, the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] are RMB[**REDACTED**] million (HK$[**REDACTED**] million), assuming the [**REDACTED**] is not exercised, which constitute approximately [**REDACTED**]% of the gross [**REDACTED**]. Our total estimated [**REDACTED**] expenses consist of (i) [**REDACTED**]-related expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), and (ii) non-[**REDACTED**]-related expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), including (a) fees payable to our legal advisors and Reporting Accountants of RMB[**REDACTED**] million (HK$[**REDACTED**] million) and (b) other fees and expenses, including fees payable to the Sole Sponsor and the fees of other professional parties, of RMB[**REDACTED**] million (HK$[**REDACTED**] million). During the Track Record Period, we did not incur [**REDACTED**] expenses. Subsequent to the Track Record Period, we expect to incur [**REDACTED**] expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million) prior to and upon completion of the [**REDACTED**], of which RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be recognized as expenses in our combined statements of profit or loss, and RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be accounted for as a deduction from equity upon the completion of the [**REDACTED**]. The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out below for the purpose to illustrate the effect of the [**REDACTED**] on the combined net tangible assets attributable to equity shareholders of the Company as of June 30, 2023 as if the [**REDACTED**] had taken place on June 30, 2023.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the [**REDACTED**] been completed as of June 30, 2023 or at any future date.

	Combined net tangible assets attributable to equity shareholders of the Company as of June 30, 2023[1]	Estimated net [REDACTED] from the [REDACTED][2][4]	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited pro forma adjusted net tangible assets per Share[3][4]	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*(HK$)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per share	591,838	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per share	591,838	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The combined net tangible assets attributable to equity shareholders of the Company as of June 30, 2023 is arrived after deducting intangible assets of RMB5,024,000 from the combined total equity attributable to equity shareholders of the Company of RMB596,862,000 as of June 30, 2023, which is extracted from the Accountants' Report set out in Appendix I to the Document.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on the [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per share, being the lower end price and higher end price of the indicative [**REDACTED**] range respectively, and the issuance of [**REDACTED**] Shares, after deduction of the [**REDACTED**] fees and other related expenses paid or payable by the Group (excluding the [**REDACTED**] expenses charged to profit or loss during the Track Record Period) and do not take into account any shares which may be issued upon the exercise of the [**REDACTED**], any Shares which may be issued pursuant to the Post-[**REDACTED**] Share Scheme or the RSU Scheme, or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the above adjustments and on the basis that [**REDACTED**] Shares were in issue immediately following completion of the [**REDACTED**] and the [**REDACTED**], but do not take into account of any Shares which may be issued upon the exercise of the [**REDACTED**], any Shares which may be issued pursuant to the Post-[**REDACTED**] Share Scheme or the RSU Scheme, or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(4) For illustrative purpose, the estimated net [**REDACTED**] from the [**REDACTED**] are converted from HK$ into RMB and the unaudited pro forma adjusted net tangible assets per Share is converted from RMB into HK$ at the exchange rate of RMB[**REDACTED**] to HK$1.00. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at any other rates.

(5) The Group's property interests as of September 30, 2023 have been valued by Cushman & Wakefield Limited, an independent property valuer. The above pro forma statement of adjusted net tangible assets does not take into account the surplus arising from the revaluation of the Group's property interests amounting to approximately RMB[**REDACTED**] million. Revaluation surplus has not been recorded in the historical financial information of the Group and will not be recorded in the combined financial statements of the Group in future periods as the Group's property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment losses, if any. If the revaluation surplus were recorded in the Group's combined financial statements, additional annual depreciation of approximately RMB[**REDACTED**] million would be charged against the profit in future periods.

(6) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2023.

PROPERTY INTERESTS AND PROPERTY VALUATION

Cushman & Wakefield Limited, an independent property valuer, has valued our property interests as of September 30, 2023 and is of the opinion that the market value of our property interests as of such date was RMB349.6 million. The full text of its letter, valuation report and certificates in connection with such property interests are set out in Appendix IV to this document.

A reconciliation of the net book value of our properties as of June 30, 2023 as set out in Accountants' Report in Appendix I to their fair value as of September 30, 2023 as stated in the property valuation report set out in Property Valuation Report in Appendix IV is set out below:

	RMB'000
Net book value of the following properties of our Group as of June 30, 2023	
Buildings	339,008
Less: Depreciation during the period from June 30, 2023 to September 30, 2023	2,818
Net book value of the above assets of our Group as of September 30, 2023	336,190
Valuation surplus, before tax	13,410
Valuation of properties of our Group as of September 30, 2023 as set out in the Property Valuation Report	349,600

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since June 30, 2023, being the end date of our latest audited financial statements, and there had been no event since June 30, 2023 up to the date of this document that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

We [have included] in Appendix III to this document the unaudited preliminary financial information of our Group for the year ended December 31, 2023, which is prepared in compliance with the content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules and [has been] agreed with the Reporting Accountants, following their work under Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

[REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this document), after deducting the [**REDACTED**] commissions and estimated expenses paid or payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised.

In line with our strategies, we intend to apply the net [**REDACTED**] from the [**REDACTED**] for the following purposes and in the amounts set forth below:

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to expand our operation capability and enhance the quality of our ART and ancillary services, including:

  i. approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used for the expansion, renovation and decoration of Jieyang Hospital and Kunming Hospital in the next three years to improve patients' medical experience and meet their diverse needs.

     Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the expansion and renovation of Jieyang Hospital, including (i) renovation of hospital premise; and (ii) construction of medical facilities and infrastructures, such as IVF laboratories, surgical rooms, disinfection and oxygen supply rooms.

     Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for the decoration of Kunming Hospital, including (i) decoration of two hospital buildings; and (ii) construction of medical facilities and infrastructures, such as IVF laboratories, surgical rooms, disinfection and oxygen supply rooms.

  ii. approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to upgrade medical equipment of our Jieyang Hospital, Kunming Hospital and Tianjin Hospital in the next three years. We plan to purchase around 200 pieces of additional medical equipment, categorized into approximately 120 types, including high-resolution laparoscope with imaging function, four dimensional ultrasound machines, 4K high-resolution hysteroscope system, automatic ICSI systems, fully automated semen quality analyzers, frozen embryo handling systems and embryology lab workstations to further improve the quality of our ART and ancillary services.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to obtain the Class III specialized hospital qualification in the next three years for the purpose of obtaining PGT license for our Zhanjiang Hospital. We plan to purchase around 150 pieces of additional medical equipment categorized into more than 80 types, including mid-to-high end color doppler ultrasound machines, automatic fluid blending system, automatic vitrification system, and frozen embryo handling system. We will also increase the number of beds in Zhanjiang Hospital by approximately 200, and recruit approximately 240 additional medical professionals, including physicians, medical technicians and nurses.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to upgrade our management information system to improve overall operational and management efficiency, including:

  i. approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to develop intelligence systems in our four hospitals in the next five years. In particular:

     (i) *Clinical intelligence*. We plan to establish (a) a B-ultrasound scanning and diagnosis system with teleconsultation function to facilitate the trainings of young professionals in our hospitals; (b) in each of our four hospitals, an integrated data platform, which integrates multiple information systems including HIS (Hospital Information System), LIS (Laboratory Information System) and PACS (Picture Archiving and Communication System) into one platform to facilitate the coordination and collective management of data; and (c) a data collection platform, which collects the operating data of our four hospitals to our headquarters to facilitate data monitoring and analysis;

     (ii) *Intelligent patient services*. We plan to purchase robots to facilitate on-screen consultations between our patient and their physician, provide navigation for patients within our hospitals, or move heavy machinery or medical supplies in our four hospitals. We also plan to establish nurse call systems, triage calling systems, and automated systems for our sperm collection rooms in Jieyang Hospital and Kunming Hospital; and

     (iii) *Operational intelligence*. We plan to invest in business intelligence (BI), intelligent cost accounting system, intelligent human resource planning system and smart digital signage in our four hospitals.

  ii. approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to upgrade our intelligent weak current systems in Kunming Hospital and Jieyang Hospital in the next five years, including primarily office network and telephone system, video surveillance system and server rooms construction.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to optimize our customer acquisition and enhance our brand visibility in the next three years.

  At our four hospitals, we plan to acquire fertility clinics in surrounding cities with relatively dense population and within a three-hour driving radius from our four hospitals. We will purchase relevant medical equipment and recruit employees. We plan to utilize such clinics for certain relatively simple steps, such as consultation and gynecological injection, in order to save in IVF treatment patients' time traveling to our four hospitals.

  At headquarters level, we will continue to host IVF international forum and invite domestic and overseas experts in the industry to exchange insights and share experience.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used for the international expansion of our medical network in the next three years, with the goal of serving the evolving needs of patients in developing countries in Southeast Asia, Middle East or South Asia. We intend to expand our medical network in populous and affluent urban centers with limited ART service providers by establishing our own ART service institutions, or acquiring other ART service provider with an established business.

  We will acquire and decorate the hospital buildings with relevant medical facilities and infrastructures, such as IVF laboratories, surgical rooms, disinfection and oxygen supply rooms. We will also recruit employees and purchase necessary medical equipment.

  We have identified the following criteria of potential acquisition target: (i) the target should be in normal business operation and focus on ART services; (ii) the target should possess requisite assisted reproduction licenses; (iii) the target should locate in areas with relatively dense population and have a locally recognized brand; and (iv) the target should locate in a country with a friendly regulatory framework towards the provision of ART services. As of the Latest Practicable Date, we had no commitments or agreements to enter into any acquisitions or investments. We may also seek for additional equity and/or debt funding to facilitate the acquisition, if necessary.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used to recruit (i) two physician-in-chief who will be experienced experts in IVF treatment to lead and enhance the provision of ART and ancillary services across our four hospitals; and (ii) two to three management personnel who will be responsible for overseeing and managing our provision of medical services and our marketing activities at headquarters level, respectively; and (iii) a management personnel in charge of overseeing the implementation of our plans for international expansion, in the next five years.

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] million, will be used for working capital and general corporate purposes.

In the event that the [**REDACTED**] is set at the high-end or low-end of the proposed [**REDACTED**] range and the [**REDACTED**] is not exercised, the net [**REDACTED**] to be received by us will be increased or decreased by approximately HK$[**REDACTED**] million, respectively. To the extent our net [**REDACTED**] are either more or less than expected, we will adjust our [**REDACTED**] of the net [**REDACTED**] for the above purposes on a pro rata basis.

If the [**REDACTED**] is fully exercised, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**] million (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] range stated in this document). In the event that the [**REDACTED**] is exercised, we intend to apply the additional net [**REDACTED**] to the above purposes on a pro rata basis.

To the extent that our [**REDACTED**] are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings.

If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may [**REDACTED**] the net [**REDACTED**] from the [**REDACTED**]. We will issue an appropriate announcement if there is any material change to the above proposed [**REDACTED**].

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the purposes described above, and to the extent permitted by the relevant laws and regulations, we intend to deposit the [**REDACTED**] in interest-bearing accounts with licensed commercial banks or financial institutions in the PRC or Hong Kong, or money-market instruments or other forms of banking deposits as permitted by the relevant laws and regulations.

[REDACTED]

[**REDACTED**]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-56, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF IVF HOSPITAL MANAGEMENT GROUP LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of IVF Hospital Management Group Limited (愛維艾夫醫院管理集團有限公司, the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-56, which comprises the combined statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and the combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "Relevant Periods"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-56 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2020, 2021 and 2022 and 30 June 2023 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the combined statement of profit or loss, the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 25(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[●]

Historical financial information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Chengdu Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

COMBINED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi ("RMB"))

		Year ended 31 December			Six months ended 30 June	
	Note	**2020**	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Revenue	*4*	369,439	419,520	407,177	177,418	230,369
Cost of revenue		(212,939)	(226,893)	(230,775)	(105,369)	(130,201)
Gross profit		156,500	192,627	176,402	72,049	100,168
Other net income	*5*	5,072	17,104	22,150	2,888	1,352
Selling and distribution expenses		(22,928)	(24,188)	(25,294)	(11,443)	(13,388)
Administrative expenses		(51,321)	(66,306)	(80,695)	(41,667)	(41,714)
Profit from operations		87,323	119,237	92,563	21,827	46,418
Finance costs	*6(a)*	(16,029)	(14,009)	(5,593)	(2,703)	(1,311)
Profit before taxation	*6*	71,294	105,228	86,970	19,124	45,107
Income tax	*7(a)*	(25,337)	(10,666)	(22,453)	(5,477)	(11,224)
Profit for the year/period		45,957	94,562	64,517	13,647	33,883
Attributable to:						
Equity shareholders of the Company		46,357	94,562	64,517	13,647	33,883
Non-controlling interests		(400)	–	–	–	–
Profit for the year/period		45,957	94,562	64,517	13,647	33,883
Earnings per share	*10*					
– Basic and diluted		N/A	N/A	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Note	Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit for the year/period		45,957	94,562	64,517	13,647	33,883
Other comprehensive income for the year/period (after tax and reclassification adjustments)						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences on translation of financial statements of overseas subsidiaries		–	–	(33)	(42)	5
Other comprehensive income for the year/period		–	–	(33)	(42)	5
Total comprehensive income for the year/period		45,957	94,562	64,484	13,605	33,888
Attributable to:						
Equity shareholders of the Company		46,357	94,562	64,484	13,605	33,888
Non-controlling interests		(400)	–	–	–	–
Total comprehensive income for the year/period		45,957	94,562	64,484	13,605	33,888

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*11*	346,463	477,975	500,497	492,435
Right-of-use assets	*12*	73,547	65,709	61,876	61,158
Intangible assets	*13*	3,824	2,869	4,871	5,024
Other financial assets	*14*	–	–	–	20,868
Deferred tax assets	*24(b)*	5,042	20,584	14,126	11,586
		428,876	**567,137**	**581,370**	**591,071**
Current assets					
Inventories	*15*	13,661	13,703	18,357	18,195
Trade and other receivables	*17*	46,512	6,137	6,897	7,809
Other financial assets	*14*	99,027	145,507	49,130	52,633
Restricted deposits	*18*	–	–	13,000	–
Cash and cash equivalents	*18*	45,237	70,214	81,359	107,570
		204,437	**235,561**	**168,743**	**186,207**
Current liabilities					
Trade and other payables	*19*	56,442	111,058	62,506	74,149
Contract liabilities	*16*	15,038	18,532	25,905	35,430
Bank loans	*20*	13,524	6,664	6,664	–
Lease liabilities	*21*	4,538	2,813	4,038	6,262
Financial instruments issued to investors	*22*	159,640	–	–	–
Current taxation	*24(a)*	6,350	5,651	2,420	5,741
		255,532	**144,718**	**101,533**	**121,582**
Net current (liabilities)/assets		**(51,095)**	**90,843**	**67,210**	**64,625**
Total assets less current liabilities		**377,781**	**657,980**	**648,580**	**655,696**
Non-current liabilities					
Bank loans	*20*	18,338	11,674	5,010	–
Trade and other payables	*19*	90,399	70,000	50,000	30,000
Lease liabilities	*21*	36,720	32,260	30,596	28,834
Deferred income		546	–	–	–
		146,003	**113,934**	**85,606**	**58,834**
NET ASSETS		**231,778**	**544,046**	**562,974**	**596,862**
CAPITAL AND RESERVES					
Share capital	*25(a)*	95,172	58,000	56,260	56,260
Reserves		136,606	486,046	506,714	540,602
TOTAL EQUITY		**231,778**	**544,046**	**562,974**	**596,862**

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	Share capital	Capital reserves	PRC statutory reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020		95,172	(5,172)	18,588	85,593	194,181	(3,592)	190,589
Changes in equity for 2020								
Profit and total comprehensive income		–	–	–	46,357	46,357	(400)	45,957
Equity-settled share-based payments	*23*	–	129	–	–	129	–	129
Acquisition of non-controlling interests	*25(c)(i)*	–	(8,889)	–	–	(8,889)	3,992	(4,897)
Appropriation to statutory reserves	*25(c)(ii)*	–	–	1,919	(1,919)	–	–	–
Balance at 31 December 2020		95,172	(13,932)	20,507	130,031	231,778	–	231,778

The accompanying notes form part of the Historical Financial Information.

	Note	Share capital	Capital reserves	PRC statutory reserves	Retained profits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021		95,172	(13,932)	20,507	130,031	231,778
Changes in equity for 2021						
Profit and total comprehensive income		–	–	–	94,562	94,562
Issuance of new shares	*25(a)(ii)*	8,276	35,625	–	–	43,901
Reclassification of financial liabilities recognised for preferential rights issued to investors to equity	22	–	171,010	–	–	171,010
Conversion into a joint stock limited liability company	*25(a)(iii)*	(45,448)	63,630	(11,722)	(6,460)	–
Equity-settled share-based payments	23	–	2,795	–	–	2,795
Appropriation to statutory reserves	*25(c)(ii)*	–	–	2,079	(2,079)	–
Balance at 31 December 2021		58,000	259,128	10,864	216,054	544,046

	Note	Share capital	Capital reserves	PRC statutory reserves	Exchange reserves	Retained profits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2022		58,000	259,128	10,864	–	216,054	544,046
Changes in equity for 2022							
Profit and total comprehensive income		–	–	–	(33)	64,517	64,484
Capital reduction of shareholders	*25(a)(iv)*	(1,740)	(36,989)	–	–	–	(38,729)
Equity-settled share-based payments	23	–	(2,924)	–	–	–	(2,924)
Appropriation to statutory reserves	*25(c)(ii)*	–	–	1,815	–	(1,815)	–
Deemed distribution to controlling shareholder	*25(c)(i)*	–	(3,903)	–	–	–	(3,903)
Balance at 31 December 2022		56,260	215,312	12,679	(33)	278,756	562,974

The accompanying notes form part of the Historical Financial Information.

	Note	**Share capital**	**Capital reserves**	**PRC statutory reserves**	**Exchange reserves**	**Retained profits**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023		56,260	215,312	12,679	(33)	278,756	562,974
Changes in equity for six months ended 30 June 2023							
Profit and total comprehensive income		–	–	–	5	33,883	33,888
Balance at 30 June 2023		56,260	215,312	12,679	(28)	312,639	596,862
(Unaudited)							
Balance at 1 January 2022		58,000	259,128	10,864	–	216,054	544,046
Changes in equity for six months ended 30 June 2022							
Profit and total comprehensive income		–	–	–	(42)	13,647	13,605
Equity-settled share-based payments	*23*	–	1,396	–	–	–	1,396
Balance at 30 June 2022		58,000	260,524	10,864	(42)	229,701	559,047

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF CASH FLOWS

(Expressed in RMB)

	Note	Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating activities						
Cash generated from operations	*18(b)*	121,481	121,967	107,214	44,215	78,963
Tax paid	*24(a)*	(22,386)	(26,907)	(19,226)	(9,832)	(5,363)
Net cash generated from operating activities		99,095	95,060	87,988	34,383	73,600
Investing activities						
Payment for the purchase of property, plant and equipment and intangible assets		(93,172)	(95,117)	(141,549)	(66,682)	(21,866)
Proceeds from disposal of property, plant and equipment and intangible assets		127	15,290	40,180	104	143
Deposits for a potential acquisition	*17(i)*	(41,000)	41,000	–	–	–
Payment for investment in other financial assets		(190,000)	(800,500)	(374,000)	(224,000)	(134,219)
Proceeds from redemption of other financial assets		271,810	751,900	469,500	248,374	110,000
Net cash used in investing activities		(52,235)	(87,427)	(5,869)	(42,204)	(45,942)
Financing activities						
Proceeds from new bank loans	*18(c)*	30,000	–	–	–	–
Repayments of bank loans	*18(c)*	(13,128)	(13,524)	(6,664)	(3,332)	(11,674)
Advances from related parties	*18(c)*	20,939	–	–	–	–
Repayments to related parties	*18(c)*	(99,481)	(268)	–	–	–
Payment for restricted bank deposits for bank loans	*18(a)*	–	–	(13,000)	–	–
Repayment for restricted bank deposits for bank loans	*18(a)*	–	–	–	–	13,000
Capital reduction of shareholders	*25(a)(iv)*	–	–	(38,729)	–	–
Deemed distribution to controlling shareholder	*25(c)(i)*	–	–	(3,903)	–	–
Proceeds from issuance of new shares	*25(a)(ii)*	–	43,901	–	–	–
Acquisition of non-controlling interests	*25(c)(i)*	(4,897)	–	–	–	–
Interest paid	*18(c)*	(2,777)	(6,741)	(3,891)	(1,850)	(504)
Capital element of lease rentals paid	*18(c)*	(2,988)	(3,584)	(3,085)	(2,161)	(1,462)
Interest element of lease rentals paid	*18(c)*	(2,902)	(2,440)	(1,702)	(853)	(807)
Net cash (used in)/generated from financing activities		(75,234)	17,344	(70,974)	(8,196)	(1,447)
Net (decrease)/increase in cash and cash equivalents		(28,374)	24,977	11,145	(16,017)	26,211
Cash and cash equivalents at 1 January	*18(a)*	73,611	45,237	70,214	70,214	81,359
Cash and cash equivalents at 31 December/30 June	*18(a)*	45,237	70,214	81,359	54,197	107,570

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi, unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

IVF Hospital Management Group Limited (the "Company") was established in the Cayman Islands on 8 September 2023, as an exempted company with limited liability under the Companies Act, Cap.22 (As revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business operations since the date of its incorporation save for the group reorganisation mentioned below (the "Reorganisation"). The Company and its subsidiaries (together, the "Group") are principally engaged in the provision of assisted reproductive technology ("ART") and ancillary services in the People's Republic of China (the "PRC").

Prior to the incorporation of the Company and completion of the Reorganisation as described below, the principal business of the Group was carried out by Shenzhen IVF Hospital Management Group Co., Ltd. (深圳愛維艾夫醫院管理集團有限公司, "Shenzhen IVF"), which was established on 5 September 2006 in the PRC, and its subsidiaries (collectively the "Operating Subsidiaries" or the "VIE Hospitals").

To rationalise the corporate structure in preparation of the [**REDACTED**] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Document.

Since the business conducted by the VIE Hospitals is subject to foreign investment restrictions under the relevant laws and regulations in the PRC, as part of the Reorganisation, Aisheng Enterprise Headquarters Management (Shenzhen) Co., Ltd. (愛生企業總部管理(深圳)有限公司, "Aisheng Enterprise"), a wholly-owned subsidiary of the Company, entered into a series of agreements (the "Contractual Arrangements") with Shenzhen IVF and its registered shareholders on 11 October 2023, details of which are set out in the section head "Contractual Arrangements" in the Document. The directors of the Company have determined that the Contractual Arrangements are in compliance with the PRC laws and are legally enforceable. Pursuant to the Contractual Arrangements, 30% equity interests in the VIE Hospitals are controlled by Aisheng Enterprise. Together with 70% ownership in the VIE Hospitals originally owned by Aisheng Enterprise, the Group is able to effectively own 100% equity interests in and control the VIE Hospitals and receive substantially all the economic benefit of the business and operations of the VIE Hospitals. As a result, the VIE Hospitals became indirect wholly-owned subsidiaries of the Group and the Group can consolidate 100% interests over the VIE Hospitals without non-controlling interests.

Upon completion of the Reorganisation in November 2023, the Company became the holding company of the companies now comprising the Group. The Reorganisation involved inserting the Company and certain investment holding companies with no substantive operations, as holding companies of Shenzhen IVF and its subsidiaries. There were no changes in the economic substance of the ownership and business carried out by the VIE Hospitals before and after the Reorganisation. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the VIE Hospitals with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

The combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods as set out in the Historical Financial Information include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment, whichever is a shorter period. The combined statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 as set out in the Historical Financial Information have been prepared to present the financial position of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company Name	Date and place of incorporation/ establishment	Particulars of issued and paid-in capital	Proportion of ownership		Principal activities
			Held by the Company	Held by the subsidiary	
Directly held:					
IVFMG INTERNATIONAL LIMITED ("IVFMG") 愛維艾夫醫療集團國際有限公司 *(a)(e)*	24 September 2021 Hong Kong	HKD10,000/ HKD10,000	100%	–	Investment holding
Indirectly held:					
Aisheng Enterprise 愛生企業總部管理(深圳)有限公司 *(b)(c)(d)*	11 October 2023 The PRC	RMB147,368,421/–	–	100%	Investment holding
Ovovo Group INC. *(a)*	13 October 2021 the United States of America (the "USA")	USD5,000/-	–	100%	Investment holding
Shenzhen IVF 深圳愛維艾夫醫院管理集團有限公司 *(c)(d)*	5 September 2006 The PRC	RMB177,866,667/ RMB53,360,000	–	100%	Corporate management
Tianjin IVF Hospital (Limited Partnership) ("Tianjin Hospital") 天津愛維醫院(有限合夥) *(c)(d)*	9 February 2006 The PRC	RMB10,000,000/ RMB10,000,000	–	100%	ART and ancillary services
Zhanjiang Hospital Co., Ltd. ("Zhanjiang Hospital") 湛江久和醫院有限公司 *(c)(d)*	26 January 2010 The PRC	RMB5,000,000/ RMB5,000,000	–	100%	ART and ancillary services
Kunming IVF Hospital Co., Ltd. ("Kunming Hospital") 昆明愛維艾夫醫院有限公司 *(c)(d)*	9 November 2012 The PRC	RMB50,000,000/ RMB50,000,000	–	100%	ART and ancillary services
Jieyang IVF Hospital Co., Ltd. ("Jieyang Hospital") 揭陽愛維艾夫醫院有限公司 *(c)(d)*	21 December 2012 The PRC	RMB14,716,200/ RMB14,716,200	–	100%	ART and ancillary services

Notes:

All companies now comprising the Group have adopted 31 December as their financial year end date.

(a) These companies are limited liability companies incorporated outside of the mainland China.

(b) The company established as wholly foreign owned enterprise in the PRC is a limited liability company.

(c) The official names of these entities are in Chinese. The English translation of the names are for identification only.

(d) No statutory financial statements have been prepared for these entities for the Relevant Periods.

(e) The entity prepared the financial statements for the year ended 31 December 2022 in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"). The financial statements were audited by Chan Chun Certified Public Accountant (Practising).

The Historical Financial Information have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policies adopted are set out in note 2.

The IASB has issued certain amendments to IFRSs. For the purpose of preparing the Historical Financial Information, the Group has consistently adopted all applicable new and revised IFRSs throughout the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2023. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2023 and not yet adopted by the Group are set out in note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information and the Stub Period Corresponding Financial Information are presented in RMB, rounded to the nearest thousand (RMB'000), except as otherwise indicated.

2 MATERIAL ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that other financial assets are stated at fair value as explained in note 2(d).

(b) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Group has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(i) The contractual arrangement with the other vote holders of the investee;

(ii) Rights arising from other contractual arrangements; and

(iii) The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

The financial statements of subsidiaries are included in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statement of profit or loss and the combined statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year or period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the combined statement of financial position in accordance with note 2(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 26(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income is calculated using the effective interest method (see note 2(s)(iii)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in other comprehensive incomes. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value through profit or loss (FVPL), if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)):

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Buildings	10-30 years
– Medical equipment	3-10 years
– Vehicles	5 years
– Office equipment, fixtures and others	3-5 years
– Leasehold improvements	10 years or over the remaining lease period, if shorter

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less impairment losses (see note 2(h)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use and depreciation will be provided at the appropriate rates in accordance with the depreciation polices specified above.

No depreciation is provided in respect of construction in progress.

(f) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see note 2(h)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	3-10 years

The useful lives of the software are estimated with reference to current functionalities and the daily operation needs of the software.

Both the period and method of amortisation are reviewed annually.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjust for any lease payments made at or before the commencement date, and any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the reassessment of whether the Group will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the combined statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables).

Other financial assets measured at fair value, including non-equity securities measured at FVPL, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation;

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the form of materials or supplies to be consumed in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

(j) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(s)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 2(k)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)(iii)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less including an allowance for credit losses (see note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(h)(i)).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Shares issued

Shares issued are classified as equity if they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlement in a variable number of the Group's equity instruments. Discretionary dividends on such shares issued are recognised as distributions within equity.

A financial liability is recognised if the Group has the obligation to redeem any equity instruments issued on a specific date or at the option of the shareholders (including the options that are only exercisable in case of occurrence of certain contingent triggering events). The liability is initially recognised and measured at the present value of the redemption amount. Subsequently, the financial liability is measured at amortized cost with interest charged in finance costs.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(u).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured with reference to the valuation report issued by an independent valuer. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

– temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions

(i) Provisions

Generally, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

ART and ancillary services

ART services

The Group is primarily engaged in the provision of ART services to patients, which includes two major solutions: (i) artificial insemination ("AI") and (ii) in vitro fertilization ("IVF") and embryo transfer ("IVF-ET").

Regular ART services

The customers normally receive the services which contain various treatment components. They include (i) initial consultation and pre-treatment services, (ii) AI or IVF-ET treatment services, (iii) services after pregnancy and other related services, and (iv) sale of pharmaceutical products.

Initial consultation and pre-treatment services, services after pregnancy and other related services are transferred at a point of time. Revenue is recognised when the customer obtains the control of the completed service and the Group has present right to payment.

AI treatment – it mainly includes follicle monitoring, semen processing and artificially sperm introduction. Revenue is recognised when the customer obtains the control of the completed service and the Group has present right to payment.

IVF-ET treatment – it mainly includes ovarian stimulation, egg retrieval and fertilization and embryo development and transfer which involves the performance of various medical treatment and procedures. For certain procedures, revenue is recognised over the period of performance as the Group has an enforceable right to payment for the contracted price of the specific procedure and the performance does not create an asset with an alternative use. For remaining procedures, revenue is recognised when the customer obtains the control of the completed service and the Group has present right to payment.

Sale of pharmaceutical products – revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, and the Group has present right to payment.

Packaged ART and ancillary service programs

The Group provides packaged ART and ancillary services which covers the whole diagnostic and treatment process. Patients who participate in the packaged ART and ancillary service programs enjoy multiple embryo transfers under lump-sum payment arrangement. If a patient fails to achieve clinical pregnancy after the pre-agreed numbers of embryo transfers within a specific period of time, the patient is entitled to receive a refund of the lump-sum payment. The program includes a series of treatment or procedures that are not separately distinct and identified as a single performance obligation satisfied over time as the Group's performance enhances the assets (retrieved/fertilized eggs) the patient controls.

In order to achieve clinical pregnancy, the Group may need to perform multiple procedures including embryo transfers. As the Group cannot reasonably measure its progress towards achieve clinical pregnancy but expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue to the extent of the costs incurred during the service period, before the clinical pregnancy is achieved or failed.

The patient is entitled to receive a refund of the lump-sum payment if clinical pregnancy is failed after pre-agreed numbers of embryo transfers. The Group estimates the amount of consideration to which it will be entitled using the expected value method. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price.

Ancillary services

Revenue from ancillary medical services is recognised when the related services have been rendered.

(ii) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(iii) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of being recognised in other net income.

(t) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgments and estimations used in preparation of the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 26 contain information about the assumptions and their risk factors relating to financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(ii) Useful life of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are providing ART and ancillary medical services.

(i) Disaggregation of revenue

Revenue from contracts with customers by major products or service lines is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
– Revenue from provision of ART and ancillary services	369,439	419,520	407,177	177,418	230,369

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follow:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Disaggregated by timing of revenue recognition					
Point in time	344,793	376,383	346,538	154,184	194,253
Over time	24,646	43,137	60,639	23,234	36,116
	369,439	419,520	407,177	177,418	230,369

The Group's customer base is diversified and there is no single customer with whom transactions have exceeded 10% of the Group's revenue during the Relevant Periods.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and therefore the information about remaining performance obligations is not disclosed for contracts that have an expected duration of one year or less.

(b) Segment reporting

(i) Segment information

The Group manages its businesses as a whole by the Group's most senior executive management for the purposes of resource allocation and performance assessment. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's combined results of operations in assessing performance of and making decisions about allocations to this segment.

Accordingly, the Group has only one reportable segment and no further analysis of this single segment is presented.

(ii) Geographic information

No geographical information is shown as the revenue and profit from operations of the Group is substantially all derived from activities in the PRC and substantially all of the Group's property, plant and equipment and intangible assets are located physically or operationally in the PRC.

5 OTHER NET INCOME

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest income from bank deposits	552	568	646	310	581
Government grants	370	544	359	129	5
Net (loss)/gain on disposal of property, plant and equipment, right-of-use assets and intangible assets *(note 11(a)(ii))*	(611)	11,878	16,838	20	(39)
Net realised and unrealised gain on financial assets at FVPL	3,848	4,070	3,575	1,985	801
(Provision for)/reversal of impairment losses on trade and other receivables	(77)	(253)	162	78	(157)
Others	990	297	570	366	161
	5,072	17,104	22,150	2,888	1,352

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest expenses on bank loans and other borrowings	2,777	6,741	3,891	1,850	504
Interest expenses on financial instruments issued to investors	11,789	11,370	–	–	–
Interest expenses on lease liabilities	2,902	2,440	1,702	853	807
Less: interest expenses capitalised into construction in progress	(1,439)	(6,542)	–	–	–
	16,029	14,009	5,593	2,703	1,311

The borrowing costs have been capitalised at a rate range of 5.3% to 6.0% per annum for the years ended 31 December 2020 and 2021.

(b) Staff costs

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, wages, bonuses and other benefits	99,544	108,836	115,982	55,567	61,860
Contributions to defined contribution retirement plan	272	3,958	4,676	2,313	2,368
Equity-settled share-based payments expenses	129	2,795	(2,924)	1,396	–
	99,945	115,589	117,734	59,276	64,228

Staff costs includes remuneration of directors and senior management (note 8 and note 28(a)).

Pursuant to the relevant labour rules and regulations in the PRC, the Group's PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Group's PRC subsidiaries are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other material obligation for payment of other retirement benefits beyond the above contributions.

Due to the impact of the outbreak of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government to expedite resumption of economic activities during the year ended 31 December 2020.

(c) Other items

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Amortisation cost of intangible assets	438	387	441	183	324
Depreciation charge					
– property, plant and equipment	21,346	15,022	22,753	11,536	13,506
– right-of-use assets	7,207	7,524	6,479	3,686	2,642
Cost of inventories recognised as expenses (representing pharmaceutical products and consumables used, included in cost of revenue)	120,013	133,381	130,225	57,010	71,221

7 INCOME TAX IN THE COMBINED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the combined statement of profit or loss represents:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current tax – PRC Corporate Income Tax					
Provision for the year/period	22,453	26,208	15,995	5,855	8,684
Deferred tax					
Origination and reversal of temporary differences	2,884	(15,542)	6,458	(378)	2,540
	25,337	10,666	22,453	5,477	11,224

(i) Pursuant to the rules and regulations of the Cayman Island, the Group is not subject to any income tax in the Cayman Islands.

(ii) The income tax rate applicable to group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the Relevant Periods is 8.25% on the first HK$2 million of estimated assessable profit and at 16.5% on the estimated assessable profits above HK$2 million. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the Relevant Periods.

(iii) The Groups' PRC subsidiaries are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income during the Relevant Periods unless otherwise specified.

(iv) Pursuant to Circular [2011] No. 58 Notice on Issues Concerning Relevant Tax Policies to In-depth Implementation of the Western Development Strategy (關於深入實施西部大開發戰略有關稅收政策問題的通知) and Circular [2020] No. 23 Announcement on the Continuation of the Enterprise Income Tax Policy for the Western Development Strategy (關於延續西部大開發企業所得稅政策的公告) issued by relevant tax authorities in PRC, companies in the western region that engage in the industries encouraged in the Catalogue and whose income within the Catalogue accounts for more than 60% of the total income can enjoy the preferential corporate income tax rate of 15% from 1 January 2011 to 31 December 2030. Kunming Hospital is engaged in the eligible industry and entitled to enjoy the preferential income tax rate.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit before taxation	71,294	105,228	86,970	19,124	45,107
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	17,823	26,307	21,864	4,837	11,333
Effect of preferential income tax rates	(882)	(971)	(541)	(206)	(501)

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Recognition of previously unrecognised tax losses	–	(19,773)	–	–	–
Tax effect of non-deductible expenses	2,974	167	530	563	99
Tax effect of unused tax losses not recognised	2,475	2,094	600	283	293
Tax effect of interest expenses arising from financial instrument issued to investors	2,947	2,842	–	–	–
Actual tax expense	25,337	10,666	22,453	5,477	11,224

8 DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	Year ended 31 December 2020					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments (iv)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note 23)*	*RMB'000*
Executive Directors						
Mr. Ren Jizhong (任吉忠) *(i) (iii)*	–	163	–	1	–	164
Ms. Huang Yaqin (黃亞琴) *(i) (iii)*	–	385	61	1	19	466
Ms. Zhang Lianyue (張連悅) *(i) (iii)*	–	289	9	1	–	299
Non-executive Directors						
Ms. Zhang Xiaowen (張曉文) *(i) (iii)*	–	144	–	–	–	144
	–	981	70	3	19	1,073

	Year ended 31 December 2021					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments (iv)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note 23)*	*RMB'000*
Executive Directors						
Mr. Ren Jizhong (任吉忠) *(i) (iii)*	–	613	–	18	–	631
Ms. Huang Yaqin (黃亞琴) *(i) (iii)*	–	400	94	17	472	983
Ms. Zhang Lianyue (張連悅) *(i) (iii)*	–	294	9	10	–	313
Non-executive Directors						
Ms. Zhang Xiaowen (張曉文) *(i) (iii)*	–	144	–	–	–	144
Independent non-executive Directors						
Ms. Chen Ling (陳伶) *(i) (ii)*	11	–	–	–	–	11
Ms. Zhao Guiying (趙貴英) *(i) (ii)*	11	–	–	–	–	11
	22	1,451	103	45	472	2,093

	Year ended 31 December 2022					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments (iv)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note 23)*	*RMB'000*
Executive Directors						
Mr. Ren Jizhong (任吉忠) *(i) (iii)*	–	614	–	19	–	633
Ms. Huang Yaqin (黃亞琴) *(i) (iii)*	–	541	198	18	(491)	266
Ms. Zhang Lianyue (張連悅) *(i) (iii)*	–	285	13	10	–	308
Non-executive Directors						
Ms. Zhang Xiaowen (張曉文) *(i) (iii)*	–	144	–	–	–	144
Independent non-executive Directors						
Ms. Chen Ling (陳伶) *(i) (ii)*	84	–	–	–	–	84
Ms. Zhao Guiying (趙貴英) *(i) (ii)*	84	–	–	–	–	84
	168	1,584	211	47	(491)	1,519

	Six months ended 30 June 2023					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments (iv)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note 23)*	*RMB'000*
Executive Directors						
Mr. Ren Jizhong (任吉忠) *(i) (iii)*	–	307	–	9	–	316
Ms. Huang Yaqin (黃亞琴) *(i) (iii)*	–	284	–	9	–	293
Ms. Zhang Lianyue (張連悅) *(i) (iii)*	–	211	–	5	–	216
Non-executive Directors						
Ms. Zhang Xiaowen (張曉文) *(i) (iii)*	–	72	–	–	–	72
Independent non-executive Directors						
Ms. Chen Ling (陳伶) *(i) (ii)*	42	–	–	–	–	42
Ms. Zhao Guiying (趙貴英) *(i) (ii)*	42	–	–	–	–	42
	84	874	–	23	–	981

	Six months ended 30 June 2022 (unaudited)					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments (iv)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note 23)*	*RMB'000*
Executive Directors						
Mr. Ren Jizhong (任吉忠) *(i) (iii)*	–	307	–	9	–	316
Ms. Huang Yaqin (黃亞琴) *(i) (iii)*	–	271	99	9	234	613
Ms. Zhang Lianyue (張連悅) *(i) (iii)*	–	143	7	5	–	155
Non-executive Directors						
Ms. Zhang Xiaowen (張曉文) *(i) (iii)*	–	72	–	–	–	72
Independent non-executive Directors						
Ms. Chen Ling (陳伶) *(i) (ii)*	42	–	–	–	–	42
Ms. Zhao Guiying (趙貴英) *(i) (ii)*	42	–	–	–	–	42
	84	793	106	23	234	1,240

(i) Mr. Ren Jizhong, was appointed as executive directors of the Company on 8 September 2023. Ms. Huang Yaqin and Ms. Zhang Lianyue were appointed as executive directors of the Company on 20 November 2023. Ms. Zhang Xiaowen was appointed as non-executive directors of the Company on 20 November 2023.

Ms. Chen Ling, Ms. Zhao Guiying and Ms. Sun Wei were appointed as independent non-executive directors of the Company on [●] 2023. The appointment will become effective upon [**REDACTED**].

(ii) Ms. Chen Ling and Ms. Zhao Guiying were appointed as independent non-executive directors of the Group's subsidiaries in November 2021 and their emoluments disclosed above represented the compensation for their services to the Group's subsidiaries.

(iii) These directors' emoluments disclosed above included compensations for their services to the Group's subsidiaries prior to their appointments as directors of the Company.

(iv) These represent the estimated value of restricted share units granted to the directors under the Group's restricted share unit scheme. The value of these restricted share units is measured according to the Group's accounting policies for share-based payments transactions as set out in note 2(p)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of share-based payments, including the principal terms and number of restricted share units granted, are disclosed in note 23.

During the Relevant Periods, no amounts were paid or payable by the Group to the directors and the chief executive or any of the highest paid individuals set out in note 9 as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and other employees included in the five highest paid individuals for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 are set forth below:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(unaudited)	
Directors	–	2	1	1	2
Other employees	5	3	4	4	3
	5	5	5	5	5

The emoluments of the directors are disclosed in note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other emoluments	3,182	1,992	3,152	1,576	1,202
Discretionary bonuses	1,010	721	1,057	528	–
Share-based payments	53	621	(131)	62	–
Retirement scheme contributions	4	18	7	3	6
	4,249	3,352	4,085	2,169	1,208

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	Number of Individuals	Number of Individuals	Number of Individuals	Number of Individuals	Number of Individuals
				(unaudited)	
HKD nil – HKD1,000,000	4	2	3	4	3
HKD1,000,001 – HKD1,500,000	1	1	1	–	–

10 EARNINGS PER SHARE

Earnings per share information for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the basis as disclosed in note 1.

11 PROPERTY, PLANT AND EQUIPMENT ("PPE")

(a) Reconciliation of carrying amount

	Buildings	Medical equipment	Vehicles	Office equipment, fixtures and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2020	128,277	63,171	4,696	13,887	13,280	84,464	307,775
Additions	–	1,637	449	1,013	279	131,047	134,425
Transfer from construction in progress	–	2,399	–	–	–	(2,399)	–
Disposals	–	(818)	–	(261)	–	–	(1,079)
At 31 December 2020 and 1 January 2021	128,277	66,389	5,145	14,639	13,559	213,112	441,121
Additions	–	5,159	–	2,413	–	142,732	150,304
Transfer from construction in progress	335,755	140	–	–	655	(336,550)	–
Disposals	–	(18,594)	(568)	(3,762)	–	–	(22,924)
At 31 December 2021 and 1 January 2022	464,032	53,094	4,577	13,290	14,214	19,294	568,501
Additions	–	4,539	159	3,130	–	60,489	68,317
Transfer from construction in progress	22,002	1,381	–	–	–	(23,383)	–
Disposals	(31,046)	(738)	–	(1,277)	–	–	(33,061)
At 31 December 2022 and 1 January 2023	454,988	58,276	4,736	15,143	14,214	56,400	603,757
Additions	–	1,161	1,614	227	–	3,007	6,009
Transfer from construction in progress	–	3,337	–	3,866	47,801	(55,004)	–
Disposals	–	(1,670)	(753)	(924)	–	–	(3,347)
At 30 June 2023	454,988	61,104	5,597	18,312	62,015	4,403	606,419

	Buildings	Medical equipment	Vehicles	Office equipment, fixtures and others	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation							
At 1 January 2020	(16,283)	(42,682)	(4,134)	(9,969)	(1,225)	–	(74,293)
Charge for the year	(4,171)	(7,880)	(347)	(1,908)	(7,040)	–	(21,346)
Disposals	–	751	–	230	–	–	981
At 31 December 2020 and 1 January 2021	(20,454)	(49,811)	(4,481)	(11,647)	(8,265)	–	(94,658)
Charge for the year	(4,171)	(5,741)	(134)	(1,852)	(3,124)	–	(15,022)
Disposals	–	15,589	535	3,030	–	–	19,154
At 31 December 2021 and 1 January 2022	(24,625)	(39,963)	(4,080)	(10,469)	(11,389)	–	(90,526)
Charge for the year	(15,130)	(4,618)	(87)	(1,840)	(1,078)	–	(22,753)
Disposals	8,111	701	–	1,207	–	–	10,019
At 31 December 2022 and 1 January 2023	(31,644)	(43,880)	(4,167)	(11,102)	(12,467)	–	(103,260)
Charge for the period	(7,261)	(2,428)	(86)	(1,246)	(2,485)	–	(13,506)
Disposals	–	1,508	716	558	–	–	2,782
At 30 June 2023	(38,905)	(44,800)	(3,537)	(11,790)	(14,952)	–	(113,984)
Net book value:							
At 31 December 2020	107,823	16,578	664	2,992	5,294	213,112	346,463
At 31 December 2021	439,407	13,131	497	2,821	2,825	19,294	477,975
At 31 December 2022	423,344	14,396	569	4,041	1,747	56,400	500,497
At 30 June 2023	416,083	16,304	2,060	6,522	47,063	4,403	492,435

(i) As at 31 December 2020, the net carrying value of RMB70,975,000 of buildings owned by Kunming Hospital, were pledged to secure the Group's bank loan which was fully repaid in 2021 (note 20).

(ii) For the years ended 31 December 2021 and 2022, items of property, plant and equipment with a net book value of RMB3,770,000 and RMB23,042,000 were disposed to independent third parties, respectively, resulting in a net gain on disposal of RMB11,878,000 and RMB16,838,000, respectively.

12 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Leasehold land	Properties leased for own use	Medical equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2020	36,816	93,045	–	129,861
Additions	–	30,056	–	30,056
Disposals	–	(74,143)	–	(74,143)
At 31 December 2020 and 1 January 2021	36,816	48,958	–	85,774
Additions	–	28,448	–	28,448
Disposals	–	(32,407)	–	(32,407)
At 31 December 2021 and 1 January 2022	36,816	44,999	–	81,815
Additions	–	–	2,646	2,646
Disposals	–	(4,436)	–	(4,436)
At 31 December 2022 and 1 January 2023	36,816	40,563	2,646	80,025
Additions	–	–	2,168	2,168
Remeasurement	–	(244)	–	(244)
At 30 June 2023	36,816	40,319	4,814	81,949
Accumulated depreciation				
At 1 January 2020	(2,994)	(5,326)	–	(8,320)
Charge for the year	(751)	(6,456)	–	(7,207)
Written back on disposals	–	3,300	–	3,300
At 31 December 2020 and 1 January 2021	(3,745)	(8,482)	–	(12,227)
Charge for the year	(751)	(6,773)	–	(7,524)
Written back on disposals	–	3,645	–	3,645
At 31 December 2021 and 1 January 2022	(4,496)	(11,610)	–	(16,106)
Charge for the year	(751)	(5,331)	(397)	(6,479)
Written back on disposals	–	4,436	–	4,436
At 31 December 2022 and 1 January 2023	(5,247)	(12,505)	(397)	(18,149)
Charge for the period	(375)	(1,934)	(333)	(2,642)
At 30 June 2023	(5,622)	(14,439)	(730)	(20,791)
Net book value:				
At 31 December 2020	33,071	40,476	–	73,547
At 31 December 2021	32,320	33,389	–	65,709
At 31 December 2022	31,569	28,058	2,249	61,876
At 30 June 2023	31,194	25,880	4,084	61,158

The analysis of expense items in relation to leases recognised in the Group's profit or loss is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:					
Leasehold land, carried at depreciated cost	751	751	751	375	375
Properties leased for own use, carried at depreciated cost	6,456	6,773	5,331	3,179	1,934
Medical equipment leased for own use, carried at depreciated cost	–	–	397	132	333
	7,207	7,524	6,479	3,686	2,642
Interest expenses on lease liabilities *(note 6(a))*	2,902	2,440	1,702	853	807
Expense relating to short-term leases	4,356	5,621	332	180	41
COVID-19-related rent concessions received	52	86	–	–	–

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(d) and 21, respectively.

(i) Interests in leasehold land for own use

Interests in leasehold land held for own use represent payments for land use rights of land located in the PRC. Lump sum payments were made upfront and there are no ongoing payments to be made under the terms of the land lease in the PRC. The period for these land use rights is no more than 50 years.

(ii) Properties leased for own use

The Group has obtained the right to use hospital buildings through lease agreements. The leases typically run for an initial period of 3 to 19 years. Lease payments are usually increased to reflect market rentals. Some leases include an option to renew the lease for an additional period after the end of the contract term.

(iii) Other leases

The Group leases certain medical equipment under leases expiring from 4 to 5 years. None of the leases includes variable lease payments.

13 INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At 1 January 2020	4,752
Additions	985
At 31 December 2020 and 1 January 2021	5,737
Additions	522
Disposals	(1,506)
At 31 December 2021 and 1 January 2022	4,753
Additions	2,443
At 31 December 2022 and 1 January 2023	7,196
Additions	477
At 30 June 2023	7,673
Accumulated amortisation	
At 1 January 2020	(1,475)
Charge for the year	(438)
At 31 December 2020 and 1 January 2021	(1,913)
Charge for the year	(387)
Disposals	416
At 31 December 2021 and 1 January 2022	(1,884)
Charge for the year	(441)
At 31 December 2022 and 1 January 2023	(2,325)
Charge for the period	(324)
At 30 June 2023	(2,649)
Net book value:	
At 31 December 2020	3,824
At 31 December 2021	2,869
At 31 December 2022	4,871
At 30 June 2023	5,024

14 OTHER FINANCIAL ASSETS

	Note	As at 31 December			As at 30 June
		2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVPL – current					
– Investment in wealth management products issued by banks	*(i)*	99,027	145,507	49,130	52,633
Financial assets at amortised cost – non-current					
– Investment in time deposits over one year	*(ii)*	–	–	–	20,868

(i) The current balances of financial assets measured at FVPL mainly represent wealth management products issued by various banks in the PRC with a floating return which will be paid together with the principal on the maturity date.

The analysis on the fair value measurement of the above financial assets is disclosed in note 26(d).

(ii) The non-current financial assets measured at amortised cost mainly represent time deposits at bank of more than one year with fixed returns which will be paid together with the principal on the maturity date.

15 INVENTORIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pharmaceutical products	9,551	9,418	11,599	12,610
Consumables and others	4,110	4,285	6,758	5,585
	13,661	13,703	18,357	18,195

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of inventories recognised as expenses	120,013	133,381	130,225	57,010	71,221

16 CONTRACT LIABILITIES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receipts in advance	15,038	18,532	25,905	35,430

Movements in contract liabilities

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January	11,167	15,038	18,532	25,905
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(10,234)	(13,727)	(14,386)	(13,758)
Increase in contract liabilities as a result of receipts in advance	14,105	17,221	21,759	23,283
Balance at 31 December/30 June	15,038	18,532	25,905	35,430

All of the contract liabilities are expected to be recognised as revenue within one year.

17 TRADE AND OTHER RECEIVABLES

		As at 31 December			As at 30 June
	Note	2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables		1,143	226	654	1,210
Amounts due from related parties		22	100	–	181
Prepayments		1,791	1,344	2,221	1,209
Deposits	*(i)*	41,326	2,982	2,872	2,750
Others		2,230	1,485	1,150	2,459
		46,512	6,137	6,897	7,809

(i) As at 31 December 2020, deposits mainly represented payment of RMB41,000,000 for a potential acquisition of an IVF hospital, which was terminated with deposits returned in 2021.

All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year (inclusive)	1,133	161	582	1,098
More than one year	10	65	72	112
	1,143	226	654	1,210

Trade receivables are due when the receivables are recognised. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 26(a).

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

		As at 31 December			As at 30 June
	Note	2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank		45,237	70,214	94,359	107,570
Less: restricted bank deposits	*(i)*	–	–	(13,000)	–
Cash and cash equivalents		45,237	70,214	81,359	107,570

(i) Restricted bank deposits are pledged deposits for bank loans. The pledged deposits were released upon the settlement of relevant bank loans during the six months ended 30 June 2023 (note 20).

(b) Reconciliation of profit before taxation to cash generated from operations:

		As at 31 December			As at 30 June	
	Note	2020	2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit before taxation		71,294	105,228	86,970	19,124	45,107
Adjustments for:						
Interest income		–	–	–	–	(149)
Depreciation and amortisation	*6(c)*	28,991	22,933	29,673	15,405	16,472
Finance costs	*6(a)*	16,029	14,009	5,593	2,703	1,311
Net loss/(gain) on disposal of property, plant, equipment, right-of-use assets and intangible assets	*5*	611	(11,878)	(16,838)	(20)	39
Unrealised gain on other financial assets		(2,701)	2,120	877	(855)	(3)
Equity-settled share-based payments expenses	*6(b)*	129	2,795	(2,924)	1,396	–
Net foreign exchange loss		–	–	9	12	2
Changes in working capital:						
(Increase)/decrease in inventories	*15*	(1,309)	(42)	(4,654)	(2,929)	162
Decrease/(increase) in trade and other receivables		608	(2,185)	(1,060)	(2,481)	(526)
Increase/(decrease) in trade and other payables		3,465	(14,507)	2,195	4,404	7,023
Increase in contract liabilities		4,364	3,494	7,373	7,456	9,525
Cash generated from operations		121,481	121,967	107,214	44,215	78,963

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Bank loans and other borrowings	Non-trade related amount due to related parties	Financial instruments issued to investors	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 20)	*(note 28)*	*(note 22)*	*(note 21)*	
At 1 January 2020	14,990	78,810	147,851	90,209	331,860
Changes from financing cash flows:					
Proceeds from new bank loans	30,000	–	–	–	30,000
Repayments of bank loans	(13,128)	–	–	–	(13,128)
Proceeds from related parties	–	20,939	–	–	20,939
Payments to related parties	–	(99,481)	–	–	(99,481)
Capital element of lease rentals paid	–	–	–	(2,988)	(2,988)
Interest element of lease rentals paid	–	–	–	(2,902)	(2,902)
Interest paid	(2,777)	–	–	–	(2,777)
Total changes from financing cash flows	14,095	(78,542)	–	(5,890)	(70,337)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	30,056	30,056
Interest expenses *(note 6(a))*	2,777	–	11,789	2,902	17,468
Termination of lease arrangement	–	–	–	(76,019)	(76,019)
Total other changes	2,777	–	11,789	(43,061)	(28,495)
At 31 December 2020	31,862	268	159,640	41,258	233,028
At 1 January 2021	31,862	268	159,640	41,258	233,028
Changes from financing cash flows:					
Repayments of bank loans	(13,524)	–	–	–	(13,524)
Proceeds from related parties	–	–	–	–	–
Payments to related parties	–	(268)	–	–	(268)
Capital element of lease rentals paid	–	–	–	(3,584)	(3,584)
Interest element of lease rentals paid	–	–	–	(2,440)	(2,440)
Interest paid	(6,741)	–	–	–	(6,741)
Total changes from financing cash flows	(20,265)	(268)	–	(6,024)	(26,557)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	–	–	–	26,889	26,889
Interest expenses *(note 6(a))*	6,741	–	11,370	2,440	20,551
Termination of lease arrangement	–	–	–	(29,490)	(29,490)
Reclassification of financial liabilities recognised for preferential rights issued to investors to equity	–	–	(171,010)	–	(171,010)
Total other changes	6,741	–	(159,640)	(161)	(153,060)
At 31 December 2021	18,338	–	–	35,073	53,411

	Bank loans and other borrowings	Lease liabilities	Total
	RMB'000 *(note 20)*	*RMB'000* *(note 21)*	*RMB'000*
At 1 January 2022	18,338	35,073	53,411
Changes from financing cash flows:			
Repayments of bank loans	(6,664)	–	(6,664)
Capital element of lease rentals paid	–	(3,085)	(3,085)
Interest element of lease rentals paid	–	(1,702)	(1,702)
Interest paid	(3,891)	–	(3,891)
Total changes from financing cash flows	(10,555)	(4,787)	(15,342)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	2,646	2,646
Interest expenses *(note 6(a))*	3,891	1,702	5,593
Total other changes	3,891	4,348	8,239
At 31 December 2022	11,674	34,634	46,308
At 1 January 2023	11,674	34,634	46,308
Changes from financing cash flows:			
Repayments of bank loans	(11,674)	–	(11,674)
Capital element of lease rentals paid	–	(1,462)	(1,462)
Interest element of lease rentals paid	–	(807)	(807)
Interest paid	(504)	–	(504)
Total changes from financing cash flows	(12,178)	(2,269)	(14,447)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	2,168	2,168
Interest expenses *(note 6(a))*	504	807	1,311
Remeasurement of lease modification	–	(244)	(244)
Total other changes	504	2,731	3,235
At 30 June 2023	–	35,096	35,096
(Unaudited)			
At 1 January 2022	18,338	35,073	53,411
Changes from financing cash flows:			
Repayments of bank loans	(3,332)	–	(3,332)
Capital element of lease rentals paid	–	(2,161)	(2,161)
Interest element of lease rentals paid	–	(853)	(853)
Interest paid	(1,850)	–	(1,850)
Total changes from financing cash flows	(5,182)	(3,014)	(8,196)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	–	2,645	2,645
Interest expenses *(note 6(a))*	1,850	853	2,703
Total other changes	1,850	3,498	5,348
At 30 June 2022	15,006	35,557	50,563

(d) Total cash outflow for leases

Amounts included in the combined statements of cash flows for leases comprise the following:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Within operating cash flows	3,800	5,948	194	97	8
Within financing cash flows	5,890	6,024	4,787	3,014	2,269
	9,690	11,972	4,981	3,111	2,277

19 TRADE AND OTHER PAYABLES

		As at 31 December			As at 30 June
	Note	2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables		27,422	19,209	20,602	29,215
Payables for acquisition of PPE and intangible assets	*(i)*	92,475	141,642	70,854	55,474
Amounts due to related parties	*(ii)*	797	–	7	–
Accrued payroll and benefits		16,016	17,813	18,662	14,924
Others		10,131	2,394	2,381	4,536
		146,841	181,058	112,506	104,149
Less: Payables for acquisition of PPE - Non-current portion		(90,399)	(70,000)	(50,000)	(30,000)
		56,442	111,058	62,506	74,149

(i) As at 31 December 2021 and 2022 and 30 June 2023, payables for acquisition of PPE to one third-party construction supplier of RMB100,000,000, RMB50,000,000 and RMB40,000,000, respectively, were at an interest rate of 6% per annum.

(ii) Amounts due to related parties are unsecured, interest-free and payable on demand, the details of which are set out in note 28(d).

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	27,371	19,199	20,401	29,003
1 to 2 years	51	10	199	11
2 to 3 years	–	–	2	201
	27,422	19,209	20,602	29,215

20 BANK LOANS

(a) The analysis of the carrying amounts of bank loans is as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured and guaranteed bank loans				
– Current portion	13,524	6,664	6,664	–
– Non-current portion	18,338	11,674	5,010	–
	31,862	18,338	11,674	–

Secured and guaranteed bank loans

As at 31 December 2020, 2021 and 2022, the interest rates of the secured and guaranteed bank loans were ranged from 5.3% to 6.8%, 5.3%, 5.3% per annum, respectively.

As at 31 December 2020, the secured and guaranteed bank loans of RMB6,860,000 were secured by buildings owned by Kunming Hospital and guaranteed by Mr. Ren Jizhong, Ms. Zhang Xiaowen and Shenzhen IVF.

As at 31 December 2020 and 2021, the secured and guaranteed bank loans of RMB25,002,000 and RMB18,338,000, respectively, were secured by properties of Mr. Ren Jizhong, Ms. Zhang Xiaowen and Ms. Li Nan and guaranteed by Mr. Ren Jizhong, Ms. Zhang Xiaowen and Shenzhen IVF.

As at 31 December 2022, the secured and guaranteed bank loans of RMB11,674,000 were secured by properties of Mr. Ren Jizhong, Ms. Zhang Xiaowen and Ms. Li Nan, pledged deposits of Zhanjiang Hospital, and guaranteed by Mr. Ren Jizhong, Ms. Zhang Xiaowen and Shenzhen IVF.

(b) The analysis of the repayment schedule of bank loans is as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	13,524	6,664	6,664	–
After 1 year but within 2 years	6,664	6,664	5,010	–
After 2 years but within 5 years	11,674	5,010	–	–
	18,338	11,674	5,010	–
	31,862	18,338	11,674	–

21 LEASE LIABILITIES

As at the end of each reporting period, the lease liabilities were repayable as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	4,538	2,813	4,038	6,262
After 1 year but within 2 years	2,690	3,447	3,515	3,722
After 2 years but within 5 years	5,445	8,482	9,851	11,213
After 5 years	28,585	20,331	17,230	13,899
	36,720	32,260	30,596	28,834
	41,258	35,073	34,634	35,096

22 FINANCIAL INSTRUMENTS ISSUED TO INVESTORS

In December 2019, Shenzhen IVF and certain independent investors entered into a series of agreements, pursuant to which, these investors subscribed for Shenzhen IVF's paid-in capital of RMB5,172,000 with a total cash consideration of RMB147,368,000 (referred as "Pre-[**REDACTED**] Investments").

The investors of the Pre [**REDACTED**]-Investments are entitled to the same voting rights and dividend rights as other shareholders of Shenzhen IVF. Certain key preferential rights issued to the investors of the Pre-[**REDACTED**] Investments are summarised as follows:

Investors' redemption rights

The investors of the Pre-[**REDACTED**] Investments would have the right but not the obligation to request Shenzhen IVF and/or the controlling shareholder and/or actual controller of Shenzhen IVF to purchase all or part of the shares of Shenzhen IVF held by them, upon the occurrence of any of the specified redemption events, including but not limited to:

(i) a qualified [**REDACTED**] of Shenzhen IVF does not consummate before a specified date;

(ii) failure to meet the performance targets;

(iii) failure to provide the audited accounts to the shareholders;

(iv) change of control of Shenzhen IVF unless agreed with the shareholders in written.

The redemption price of each paid-in capital shall equal to the higher amount of (i) the consideration paid by the investors plus an annual rate of return of 8% calculated on a simple basis for the period from the payment date of the consideration up to the redemption date; or (ii) a pro-rata share of the Shenzhen IVF's net book assets at the redemption date.

Presentation and classification

As the occurrence of the specified redemption triggering events such as no qualified [**REDACTED**] of Shenzhen IVF consummated by the specified date and change of control, is beyond Shenzhen IVF's control, Shenzhen IVF recognised financial liabilities for its obligation to buy back the shares, i.e. the financial instruments issued to investors. The financial liabilities are measured at the present value of the redemption amount. The changes in the carrying amount of the financial liabilities were recorded in profit or loss as "finance costs".

The movements of the financial liabilities recognised for the financial instruments issued to investors during the Relevant Periods are set out below:

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	147,851	159,640	–	–
Changes in carrying amount of financial instruments issued to investors	11,789	11,370	–	–
Reclassification of financial liabilities recognised for preferential rights issued to investors to equity	–	(171,010)	–	–
At the end of the year/period	159,640	–	–	–

As at 31 December 2020, financial liabilities of RMB159,640,000 was recognised for the Group's obligation under the preferential rights granted to the Pre-[**REDACTED**] investors, to buy back its own shares upon occurrence of some specified events such as change of control.

On 18 December 2021, the Group's obligation under the investors' preferential rights were waived by the Pre-[**REDACTED**] investors, accordingly the Group reclassified all of the financial liabilities recognised for the Pre-[**REDACTED**] investors' preferential rights amounting to RMB171,010,000 into equity.

23 EQUITY-SETTLED SHARE-BASED PAYMENTS TRANSACTIONS

Restricted Share Unit Scheme

Pursuant to a written shareholders' resolution of Shenzhen IVF passed on 29 November 2019, a Restricted Share Unit ("RSU") Scheme ("the Scheme") was adopted for purpose of providing incentives to eligible employees of the Group. The RSUs were granted to eligible employees of the Group through two companies, which act as the share-based payments vehicles, at a discounted price. All the RSUs granted to the eligible participants shall be subject to vesting period up to 3 years after Shenzhen IVF [**REDACTED**] on the Growth Enterprise Market of Shenzhen Stock Exchange ("GEM") and would be vested under certain target performance.

The Group granted 1,962,952 RSUs to certain directors and employees of the Group at a discounted price ranging from RMB13.53 to RMB27.07 per unit on 16 December 2020 (the "Grant Date 2020"), the date on which employees accepted the terms and conditions of the RSUs offered by the Group.

The Group granted 21,345 RSUs to certain directors and employees of the Group at a discounted price at RMB27.07 per unit on 31 December 2021 (the "Grant Date 2021"), the date on which employees accepted the terms and conditions of the RSUs offered by the Group.

Fair value of RSUs

The fair value of services received in return for RSUs granted is measured by reference to the fair value of RSUs granted. The estimate of the fair value of RSUs granted is RMB28.49 per unit, which was determined with reference to the price per share in equity financing transaction with third parties of the Company close to the grant dates.

Forfeiture of the RSU Scheme

In December 2022, Shenzhen IVF determined to terminate their [**REDACTED**] plan on the GEM of the Shenzhen Stock Exchange and no RSUs would vest in the future as the non-market performance was not met. The number of 1,776,421 RSUs granted to employees were forfeited and the accumulated share-based expenses previously recognised were reversed.

(a) Movements in the number of RSUs are as follows:

	Number of RSUs Year ended 31 December			Number of RSUs Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
At 1 January	–	1,962,952	1,776,421	1,776,421	–
Granted during the year/period	1,962,952	21,345	–	–	–
Forfeited during the year/period	–	(207,876)	(1,776,421)	–	–
At 31 December/30 June	1,962,952	1,776,421	–	1,776,421	–

(b) Equity-settled share-based payments expenses recognized in the combined statements of profit or loss during the reporting periods:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Administrative expenses	97	2,094	(2,191)	1,047	–
Cost of revenue	31	689	(720)	343	–
Selling and distribution expenses	1	12	(13)	6	–
	129	2,795	(2,924)	1,396	–

24 INCOME TAX IN THE COMBINED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the combined statement of financial position represents:

	Year ended 31 December			Six months ended 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PRC Corporate Income Tax				
At 1 January	6,283	6,350	5,651	2,420
Charged to profit or loss	22,453	26,208	15,995	8,684
Payments during the year/period	(22,386)	(26,907)	(19,226)	(5,363)
At 31 December/30 June	6,350	5,651	2,420	5,741

(b) Deferred tax assets and liabilities recognised:

Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the combined statement of financial position and the movements during the year/period are as follows:

Deferred tax arising from	Impairment provisions	Unused tax losses	Lease liabilities	Right-of-use assets	Unrealised fair value gains/(loss)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	(36)	(7,366)	(20,152)	19,521	107	(7,926)
(Credited)/charged to profit or loss	(12)	1,706	18,851	(18,334)	673	2,884
At 31 December 2020 and 1 January 2021	(48)	(5,660)	(1,301)	1,187	780	(5,042)
(Credited)/charged to profit or loss	(56)	(14,112)	(6,520)	5,710	(564)	(15,542)
At 31 December 2021 and 1 January 2022	(104)	(19,772)	(7,821)	6,897	216	(20,584)
Charged/(credited) to profit or loss	67	7,093	(128)	(390)	(184)	6,458
At 31 December 2022 and 1 January 2023	(37)	(12,679)	(7,949)	6,507	32	(14,126)
(Credited)/charged to profit or loss	(6)	3,033	49	(537)	1	2,540
At 30 June 2023	(43)	(9,646)	(7,900)	5,970	33	(11,586)

(c) Deferred tax assets not recognised

For subsidiaries in Hong Kong and the USA, the tax losses do not expire under current tax legislation.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of each reporting period will expire in the following years:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2021	13,122	–	–	–
2022	10,527	–	–	–
2023	11,100	–	–	–
2024	24,596	–	–	–
2025	9,901	–	–	–
2026	–	30,946	30,946	30,946
	69,246	30,946	30,946	30,946

All the tax losses of the Group's PRC subsidiary can be carried forward for a maximum period of five years.

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Registered and paid-in capital

For the purpose of this accountants' report, the share capital as at 1 January 2020, 31 December 2020, 2021 and 2022 and 30 June 2023 represented the aggregate amount of the paid-in capital of the companies now comprising the Group after the elimination of investments in subsidiaries.

On 8 September 2023, the Company was incorporated in the Cayman Islands.

(ii) In February 2021, the share-based payments vehicles paid RMB38,729,000 to Shenzhen IVF. Accordingly, Shenzhen IVF recorded RMB3,104,000 in paid-in capital.

In June 2021, Shenzhen IVF received RMB5,172,000 and recorded RMB5,172,000 in paid-in capital.

(iii) Conversion into a joint stock company with limited liability

On 18 November 2021, Shenzhen IVF was converted into a joint stock company with limited liability and issued 58,000,000 shares with a par value of RMB1 each.

(iv) Capital reduction of shareholders

Pursuant to a written shareholders' resolution of Shenzhen IVF passed on 9 December 2022, the issued share capital of Shenzhen IVF was reduced from RMB58,000,000 to RMB56,260,000, resulting in a reduction in share capital of RMB1,740,000 and capital reserve of RMB36,989,000.

(b) Dividends

The directors of the Company did not propose the payment of any dividend during the Relevant Periods.

(c) Nature and purpose of reserves

(i) Capital reserve

The capital reserve comprises the following:

- the difference between the consideration received and the par value of the issued shares of the Company.
- the difference between the consideration received and the paid-in capital of Shenzhen IVF before the incorporation of the Company.
- the differences between the net assets of Shenzhen IVF as at the conversion date and the total amount of the par value of shares issued in relation to its conversion into a joint stock company.
- the portion of the grant date fair value of vested RSUs granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(p).
- the amount of financial liabilities arising from Pre-[**REDACTED**] investments as set out in note 22.
- the amount of RMB3,903,000 of interest paid to employees, on behalf of the share-based payments vehicles controlled by the controlling shareholder, for forfeiture of the RSU Scheme was treated as deemed distribution to controlling shareholder and recognised in capital reserve.
- the difference between the consideration paid to non-controlling interests and the carrying amount of the respective portion of the subsidiaries' net assets/liabilities.

On 27 October 2020, Shenzhen IVF entered into a sale and purchase agreement with Ms. Zhang Xiaowen in respect of the acquisition of 1.7% equity interest in Jieyang Hospital at a cash consideration of RMB250,000 (the "Jieyang Hospital Acquisition"). The Jieyang Hospital Acquisition was completed in November 2020. Before the Jieyang Hospital Acquisition, Jieyang Hospital was owned as to 98.3% by Shenzhen IVF and 1.7% by Ms. Zhang Xiaowen. Upon completion of the Jieyang Hospital Acquisition, the equity interest of Shenzhen IVF in Jieyang Hospital increased from 98.3% to 100%.

On 30 October 2020, Shenzhen IVF entered into a sale and purchase agreement with Ms. Zhang Xiaowen in respect of the acquisition of 10% equity interest in Shenzhen IVF Gynecological Hospital (深圳愛維艾夫婦科醫院, "Shenzhen Gynecological Hospital") at a cash consideration of RMB2,000,000 (the "Shenzhen Gynecological Hospital Acquisition"). The Shenzhen Gynecological Hospital Acquisition was completed in November 2020. Before the Shenzhen Gynecological Hospital Acquisition, Shenzhen Gynecological Hospital was owned as to 90% by Shenzhen IVF and 10% by Ms. Zhang Xiaowen. Upon completion of the Shenzhen Gynecological Hospital Acquisition, the equity interest of Shenzhen IVF in Shenzhen Gynecological Hospital increased from 90% to 100%. Shenzhen Gynecological Hospital was deregistered in 2022.

On 30 October 2020, Shenzhen Gynecological Hospital entered into a sale and purchase agreement with Mr. Ren Jizhong and Ms. Zhang Xiaowen in respect of the acquisition of total 1.47% partnership shares in Tianjin Aiwei at a total cash consideration of RMB147,000 (the "Tianjin Aiwei Acquisition"). The Tianjin Aiwei Acquisition was completed in December 2020. Before the Tianjin Aiwei Acquisition, Tianjin Aiwei was owned as to 98.53% by Shenzhen IVF, 1.2% by Ms. Zhang Xiaowen and 0.27% by Mr. Ren Jizhong. Upon completion of the Tianjin Aiwei Acquisition, the partnership shares of Shenzhen IVF in Tianjin Aiwei increased from 98.53% to 100% (including direct and indirect holding).

On 4 November 2020, Shenzhen IVF entered into a sale and purchase agreement with Ms. Zhang Xiaowen in respect of the acquisition of 5% equity interest in Kunming Hospital at a cash consideration of RMB2,500,000 (the "Kunming Hospital Acquisition"). The Kunming Hospital Acquisition was completed in November 2020. Before the Kunming Hospital Acquisition, Kunming Hospital was owned as to 95% by Shenzhen IVF and 5% by Ms. Zhang Xiaowen. Upon completion of the Kunming Hospital Acquisition, the equity interest of Shenzhen IVF in Kunming Hospital increased from 95% to 100%.

(ii) PRC statutory reserve

According to the PRC Company Law, the PRC subsidiaries of the Group is required to transfer 10% of their profit after taxation (after offsetting the losses in the previous years), as determined under the PRC Accounting Regulations, to the statutory reserves until the reserve balance reaches 50% of the registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserves fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings, provided that the balance after such issue is not less than 25% of the registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in notes 2(t).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, and interest rate arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions of which the Group considers to have low credit risk. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The management has assessed that during the Relevant Periods, other receivables have not a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The management of the Company expect the occurrence of losses from nonperformance by the counterparties of other receivables was remote and loss allowance provision for other receivables was immaterial.

The directors of the Group consider the Group's exposure to credit risk arising from trade receivables was not significant as the balances of trade receivables as at 31 December 2020, 2021 and 2022 and 30 June 2023 remained immaterial and no significant actual losses were experienced historically by the Group.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	15,739	7,636	12,569	–	35,944	31,862
Lease liabilities	6,657	4,596	10,533	38,090	59,876	41,258
Trade and other payables	56,442	25,823	69,000	10,600	161,865	146,841
Financial instruments issued to investors	171,430	–	–	–	171,430	159,640
	250,268	38,055	92,102	48,690	429,115	379,601

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	7,636	7,283	5,129	–	20,048	18,338
Lease liabilities . . .	4,433	4,958	12,128	22,508	44,027	35,073
Trade and other payables	111,058	24,200	55,400	–	190,658	181,058
	123,127	36,441	72,657	22,508	254,733	234,469

	As at 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	7,283	5,276	–	–	12,559	11,674
Lease liabilities . . .	5,655	4,944	13,157	18,486	42,242	34,634
Trade and other payables	62,506	23,000	32,400	–	117,906	112,506
	75,444	33,220	45,557	18,486	172,707	158,814

	As at 30 June 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 30 June
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities . . .	7,856	5,055	14,039	15,006	41,956	35,096
Trade and other payables	74,149	21,800	10,600	–	106,549	104,149
	82,005	26,855	24,639	15,006	148,505	139,245

(c) Interest rate risk

The Group's interest-bearing financial instruments at variable rates as at 31 December 2020, 2021 and 2022 and 30 June 2023 are the cash at bank, and the cash flow interest risk arising from the change of market interest rate on these balances of relatively short-maturity is not considered significant. The Group's majority interest-bearing financial instruments at fixed interest rates as at 31 December 2020, 2021 and 2022 and 30 June 2023 are fixed deposits, bank loans and lease liabilities that are measured at amortised cost, and the change of market interest rate does not expose the Group to significant interest risk.

Overall speaking, the Group's exposure to interest rate risk is not significant.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The following table presents the Group's financial assets that are measured at fair value at the end of each reporting period:

	Fair value hierarchy	Fair value at 31 December			Fair value at 30 June
		2020	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements					
Financial assets at FVTPL					
– Investment in wealth management products issued by banks	Level 2	99,027	145,507	49,130	52,633

During the Relevant Periods, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

For Level 2 financial assets at FVPL, fair values are generally obtained through the use of valuation methodologies with observable market inputs or by reference to periodic reports from banks.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2020, 2021, 2022 and 30 June 2023.

27 COMMITMENTS

Commitments outstanding at 31 December 2020, 2021 and 2022 and 30 June 2023 not provided for in the Historical Financial Information were as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	142,999	9,666	8,874	4,612

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short-term employee benefits	553	3,312	4,994	2,266	1,897
Contributions to defined contribution retirement plan	2	51	66	33	32
Equity-settled share-based payments expenses	24	1,050	(1,094)	521	–
	579	4,413	3,966	2,820	1,929

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Identify of related parties

Name of party	Relationship with the Group
Mr. Ren Jizhong (任吉忠)	One of the Group's controlling shareholders
Ms. Zhang Xiaowen (張曉文)	One of the Group's controlling shareholders
Ms. Zhang Lianyue (張連悦)	The director of the Group
Mr. Fan Shaojing (范紹景)	The key management personnel of the Group
Mr. Hu Jizhi (胡繼志)	The key management personnel of the Group
Ms. Huang Yaqin (黃亞琴)	The key management personnel of the Group

(c) Significant related party transactions

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Purchases of PPE from Mr. Ren Jizhong	449	–	–	–	–
Short-term lease expense to:					
Directors and key management personnel	1,544	155	–	–	–
Additions of right-of-use assets leased from Mr. Ren Jizhong	30,056	3,432	–	–	–
Advances from:					
Mr. Ren Jizhong	20,939	–	–	–	–
Repayments to:					
Mr. Ren Jizhong	99,481	268	–	–	–
Lease payment to Mr. Ren Jizhong	2,153	2,578	1,222	611	611

(d) Balance with related parties

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade related:				
Amounts due from:				
Key management personnel	22	100	–	181
Trade related:				
Amounts due to:				
Mr. Ren Jizhong	529	–	5	–
Others	–	–	2	–
	529	–	7	–
Non-trade related:				
Amounts due to:				
Mr. Ren Jizhong	171	–	–	–
Others	97	–	–	–
	268	–	–	–
	797	–	7	–
Lease liabilities due to Mr. Ren Jizhong	30,346	2,791	1,673	1,095

The outstanding balances of lease liabilities arising from the leasing arrangement with Mr. Ren Jizhong are included in "Lease liabilities" (note 21).

(e) Guarantee provided by related parties

As disclosed in note 20, the secured and guaranteed bank loans of RMB31,862,000, RMB18,338,000 and RMB11,674,000 as at 31 December 2020, 2021 and 2022, respectively, were guaranteed by related parties.

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At of the date of this report, the directors consider the immediate parent of the Group to be Jiuhe Company Limited which is incorporated in the BVI and ultimate controlling party of the Group to be Mr. Ren Jizhong and Ms. Zhang Xiaowen.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS

Up to the date of issue of this report, the IASB has issued a number of new or amended standards, which are not yet effective for the year beginning on 1 January 2023 and which have not been adopted in the Historical Financial Information. These developments include the following.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Classification of liabilities as current or non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 7 and IFRS 7, *Suppliers Finance Arrangements*	1 January 2024
Amendments to IAS 21, *Lack of Exchangeability*	1 January 2025
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

31 SUBSEQUENT EVENTS

On 15 September 2023, 11,266 shares were allotted and issued to the administrator of the Restricted Share Award Scheme ("RSU Scheme"), namely Suda Company Limited (速達有限公司, "Suda BVI") at par, for and on behalf of the Company.

On 20 October 2023, the Company approved the RSU Scheme. Summaries of the principal terms of the RSU Scheme are set out in the section headed "Statutory and General Information — D. RSU Scheme" in Appendix VI to the Document.

On 6 November 2023, restricted share unit awards representing 11,266 shares of the Company were granted to selected eligible employees of the Group under the RSU Scheme and which are subject to certain vesting conditions as stipulated in the respective grant letters.

Subsequent Financial Statements

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2023.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set forth in Appendix I to this document.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

The following is the full text of a letter and valuation report prepared for the purpose of incorporation in this Document received from Cushman & Wakefield Limited, an independent property valuer, in connection with the valuation of the Property held by the Group as at 30 September 2023. Unless otherwise defined, terms used in this Appendix shall have the same meanings as those set out in this Document.

CUSHMAN & WAKEFIELD
戴德梁行

27/F
One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

[●] 2023

The Directors
IVF Hospital Management Group Limited
Unit A502 Tian'an Innovation Science and Technology Plaza
Futian District
Shenzhen
Guangdong Province
The People's Republic of China

Dear Sirs,

Instructions, Purpose and Date of Valuation

In accordance with your instructions for us to value the property held by IVF Hospital Management Group Limited (referred to as the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC") (the "Property") (as more particularly described in the valuation report), we confirm that we have inspected the Property, made relevant enquiries and obtained such further information as we consider necessary to provide you with our opinion of the value of the Property as at 30 September 2023 (the "Valuation Date").

Definition of Market Value

Our valuation of the Property represents its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors (the "HKIS") is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumptions

We confirm that our valuation complies with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by the Stock Exchange of Hong Kong Limited, and the HKIS Valuation Standards 2020 issued by the HKIS.

Our valuation excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available to a specific owner of purchaser.

In the course of our valuation of the Property in the PRC, we have assumed that, unless otherwise stated, the transferable land use rights of the Property for its respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid. We have relied on the information and advice given by the Group and its PRC legal adviser, Jingtian & Gongcheng, regarding the title to the Property and the interests of the Group in the Property. In valuing the Property, we have assumed that the Group has an enforceable title to the Property and has free and uninterrupted rights to use, occupy or assign the Property for the whole of the respective unexpired land use term as granted.

In respect of the Property situated in the PRC, the status of titles and grant of major certificates approvals and licences, in accordance with the information provided by the Group are set out in the notes of the respective valuation report.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

Method of Valuation

We have used depreciated replacement cost ("DRC") method to assess the market value of the Property due to the special nature of the Property since there is no readily identifiable sale comparable.

The DRC method requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. The DRC method generally furnishes a reliable indication of value of property in the absence of a known market of comparable sales. In arriving at our opinion of the market value of the land, we have valued the Property by market comparison method by making reference to the comparable land sale evidence in the relevant locality. The DRC is subject to adequate potential profitability of the business.

Source of Information

We have been provided by the Group with extracts of documents in relation to the titles to the Property. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuations, we have relied to a very considerable extent on the information given to us by the Group in respect of the Property in the PRC and have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, number of car parking spaces, particulars of occupancy, site and floor areas, total construction cost and incurred construction cost as at the Valuation Date, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

Title Investigation

We have been provided with extracts of documents relating to the titles of the Property in the PRC, but no searches have been made in respect of the Property. We have not searched the original documents to verify ownership or to ascertain any amendment which may not appear on the copies handed to us. We are also unable to ascertain the title of the Property in the PRC and we have therefore relied on the advice given by the Group and its PRC legal adviser regarding the Group's interests in the Property.

Site Inspection

Our valuer, Mr. Ryan Pan, senior analyst with qualification of bachelor's degree and 3 years of property valuation experience, inspected the exterior and, wherever possible, the interior of the Property on 24 October 2023. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the Property is free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the Property and we have assumed that the area shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all monetary amounts indicated herein our valuations are in Renminbi ("RMB"), the official currency of the PRC.

We enclose our valuation report.

Yours faithfully,
for and on behalf of
Cushman & Wakefield Limited
Grace S.M. Lam
MHKIS, MRICS, RPS (GP)
Senior Director
Valuation & Advisory Services

Note: Ms. Grace S.M. Lam is a Member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current knowledge of the market, and the skills and understanding to undertake the valuation competently.

VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 September 2023
Zhanjiang Jiuhe Hospital, No. 1816 Haisheng Road, Potou District, Zhanjiang, Guangdong Province, the PRC. 中國 廣東省 湛江市 坡頭區 海盛路1816號 湛江久和醫院	Completed in 2021, the Property is a hospital developed on a parcel of land with a site area of approximately 24,137.51 sq m. The gross floor area details of the Property are as follows:-	As at the Valuation Date, the property was completed and operated as a private hospital.	RMB[**REDACTED**] (RENMINBI THREE HUNDRED FORTY NINE MILLION SIX HUNDRED THOUSAND) (100% interest attributable to the Group: RMB349,600,000)

Portion	No. of storey	Gross Floor Area *(sq.m.)*
Three hospital buildings	4, 7, 11	47,657.23
Plant Room	1	139.20
Sewage treatment plant	1	105.19
Rubbish disposal station	1	50.80
Basement	1	16,609.18
Total:		**64,561.60**

The Property is held with land use rights for a term due to expire on 19 August 2066 for hospital use.

Notes:-

(1) According to five Real Estate Title Certificates issued by 湛江市自然資源局 (Zhanjiang Municipal Bureau of Natural Resources) on 3 August 2022, the real estate title of the Property with a site area of 24,137.51 sq m and a total gross floor area of 64,561.60 sq m has been vested in 湛江久和醫院有限公司 (Zhanjiang Jiuhe Hospital Co., Ltd.) for terms due to expire on 19 August 2066 for hospital use with details as follows:-

Certificate No.	Building in Zhanjiang Jiuhe Hospital, No. 1816 Haisheng Road, Potou District, Zhanjiang	Gross Floor Area
		(sq.m.)
(2022) 0075057	Outpatient building, inpatient ward building and postpartum care building	47,657.23
(2022) 0075053	Plant Room	139.20
(2022) 0075056	Sewage treatment plant	105.19
(2022) 0075055	Rubbish disposal station	50.80
(2022) 0075058	Basement	16,609.18
	Total:	**64,561.60**

(2) According to Business Licence dated 5 May 2023, 湛江久和醫院有限公司 (Zhanjiang Jiuhe Hospital Co., Ltd) was established on 26 January 2010 as a limited company with a registered capital of RMB5,000,000.

(3) We have been provided with a legal opinion to the Property prepared by the Group's PRC legal adviser, Jingtian & Gongcheng, which contains, among other things, the following information:-

(a) The Real Estate Title Certificates of the Property are legal, valid and enforceable under the PRC laws;

(b) The real estate title of the Property has been vested in 湛江久和醫院有限公司 (Zhanjiang Jiuhe Hospital Co., Ltd);

(c) 湛江久和醫院有限公司 (Zhanjiang Jiuhe Hospital Co., Ltd.) is the sole legal land user of the Property and has obtained the relevant certificates and approval from the government in respect of the construction of the Property; and

(d) 湛江久和醫院有限公司 (Zhanjiang Jiuhe Hospital Co., Ltd.) has the rights to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the Property.

(4) The status of the title and grant of major approvals and licences in accordance with the information provided to us are as follows:-

Real Estate Title Certificate . . . . Yes
Business Licence . . . . Yes

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 September 2023 under the Companies Act (As Revised) of the Cayman Islands (the "Companies Act"). The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and its Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] with effect from the [**REDACTED**]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (including at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are [**REDACTED**] on the Stock Exchange, titles to such [**REDACTED**] shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such [**REDACTED**] shares. The register of members in respect of its [**REDACTED**] shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such [**REDACTED**] shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

A Director (including a managing or other executive Director) may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:–

(aaa) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(bbb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:–

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, the right to speak and to vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

All members have the right to speak and vote at a general meeting except where a member is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where the Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company for each financial year and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business or resolution specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days. All other general meetings must be called by notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or proxy, and entitled to vote. In respect of a separate class meeting (including an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed and approved by the Company by an ordinary resolution passed at a general meeting or in such manner as the members may by ordinary resolution determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 21 September 2023.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act of the Cayman Islands ("ES Act") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents on display" in Appendix [VII] to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on September 8, 2023. We have established a principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 23, 2023 under the same address. Ms. Suen Ka Yan has been appointed as our authorized representative for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Act and to our constitution comprising our Memorandum and the Articles of Association. A summary of certain provisions of the Memorandum and the Articles of Association and relevant aspects of the Cayman Islands company law are set out in Appendix V to this document.

2. Changes in Our Share Capital

On September 8, 2023, our Company was incorporated with an authorized share capital of HK$390,000 divided into 3,900,000,000 Shares of HK$0.0001 each. Upon its incorporation, one fully-paid Share was allotted and issued to the initial subscriber who is an Independent Third Party on September 8, 2023, which was then transferred to Jiuhe BVI on the same date.

The following table sets out the details of all the issuance of our Shares taken place within two years immediately preceding the date of this document:

Date of Shares issuance	Name of Shareholders	Number of Shares
September 8, 2023	Charlotte Cloete	1
September 15, 2023	Jiuhe BVI	666,902
September 15, 2023	LBRS Holdings	240,000
September 15, 2023	Suda BVI	11,226
November 3, 2023	Shenzhen Capital	19,152
November 3, 2023	Nanshan Hongtu	46,023
November 3, 2023	Futian Hongtu	16,696

Immediately following completion of the [**REDACTED**] (without taking into account any Share which may be issued upon the exercise of the [**REDACTED**] and any option which may be granted under the Post-[**REDACTED**] Share Scheme), our issued share capital will be [**REDACTED**] divided into [**REDACTED**] Shares, all fully paid or credited as fully paid, and [**REDACTED**] Shares will remain unissued.

Save as disclosed above and as mentioned in the paragraph headed "— 4. Written Resolutions of Our Shareholders passed on [●], 2024" below, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

Save as disclosed in the section headed "History, Reorganization and Corporate Structure" in this document, there has been no alteration in the share capital or the registered capital of our subsidiaries within the two years preceding the date of this document.

4. Written Resolutions of Our Shareholders passed on [●], 2024

Pursuant to the written resolutions dated [●], 2024 passed by our Shareholders, among other matters:

(a) the Articles was approved and conditionally adopted with effect upon [**REDACTED**];

(b) conditional on (aa) the Stock Exchange granting the approval for the [**REDACTED**] of, and permission to [**REDACTED**], the Shares in issue and Shares to be allotted and issued pursuant to the [**REDACTED**] and the [**REDACTED**] and as mentioned in this document including the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] and any options which may be granted under the Post-[**REDACTED**] Share Scheme; (bb) the [**REDACTED**] having been duly determined; and (cc) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this document), in each case on or before the dates and times specified in the [**REDACTED**]:

(i) the [**REDACTED**] was approved and our Directors were authorized to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**];

(ii) the [**REDACTED**] was approved and our Directors were authorized to allot and issue Shares upon the exercise of the [**REDACTED**];

(iii) conditional on the share premium account of our Company being credited as a result of the [**REDACTED**], our Directors were authorized to capitalize HK$[**REDACTED**] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [**REDACTED**] Shares for issue and allotment to holders of Shares whose names appear on the register of members of our Company on the date of passing this resolution in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company;

(iv) the rules of the Post-[**REDACTED**] Share Scheme, the principal terms of which are set out in "— E. Post-[**REDACTED**] Share Scheme" below in this appendix, were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Post-[**REDACTED**] Share Scheme;

(v) a general unconditional mandate was given to our Directors to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which would or might require Shares to be allotted, issued or dealt with, with an aggregate number of Shares (otherwise than pursuant to, or in consequence of, the [**REDACTED**], a rights issue and any other share incentive scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders or an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association), not exceeding the sum of 20% of the issued share capital immediately following the completion of the [**REDACTED**] but excluding any Shares, which may be issued pursuant to the exercise of the [**REDACTED**] and any options which may be granted under the Post-[**REDACTED**] Share Scheme, until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority to our Directors, whichever occurs first;

(vi) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to purchase Shares with an aggregate number of Shares of not exceeding 10% of the issued share capital of our Company immediately following the completion of the [**REDACTED**] but excluding any Shares, which may be issued pursuant to the exercise of the [**REDACTED**] and any options which may be granted under the Post-[**REDACTED**] Share Scheme until the conclusion of our next annual general meeting, or the passing of an ordinary resolution by the Shareholders renewing, revoking or varying the authority given to our Directors, whichever occurs first; and

(vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares bought back by our Company pursuant to the mandate to buy back Shares referred to in paragraph (vi) above.

5. Repurchases of Our Own Securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary [**REDACTED**] on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary [**REDACTED**] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on [●], the Repurchase Mandate was given to the Directors authorizing any repurchase by us of Shares on the Stock Exchange or on any other stock exchange on which the securities may be [**REDACTED**] and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of the Shares in issue immediately following the completion of the [**REDACTED**], such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles of Association and the laws of the Cayman Islands. A [**REDACTED**] company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Trading restrictions

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the [**REDACTED**]. We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Stock Exchange. We are also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of [**REDACTED**] Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding [**REDACTED**] days on which its shares were [**REDACTED**] on the Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed.

(v) Suspension of repurchase

Pursuant to the Listing Rules, we may not make any repurchases of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning [**REDACTED**] session or any pre-opening session on the Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to our Company on the Stock Exchange.

(b) Reasons for Repurchases

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles and Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Companies Act, a repurchase of Shares may also be paid out of capital.

On the basis of the current financial position as disclosed in this document and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this document. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of [●] Shares in issue immediately following the completion of the [**REDACTED**], could accordingly result in [**REDACTED**] Shares being repurchased by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles and Association to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands. We have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

(1) an equity transfer agreement (股權轉讓協議) dated August 11, 2023 entered into between Mr. Ren Jizhong (任吉忠) and Ms. Zhang Xiaowen (張曉文), pursuant to which Mr. Ren Jizhong (任吉忠) agreed to transfer his 28.87% equity interest in Shenzhen IVF Hospital Management Group Limited (深圳愛維艾夫醫院管理集團有限公司) to Ms. Zhang Xiaowen (張曉文) at a consideration of RMB28,965,517.15;

(2) a capital reduction agreement (減資協議) dated August 17, 2023 entered into among Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), Shenzhen Nanshan Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市南山紅土股權投資基金合夥企業(有限合夥)), Shenzhen Futian Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市福田紅土股權投資基金合夥企業(有限合夥)) and Shenzhen IVF Hospital Management Group Limited (深圳愛維艾夫醫院管理集團有限公司) in respect of the capital reduction in Shenzhen IVF Hospital Management Group Limited (深圳愛維艾夫醫院管理集團有限公司) of RMB2,900,000 by Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), Shenzhen Nanshan Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市南山紅土股權投資基金合夥企業(有限合夥)), Shenzhen Futian Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市福田紅土股權投資基金合夥企業(有限合夥));

(3) an offshore share subscription agreement (境外股份認購協議) dated September 17, 2023 entered into among Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), Shenzhen Nanshan Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市南山紅土股權投資基金合夥企業(有限合夥)), Shenzhen Futian Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市福田紅土股權投資基金合夥企業(有限合夥)) and IVF Hospital Management Group Limited, pursuant to which IVF Hospital Management Group Limited has allotted and Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), Shenzhen Nanshan Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市南山紅土股權投資基金合夥企業(有限合夥)) and Shenzhen Futian Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市福田紅土股權投資基金合夥企業(有限合夥)) have subscribed for a total of 81,871 Shares representing approximately 8.19% of the total issued Shares after the share allotment and issuance, at a total consideration of RMB147,368,421;

(4) a capital increase agreement (增資協議) dated October 31, 2023 entered into among Aisheng Enterprise Headquarters Management (Shenzhen) Co., Ltd. (愛生企業總部管理(深圳)有限公司), Shenzhen Aiwei Zhengyuan Investment Co., Ltd. (深圳艾維正元投資有限公司), Ms. Zhang Xiaowen (張曉文), Shenzhen Aiwei Zhongyuan Investment Partnership (Limited Partnership) (深圳愛維中元投資合夥企業(有限合夥)), Shenzhen Aiwei Sancai Investment Partnership (Limited Partnership) (深圳艾維三才投資合夥企業(有限合夥)), Shenzhen Aiwei Feiqing Investment Partnership (Limited Partnership) (深圳愛維飛慶投資合夥企業(有限合夥)), Shenzhen Aiwei Zhenglu Investment Partnership (Limited Partnership) (深圳艾維正祿投資合夥企業(有限合夥)) in respect of the capital injection in Shenzhen IVF Hospital Management Group Limited (深圳愛維艾夫醫院管理集團有限公司) of RMB124,506,667 at a consideration of RMB147,368,421 from Aisheng Enterprise Headquarters Management (Shenzhen) Co., Ltd. (愛生企業總部管理(深圳)有限公司);

(5) an offshore shareholders' agreement (境外股東協議) dated November 3, 2023 entered into among Mr. Ren Jizhong (任吉忠), Jiuhe Company Limited, LBRS Family Investment Holdings Company Limited, Suda Company Limited, Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), Shenzhen Nanshan Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市南山紅土股權投資基金合夥企業(有限合夥)), Shenzhen Futian Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市福田紅土股權投資基金合夥企業(有限合夥)) and IVF Hospital Management Group Limited, pursuant to which Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), Shenzhen Nanshan Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市南山紅土股權投資基金合夥企業(有限合夥)) and Shenzhen Futian Hongtu Equity Investment Fund Partnership (Limited Partnership) (深圳市福田紅土股權投資基金合夥企業(有限合夥)) were granted to certain special rights at the level of IVF Hospital Management Group Limited, including, among others, (i) the right to elect Director; (ii) the right to receive financial statements and other information about IVF Hospital Management Group Limited; (iii) pre-emptive right; (iv) right of first refusal and co-sale in certain circumstances; (v) tag-along right; (vi) veto right; (vii) liquidation compensation; (viii) redemption right; (ix) anti-dilution right; and (x) most favorable right, and the abovementioned special rights were automatically terminated upon the first submission of the [**REDACTED**] form by IVF Hospital Management Group Limited to the Stock Exchange for the purpose of the [**REDACTED**];

(6) an exclusive operation services agreement (獨家運營服務協議) dated November 16, 2023 entered into among Aisheng Enterprise Headquarters Management (Shenzhen) Co., Ltd. (愛生企業總部管理(深圳)有限公司), Shenzhen IVF Hospital Management Group Limited (深圳愛維艾夫醫院管理集團有限公司), Shenzhen Aiwei Zhengyuan Investment Co., Ltd. (深圳艾維正元投資有限公司), Shenzhen Aiwei Zhongyuan Investment Partnership (Limited Partnership) (深圳愛維中元投資合夥企業(有限合夥)), Shenzhen Aiwei Sancai Investment Partnership (Limited Partnership) (深圳艾

維三才投資合夥企業(有限合夥)), Shenzhen Aiwei Feiqing Investment Partnership (Limited Partnership) (深圳愛維飛慶投資合夥企業(有限合夥)), Shenzhen Aiwei Zhongjiu Investment Co., Ltd. (深圳艾維中久投資有限公司), Shenzhen Aiwei Zhenglu Investment Partnership (Limited Partnership) (深圳艾維正祿投資合夥企業(有限合夥)) and Ms. Zhang Xiaowen (張曉文), as further described in the section headed "Contractual Arrangements";

(7) an exclusive option agreement (獨家購買權協議) dated November 16, 2023 entered into among Aisheng Enterprise Headquarters Management (Shenzhen) Co., Ltd. (愛生企業總部管理(深圳)有限公司), Shenzhen IVF Hospital Management Group Limited (深圳愛維艾夫醫院管理集團有限公司), Shenzhen Aiwei Zhengyuan Investment Co., Ltd. (深圳艾維正元投資有限公司), Shenzhen Aiwei Zhongyuan Investment Partnership (Limited Partnership) (深圳愛維中元投資合夥企業(有限合夥)), Shenzhen Aiwei Sancai Investment Partnership (Limited Partnership) (深圳艾維三才投資合夥企業(有限合夥)), Shenzhen Aiwei Feiqing Investment Partnership (Limited Partnership) (深圳愛維飛慶投資合夥企業(有限合夥)), Shenzhen Aiwei Zhongjiu Investment Co., Ltd. (深圳艾維中久投資有限公司), Shenzhen Aiwei Zhenglu Investment Partnership (Limited Partnership) (深圳艾維正祿投資合夥企業(有限合夥)) and Ms. Zhang Xiaowen (張曉文), as further described in the section headed "Contractual Arrangements";

(8) a shareholder's right entrustment agreement (股東權利委託協議) and the powers of attorneys dated November 16, 2023 entered into among Aisheng Enterprise Headquarters Management (Shenzhen) Co., Ltd. (愛生企業總部管理(深圳)有限公司), Shenzhen IVF Hospital Management Group Limited (深圳愛維艾夫醫院管理集團有限公司), Shenzhen Aiwei Zhengyuan Investment Co., Ltd. (深圳艾維正元投資有限公司), Shenzhen Aiwei Zhongyuan Investment Partnership (Limited Partnership) (深圳愛維中元投資合夥企業(有限合夥)), Shenzhen Aiwei Sancai Investment Partnership (Limited Partnership) (深圳艾維三才投資合夥企業(有限合夥)), Shenzhen Aiwei Feiqing Investment Partnership (Limited Partnership) (深圳愛維飛慶投資合夥企業(有限合夥)), Shenzhen Aiwei Zhongjiu Investment Co., Ltd. (深圳艾維中久投資有限公司), Shenzhen Aiwei Zhenglu Investment Partnership (Limited Partnership) (深圳艾維正祿投資合夥企業(有限合夥)) and Ms. Zhang Xiaowen (張曉文), as further described in the section headed "Contractual Arrangements";

(9) an equity pledge agreement (股權質押協議) dated November 16, 2023 entered into among Aisheng Enterprise Headquarters Management (Shenzhen) Co., Ltd. (愛生企業總部管理(深圳)有限公司), Shenzhen IVF Hospital Management Group Limited (深圳愛維艾夫醫院管理集團有限公司), Shenzhen Aiwei Zhengyuan Investment Co., Ltd. (深圳艾維正元投資有限公司), Shenzhen Aiwei Zhongyuan Investment Partnership (Limited Partnership) (深圳愛維中元投資合夥企業(有限合夥)), Shenzhen Aiwei Sancai Investment Partnership (Limited Partnership) (深圳艾維三才投資合夥企業(有限合夥)), Shenzhen Aiwei Feiqing Investment Partnership (Limited Partnership) (深圳愛維飛慶投資合夥企業(有限合夥)), Shenzhen Aiwei

Zhongjiu Investment Co., Ltd. (深圳艾維中久投資有限公司), Shenzhen Aiwei Zhenglu Investment Partnership (Limited Partnership) (深圳艾維正祿投資合夥企業(有限合夥)) and Ms. Zhang Xiaowen (張曉文), as further described in the section headed "Contractual Arrangements";

(10) [the Deed of Indemnity]; and

(11) the [**REDACTED**].

2. Intellectual Property Rights of Our Group

(a) Trademarks

As of the Latest Practicable Date, we were the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

No.	Trademark	Class	Registered owner	Place of Registration	Registration number	Registration date	Expiry date
1. . .	爱维艾夫	41	Shenzhen IVF	PRC	60113444	April 14, 2022	April 13, 2032
2. . .		42	Shenzhen IVF	PRC	60084492	April 14, 2022	April 13, 2032
3. . .	爱维艾夫	44	Shenzhen IVF	PRC	60088440	April 14, 2022	April 13, 2032
4. . .		41	Shenzhen IVF	PRC	60110451	April 14, 2022	April 13, 2032
5. . .		5	Shenzhen IVF	PRC	60095800	April 14, 2022	April 13, 2032
6. . .		35	Shenzhen IVF	PRC	60113795	April 14, 2022	April 13, 2032

No.	Trademark	Class	Registered owner	Place of Registration	Registration number	Registration date	Expiry date
7. . .	爱维艾夫	42	Shenzhen IVF	PRC	60094019	April 14, 2022	April 13, 2032
8. . .		10	Shenzhen IVF	PRC	60104995	April 14, 2022	April 13, 2032
9. . .	IVF	44	Shenzhen IVF	PRC	20269723	October 14, 2017	October 13, 2027
10. .	爱维艾夫	44	Shenzhen IVF	PRC	10994679	September 28, 2023	September 27, 2033
11. .	爱维艾夫	44	Shenzhen IVF	PRC	9838215	November 21, 2022	November 20, 2032
12. .	爱维艾夫	35	Shenzhen IVF	PRC	64573952	September 14, 2023	September 13, 2033

As of the Latest Practicable Date, we have applied for the registration of the following trademark which, in the opinion of our Directors, may be material to our business:

No.	Trademark	Class	Applicant	Place of application	Application number	Application date
1. . .	IVFHG	44	Our Company	Hong Kong	306368031	September 10, 2023

(b) Patent

As at the Latest Practicable Date, we have registered the following patent which, in the opinion of our Directors, is material to our business:

No.	Title of patent	Type	Registered owner	Patent number	Application date	Expiry date
1. . .	Sculpture (happy life) (雕塑(幸福一生))	Design patent	Shenzhen IVF	ZL 2023 3 0256292.5	May 5, 2023	May 4, 2038

(c) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which, in the opinion of our Directors, are material to our business:

No.	Domain name	Registered owner	Registration date	Expiry date
1. . . .	ivfchina.net	Shenzhen IVF	March 3, 2006	March 3, 2024
2. . . .	tjivf.cn	Tianjin Hospital	June 21, 2012	June 21, 2024
3. . . .	jyivf.com	Jieyang Hospital	August 8, 2011	August 8, 2024
4. . . .	kmivf.com	Kunming Hospital	March 16, 2012	March 16, 2024
5. . . .	jiuheyiyuan.net	Zhanjiang Hospital	February 24, 2010	February 24, 2024

(d) Copyrights

As at the Latest Practicable Date, we have registered the following copyrights which, in the opinion of our Directors, are material to our business:

No.	Copyright	Type	Copyright owner	Registration number	Registration date
1. . . .	IVF Patients Palm Hospital System V1.0 (愛維艾夫患者掌上醫院系統V1.0)	Software copyright	Shenzhen IVF	2022SR1474219	November 4, 2022
2. . . .	IVF (愛維艾夫)	Copyright of works	Shenzhen IVF	2022-F-10009246	January 14, 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and Short Positions of the Directors and the Chief Executive of our Company in the Shares, Underlying Shares and Debentures of our Company and its Associated Corporations

Immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] and any options which may be granted under the Post-[**REDACTED**] Share Scheme has not been exercised), the interests or short positions of each Director or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required to be notified to us and the Stock Exchange, under the Model Code for Securities Transactions by Directors of [**REDACTED**] Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**"), are as follows:

(i) Interests in our Company

Name of Director	Nature of interest	Number of Shares (L)(1)	Approximate percentage of shareholding interest immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)(1)
Mr. Ren(2)(3)(4)	Interest in controlled corporations	[**REDACTED**]	[**REDACTED**]%
Ms. Zhang(2).	Interest of spouse	[**REDACTED**]	[**REDACTED**]%
Ms. Huang Yaqin(5) . . .	Beneficial owner	[**REDACTED**]	<[**REDACTED**]%
Ms. Zhang Lianyue(6) . .	Beneficial owner	[**REDACTED**]	<[**REDACTED**]%

Note:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Ms. Zhang is the spouse of Mr. Ren. By virtue of the SFO, Ms. Zhang is deemed to be interested in the Shares held by Mr. Ren.

(3) Jiuhe BVI and LBRS Holdings are both wholly owned by Mr. Ren. By virtue of the SFO, Mr. Ren is deemed to be interested in 133,380,600 Shares directly held by Jiuhe BVI and 48,000,000 Shares directly held by LBRS Holdings.

(4) Suda BVI is legally owned by Mr. Ren who is the administrator of the RSU Scheme for holding the underlying Shares under the RSU Scheme. As such, Mr. Ren is deemed to be interested in the 2,245,200 Shares held by Suda BVI.

(5) Representing 51,000 Shares underlying the RSUs granted to Ms. Huang Yaqin under the RSU Scheme.

(6) Representing 8,400 Shares underlying the RSUs granted to Ms. Zhang Lianyue under the RSU Scheme.

(ii) Interest in our Company's associated corporations

Name of Director	Name of the associated corporation	Nature of interest	Number of shares/amount of registered capital subscribed for (L)[(1)]	Approximate percentage of shareholding interest
Mr. Ren	Jiuhe BVI	Beneficial Owner	1 share	100%
	Shenzhen IVF	Interest of spouse[(2)]	RMB[**REDACTED**]	30%
Ms. Zhang	Jiuhe BVI	Interest of spouse[(2)]	1 share	100%
	Shenzhen IVF	Interest in controlled corporations	RMB[**REDACTED**]	30%

Note:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Ms. Zhang is the spouse of Mr. Ren. By virtue of the SFO, Ms. Zhang is deemed to be interested in the Shares held by Mr. Ren and vice versa.

(b) Interests and Short Positions of Our Substantial Shareholders in the Shares and Underlying Shares of Our Company

For information on the persons who will, immediately following the completion of the [**REDACTED**] (without taking into account the Shares which may be issued or allotted upon any exercise of the [**REDACTED**] and any options which have been or may be granted under the [**REDACTED**]), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying the rights to vote in all circumstances at general meetings of our Company, please see the section headed "Substantial Shareholders" in this document.

(c) Interests of the Substantial Shareholders of Any Member of Our Group (Other than Our Company)

So far as the Directors are aware, immediately following the completion of the [**REDACTED**], no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than us).

2. Particulars of Service Contracts

(a) Executive Director

The executive Director [has entered] into a service contract with us, under which he agreed to act as executive Director for an initial term of three years commencing from his respective date of appointment, which may be terminated by not less than three months' notice in writing served by either the executive Director or us.

The appointment of the executive Director is subject to the provisions of retirement and rotation of Directors under the Articles and Association.

(b) Non-executive Director and Independent Non-executive Directors

Each of the non-executive Director and the independent non-executive Directors [has] signed an appointment letter with us for a term of one year with effect from their respective date of appointment. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive director is not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles and Association and the applicable Listing Rules.

(c) Others

(a) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(b) During the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB1.1 million, RMB2.1 million, RMB1.5 million and RMB1.0 million, respectively. Details of the Directors' remuneration are also set out in Note 8 of the Accountants' Report set out in Appendix I to this document. Save as disclosed in this document, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 by us to the Directors.

(c) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2023 is estimated to be approximately RMB2,167,570.

(d) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(e) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023.

(f) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Fees or Commissions Received

Save as disclosed in this document, none of the Directors or any of the persons whose names are listed under the paragraph headed "— F. Other Information — 7. Qualifications and Consents of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

4. Disclaimers

Save as disclosed in this document:

(a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of [**REDACTED**] Issuers to be notified to us and the Stock Exchange, in each case once our Shares are [**REDACTED**] on the Stock Exchange;

(b) so far as is known to any of our Directors or chief executive, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the parties listed in the section headed "— F. Other Information — 7. Qualification and Consents of Experts" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this document, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(d) none of our Directors nor any of the parties listed in the section headed "— F. Other Information — 7. Qualification and Consents of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;

(e) none of the parties listed in the paragraph headed "— F. Other Information — 7. Qualification and Consents of Experts" of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest revenue payment collection channels.

D. RSU SCHEME

Summary of terms of the RSU Scheme

The following is a summary of the principal terms of the RSU Scheme approved and adopted on October 30, 2023 ("**RSU Adoption Date**"). The RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any issue or grant of RSUs by our Company after the [**REDACTED**].

1. Purpose

The purpose of the RSU Scheme is to enable our Group to grant awards to selected eligible persons ("**Selected Eligible Persons**") as incentives or rewards for their contribution to our Group, in particular, (i) to motivate them to optimize their performance and efficiency for the benefit of our Group; (ii) to attract and retain them whose contributions have been or will be beneficial to our Group; and (iii) to encourage them to enhance cooperation and communication amongst team members for the growth of our Group.

2. Eligibility

(a) Persons eligible to receive RSUs under the RSU Scheme are Selected Eligible Persons, who are employees of our Group who have entered into labor contracts with our Group according to our Group's requirements, and who are directors, executives, officers and managers employed by members of our Group. The Board may select any Selected Eligible Persons for participation in the RSU Scheme at its sole discretion.

(b) The employees of our Group shall not be Selected Eligible Persons under the following circumstances:

(i) persons who have been subject to any criminal or administrative penalties for his or her material non-compliance of laws and regulations within the past three years;

(ii) persons who have been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access to market within the past twelve months due to his or her material non-compliance of laws or regulations;

(iii) persons who are prohibited from acting as the directors, supervisors and senior management of the members of our Group under our Company Law of the PRC (as amended, supplemented or otherwise modified from time to time);

(iv) persons who have committed a crime or unprofessional conduct, materially breached the Articles of Association (as amended, supplemented or otherwise modified from time to time) or internal rules and regulations of our Company or caused material accidents or materially impaired the interests or reputation of our Group due to his or her dereliction or neglect of duty;

(v) persons who have materially breached the terms of the labor contract, non-disclosure or non-compete agreement or other relevant agreements entered into with our Group;

(vi) persons who are prohibited from participating in the share incentive of [**REDACTED**] companies under the laws and regulations or deemed by the Hong Kong Stock Exchange and other regulatory authorities to be not suitable as the Selected Eligible Persons;

(vii) persons who are prohibited from participating in stock trading of the [**REDACTED**] companies under the Listing Rules and other relevant applicable laws and regulations; and

(viii) persons who are deemed by the Board, in its sole discretion, to be not suitable to participate in the RSU Scheme.

3. Terms

Subject to the earlier termination as stated in paragraph (18) below, the RSU Scheme shall be valid and effective for a period of ten years, commencing on the RSU Adoption Date (the "**RSU Scheme Period**"), after which period no further RSUs will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and RSUs that are granted during the RSU Scheme Period may continue to be exercisable in accordance with their terms of issue.

4. Administration

(a) The Board has the power to administer the RSU Scheme, including the power to construe and interpret these Rules and the terms of the RSUs granted under it. The Board may delegate the authority to administer the RSU Scheme to an administrator ("**Administrator**") or to other person(s) as deemed appropriate at the sole discretion of the Board. Unless otherwise specified herein, the decision of the Board and the Administrator regarding the administration and operation of the RSU Scheme shall be final and binding on all parties. The Administrator assists the Board in the administration of the RSU Scheme and the Administrator may delegate its authority to administer the RSU Scheme to such other persons as deemed appropriate at its sole discretion.

(b) The Board has appointed Mr. Ren as the Administrator to assist the Board in the administration and operation of the RSU Scheme, including but not limited to the selection of Selected Eligible Persons for granting of the RSUs, determination of the number of RSUs to be granted to each of the Selected Eligible Persons, and the vesting conditions.

5. RSUs

RSUs under the RSU Scheme give the Selected Eligible Persons a conditional right to acquire shares or interests in shares upon vesting of the RSUs upon fulfillment of the respective vesting conditions for a consideration determined by the Board. Each RSU represents one underlying Share.

6. Scheme limit

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of RSU Scheme) shall not exceed 1.1226% (i.e. 11,226 Shares) of the total issued share capital of the Company immediately prior to the [**REDACTED**].

7. Grant of RSUs

(a) The Board may, in its sole discretion, determine the selection of the Selected Eligible Persons, the RSUs to be granted, and the Board may, in its sole discretion, determine the grant of RSUs to the Selected Eligible Persons under the RSU Scheme under the conditions as it deems appropriate.

(b) Making an offer

An offer to grant RSU(s) will be made to a Selected Eligible Person by a grant letter (the "**Grant Letter**"). The Grant Letter will specify the Selected Eligible Person's name, the manner of acceptance of the RSU, the last day for acceptance by the Selected Eligible Person, the number of RSUs granted and the number of underlying Shares represented by the RSUs, the vesting criteria and conditions, the vesting schedule, the grant price and/or exercise price of the RSUs (where applicable) and such other terms and conditions as the Board shall determine and are not inconsistent with the RSU Scheme, and will require the Selected Eligible Person to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of the RSU Scheme.

(c) Acceptance of an offer

A Selected Eligible Person may accept an offer of the grant of RSUs in such manner as set out in the Grant Letter. Once accepted, the RSUs are deemed to be granted from the date of the Grant Letter. Upon acceptance, the Selected Eligible Person becomes a participant (the "**RSU Participant**") in the RSU Scheme.

8. Vesting of RSUs

(a) The Board may determine the vesting criteria, conditions and the time schedule for the vesting of the RSUs and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

(b) Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Company shall send the vesting notice (the "**Vesting Notice**") to each of the relevant RSU Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

(c) If the vesting conditions are not satisfied and no waiver of such condition is granted, the RSU shall be cancelled or dealt with on such terms and conditions as determined by the Board in its absolute discretion, subject to the provisions of the RSU Scheme, the Listing Rules or applicable laws and regulations.

9. Rights on a takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of the shareholders of our Company (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

10. Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to its shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such shareholders' approval is obtained, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

11. Rights on voluntary winding-up

If an effective resolution is passed during the RSU Scheme Period for the voluntary winding-up of our Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. In such case, no Shares will be transferred, and no cash alternative will be paid, to the RSU Participant, but the RSU Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Company's shareholders such sum as they would have received in respect of the RSUs.

12. Exercise of RSUs

In respect of the vested RSUs, the Board or person(s) to which the Board delegated its authority may either (a) direct and procure the Administrator to transfer the number of RSUs to the RSU Participants in such manner as determined by the Board from time to time; or (b) to the extent that, at the determination of the Board or its delegate(s), it is not practicable for the RSU Participants to receive the RSUs in Shares solely due to legal or regulatory restrictions with respect to the RSU Participant's ability to receive the RSUs in Shares or the Administrator's ability to give effect to any such transfer to the RSU Participant, the Board or its delegate(s) will direct and procure the Administrator to sell, on the market at the prevailing market price or at price within a specified price range, the number of RSUs so vested in respect of the RSU Participant and pay the RSU Participant the proceeds in cash arising from such sale based on the actual price at which RSUs are sold (net of brokerage, Hong Kong Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of RSUs pursuant to the RSU Scheme or in the case of a vesting when there is an event of an offer to acquire our Company or privatization of our Company, the consideration receivable under the related scheme or offer of such RSUs.

13. Rights attached to RSUs

No RSU Participant shall enjoy any of the rights of a Shareholder (including voting right) in respect of the RSUs granted but not yet vested pursuant to the RSU Scheme, unless and until such Shares underlying the RSUs are actually transferred to the RSU Participant upon the vesting of the RSUs and registered under the name of the RSU Participant in the register of members of our Company, and the exercising the RSUs according to the RSU Scheme. Unless otherwise specified by the Board in its sole discretion in the Grant Letter, the RSU Participants do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Share underlying an unvested RSU.

14. Assignment of Awards

Any RSU granted under the RSU Scheme are personal to such RSU Participant and cannot be assigned or transferred, except the prior written approval of the Board. Any attempt by each RSU Participant to sell, transfer, charge, mortgage, grant, encumber or create any interest in favor of any third party over the RSUs outstanding and unvested to which he/she is entitled shall be null and void, except in accordance with the RSU Scheme.

15. Lapse of RSU

An unvested RSU shall lapse automatically upon the earliest of:

(a) the date of the termination of RSU Participant's employment or service by our Company or any of its subsidiaries for cause;

(b) the RSU Participant either: (a) becomes an officer, director, employee, consultant, adviser, partner of or stockholder or other proprietor owning more than 5% interest in any competitor; or (b) knowingly performs any act that may confer a competitive benefit or advantage upon any competitor, at any time before or within 12 months after the RSU Participant's employment is terminated by our Company or any of its subsidiaries for any reason;

(c) the date on which the offer (or, as the case may be, revised offer) made in connection with a general or voluntary offer closes;

(d) the record date for determining entitlements in the event of privatization of our Company under the scheme of arrangement closes;

(e) the date of the commencement of the winding-up of our Company;

(f) the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs;

(g) violation of the terms contained in the Grant Letter or the special provisions of the Grant Letter (if any);

(h) violations of the rules of the RSU Scheme; and

(i) the date on which it is no longer possible to satisfy any outstanding conditions to vesting, as determined by the Board in its absolute discretion.

16. Reorganization of capital structure

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company, the Board may make such equitable adjustments, designed to protect the RSU Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

17. Amendment of the RSU Scheme

The RSU Scheme may be altered or varied in any respect by a resolution of the Board.

18. Termination of the RSU Scheme

Our Company may by resolution in general meeting or the Board may at any time terminate the operation of the RSU Scheme before the expiry of the RSU Scheme Period. In addition, the RSU Scheme shall be terminated when the securities of our Company are [**REDACTED**] and publicly [**REDACTED**] on the Hong Kong Stock Exchange. In the event of any of the above termination, no further RSU shall be offered but the provisions of the RSU Scheme shall remain in force to the extent necessary to give effect to any outstanding RSUs granted prior thereto or otherwise as may be required in accordance with the provisions of the RSU Scheme.

Details of the RSUs granted under the RSU Scheme

As of the Latest Practicable Date, our Company had granted RSUs with an aggregate of 11,226 underlying Shares on November 6, 2023, which has been adjusted to [**REDACTED**] underlying Shares after the completion of the [**REDACTED**], representing [**REDACTED**]% of the issued Shares immediately upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] and any options which may be granted under the Post-[**REDACTED**] Share Scheme is not exercised). Details of the RSUs granted pursuant to the RSU Scheme are set out below:

Name	Position held within our Group	Address	Grant date	Exercise price per Share[(2)]	Vesting Period[(1)]	Number of Shares underlying RSUs granted as of the Latest Practicable Date	Number of Shares underlying RSUs granted immediately following the [REDACTED]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)
				(RMB)				
Directors and senior management of our Company								
Ms. Huang Yaqin	Executive Director, chief financial officer and joint company secretary	9/F, Building 3, Shenguotou Square, No. 69, Nonglin Road, Futian District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	255	[**REDACTED**]	<[REDACTED]%
Ms. Zhang Lianyue . . .	Executive Director	2-11-208, Zhongyuan Li, Jinzhong Road, Hebei District, Tianjin, PRC	November 6, 2023	6.34	48 months	42	[**REDACTED**]	<[REDACTED]%
Ms. Wang Xiaohui . . .	Executive vice president	25/F, Linfengge, Wanxiangxinyuan, No. 67 Nanguang Road, Nanshan District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	3,011	[**REDACTED**]	[REDACTED]%
Mr. Fan Xiujun. . . .	Chief scientific officer	No. 1068, Xueyuan Avenue, Nanshan District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	39	[**REDACTED**]	<[REDACTED]%

Name	Position held within our Group	Address	Grant date	Exercise price per Share[2]	Vesting Period[1]	Number of Shares underlying RSUs granted as of the Latest Practicable Date	Number of Shares underlying RSUs granted immediately following the [REDACTED]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)
				(RMB)				
Other employees of our Group (by department)								
Ms. Ge Junqiu	General manager office	Room 1805, Unit B, Building 1, Meidiliyuan, Phase II Dongdu Garden, No. 200 Yicui Road, Longgang District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	170	[REDACTED]	<[REDACTED]%
Mr. Fan Shaojing . . .	Hospital affairs office	Xili Batian Compound Fertilizer Company, Nanshan District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	47	[REDACTED]	<[REDACTED]%
Mr. Su Ketong . . .	Hospital affairs office	A502, Phase I Tian'an Innovation and Technology Square, No. 23 Tairan 4th Road, Futian District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	79	[REDACTED]	<[REDACTED]%
Ms. Yang Jun	Hospital affairs office	No. 18 Lvyin Road, Xiashan District, Zhanjiang, Guangdong Province, PRC	November 6, 2023	6.34	48 months	39	[REDACTED]	<[REDACTED]%

Name	Position held within our Group	Address	Grant date	Exercise price per Share[2]	Vesting Period[1]	Number of Shares underlying RSUs granted as of the Latest Practicable Date	Number of Shares underlying RSUs granted immediately following the [REDACTED]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)
				(RMB)				
Ms. Long Yan	Hospital affairs office	Room 201, Unit 3, Building 621, Qiushi Garden, Jinshi Community, Jinqiu Road, Panlong District, Kunming, Yunnan Province, PRC	November 6, 2023	6.34	48 months	79	[REDACTED]	<[REDACTED]%
Ms. Ma Zhihua. . . .	Hospital affairs office	No. 501, Building 29, Shuangfengli, Shuangfeng Avenue, Nankai District, Tianjin, PRC	November 6, 2023	6.34	48 months	85	[REDACTED]	<[REDACTED]%
Ms. Huang Yuling	Hospital affairs office	No. 301, Gate 3, Building 17, Changzhili, Duanqiao Road, Nankai District, Tianjin, PRC	November 6, 2023	6.34	48 months	85	[REDACTED]	<[REDACTED]%
Mr. Liu Gensheng . .	Hospital affairs office	No. 29, Youyi North Road, Hexi District, Tianjin, PRC	November 6, 2023	6.34	48 months	85	[REDACTED]	<[REDACTED]%
Ms. Mi Yujie	Financial department	Room 2806, Unit 1, Block 8, Xingjingyiyuan, No. 229 Linxi Road, Chenggong District, Kunming, Yunnan Province, PRC	November 6, 2023	6.34	48 months	39	[REDACTED]	<[REDACTED]%

Name	Position held within our Group	Address	Grant date	Exercise price per Share[(2)]	Vesting Period[(1)]	Number of Shares underlying RSUs granted as of the Latest Practicable Date	Number of Shares underlying RSUs granted immediately following the [REDACTED]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)
				(RMB)				
Ms. Li Nan. . .	Financial department	No. 103, Lizhuang Village, Fangzi Countryside, Pingyuan County, Shandong Province, PRC	November 6, 2023	6.34	48 months	926	[REDACTED]	<[REDACTED]%
Ms. Yuan Wenjie. . . .	Purchasing department	Room 602, Unit 2, Building 20, No. 1 Jindao Road, Jinhai'an, Jinwan District, Zhuhai, Guangdong Province, PRC	November 6, 2023	6.34	48 months	102	[REDACTED]	<[REDACTED]%
Mr. Jin Xin. . .	Purchasing department	No. 1060 North First Road, Dongying District, Dongying, Shandong Province, PRC	November 6, 2023	6.34	48 months	766	[REDACTED]	<[REDACTED]%
Ms. Wang Weijie	Legal department	Room 1116, West Block, Chengguan Building, Lianhua Branch Road, Futian District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	127	[REDACTED]	<[REDACTED]%

Name	Position held within our Group	Address	Grant date	Exercise price per Share[2]	Vesting Period[1]	Number of Shares underlying RSUs granted as of the Latest Practicable Date	Number of Shares underlying RSUs granted immediately following the [REDACTED]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)
				(RMB)				
Mr. Li Zhaoming . .	Development department	Room 208A, 2/F, A1 Property, West Square, Shenzhen North Station, Zhiyuan Central Road, Longhua New District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	377	[REDACTED]	<[REDACTED]%
Ms. Chen Meiling . . .	Development department	3C, Building 28, Meilinyicun, No. 148 Meilin Road, Futian District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	102	[REDACTED]	<[REDACTED]%
Ms. Deng Weizhen . . .	Medical business department	Room 1912, Building 4, Pengyi Garden, Bagua First Road, Futian District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	79	[REDACTED]	<[REDACTED]%
Ms. Wang Jing	Marketing department	Room 11H, Phase II Haojingmingyuan, No.1 Zhengqingyun Road, Longgang District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	79	[REDACTED]	<[REDACTED]%

Name	Position held within our Group	Address	Grant date	Exercise price per Share(2)	Vesting Period(1)	Number of Shares underlying RSUs granted as of the Latest Practicable Date	Number of Shares underlying RSUs granted immediately following the [REDACTED]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)
				(RMB)				
Mr. Chen Guowei . . .	Marketing department	A502, Phase I Tian'an Innovation and Technology Square, No. 23 Tairan 4th Road, Futian District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	39	[REDACTED]	<[REDACTED]%
Ms. Tan Yilian	Marketing department	No. 3039, Bao'an North Road, Luohu District, Shenzhen, Guangdong Province, PRC	November 6, 2023	6.34	48 months	42	[REDACTED]	<[REDACTED]%
Ms. Huang Ying	Marketing department	No. 53, Gate 4, Building 1, Jiang'anli, Xianyang Road, Nankai District, Tianjin, PRC	November 6, 2023	6.34	48 months	42	[REDACTED]	<[REDACTED]%
Mr. Duan Jiangtao . . .	Administrative department	Room 23, Unit 2, Block 20, No. 2712-1 Yunnan-Burma Avenue, Wuhua District, Kunming, Yunnan Province, PRC	November 6, 2023	6.34	48 months	85	[REDACTED]	<[REDACTED]%
Mr. Ma Shiyuan . . .	Administrative department	Room 301, Unit 3, Building 6, Shuimuhuafu, No. 58 Boji Road, Yanggu County, Shandong Province, PRC	November 6, 2023	6.34	48 months	188	[REDACTED]	<[REDACTED]%

Name	Position held within our Group	Address	Grant date	Exercise price per Share[2]	Vesting Period[1]	Number of Shares underlying RSUs granted as of the Latest Practicable Date	Number of Shares underlying RSUs granted immediately following the [REDACTED]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)
				(RMB)				
Mr. Zhang Zhenxin . . .	Administrative department	No. 91, Dawan Village, Economic Development District, Pingyuan County, Shandong Province, PRC	November 6, 2023	6.34	48 months	188	[REDACTED]	<[REDACTED]%
Ms. Li Hailian . . .	Administrative department	No. 23 Bungalow, Guangqian Public-owned Chaoqiutang Team, Shiyue Town, Daoxi County, Guangdong Province, PRC	November 6, 2023	6.34	48 months	725	[REDACTED]	<[REDACTED]%
Ms. Quan Hanfeng . . .	Medical technology department – Radiology department	No. 298, Shiyong Village, Liangdong Town, Lianjiang, Guangdong Province, PRC	November 6, 2023	6.34	48 months	79	[REDACTED]	<[REDACTED]%
Ms. Chen Deying . . .	Medical technology department – Pharmacy department	Room 803, No. 11, Kangqiang Road, Lane 1, Heng 1, Chikan District, Zhanjiang, Guangdong Province, PRC	November 6, 2023	6.34	48 months	316	[REDACTED]	<[REDACTED]%
Ms. Tan Yuqiu	Medical technology department – Andrology laboratory	Room 303, Block 32, No. 7 Wanbei Road, Chikan District, Zhanjiang, Guangdong Province, PRC	November 6, 2023	6.34	48 months	118	[REDACTED]	<[REDACTED]%

Name	Position held within our Group	Address	Grant date	Exercise price per Share[2]	Vesting Period[1]	Number of Shares underlying RSUs granted as of the Latest Practicable Date	Number of Shares underlying RSUs granted immediately following the [REDACTED]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)
				(RMB)				
Mr. Li Changpi . . .	Medical technology department – Clinical laboratory	Room 512, Block 11, No. 38, Tiaoshun East Second Road, Chikan District, Zhanjiang, Guangdong Province, PRC	November 6, 2023	6.34	48 months	118	[REDACTED]	<[REDACTED]%
Mr. Jin Kuazhong . .	Medical technology department – Clinical laboratory	No. 171-1 Xilang Village, Xiaobanqiao Sub-district Office, Guandu District, Kunming, Yunnan Province, PRC	November 6, 2023	6.34	48 months	170	[REDACTED]	<[REDACTED]%
Ms. Chen Xiaoqin . . .	Medical technology department – Clinical laboratory	No. 12 Bu Street, Zhongshan Neighbourhood Committee, Rongcheng District, Jieyang, Guangdong Province, PRC	November 6, 2023	6.34	48 months	79	[REDACTED]	<[REDACTED]%
Mr. Wei Guibei	Medical technology department – Clinical laboratory	No. 202, Building 5, No. 227 Xinyang Road, West Xiangtang District, Nanning, Guangxi Province, PRC	November 6, 2023	6.34	48 months	394	[REDACTED]	<[REDACTED]%
Mr. Wang Meng	Embryology laboratory	No. 503, Gate 3, Building 18, Huanxiuzhongli, Chengyin Road, Hedong District, Tianjin, PRC	November 6, 2023	6.34	48 months	85	[REDACTED]	<[REDACTED]%

Name	Position held within our Group	Address	Grant date	Exercise price per Share[2]	Vesting Period[1]	Number of Shares underlying RSUs granted as of the Latest Practicable Date	Number of Shares underlying RSUs granted immediately following the [REDACTED]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)
				(RMB)				
Ms. Guo Fengyue	Embryology laboratory	No. 40, Renjiapu Village, East Fangzi Countryside, Pingyuan County, Shandong Province, PRC	November 6, 2023	6.34	48 months	85	[REDACTED]	<[REDACTED]%
Ms. Miao Lina	Embryology laboratory	Room 501, Unit 2, Block 2, Xingfucheng, Zhuzhuang Village, Cizhou Town, Ci County, Handan, Hebei Province, PRC	November 6, 2023	6.34	48 months	85	[REDACTED]	<[REDACTED]%
Ms. Zhang Zhenjing	Embryology laboratory	No. 62, Dawan Village, Economic Development District, Pingyuan County, Shandong Province, PRC	November 6, 2023	6.34	48 months	886	[REDACTED]	<[REDACTED]%
Mr. Chen Liangsheng	General affairs department	No. 511, Gate 4, Building 1, Wolongbeili, Xihu Avenue, Nankai District, Tianjin, PRC	November 6, 2023	6.34	48 months	85	[REDACTED]	<[REDACTED]%
Mr. Wang Jinzhao	General affairs department	No. 059, Huangjiazhuang, No. 123 Group, Chepaizi Town, Kuitun, Xinjiang Uygur Autonomous Region, PRC	November 6, 2023	6.34	48 months	79	[REDACTED]	<[REDACTED]%

Name	Position held within our Group	Address	Grant date	Exercise price per Share(2)	Vesting Period(1)	Number of Shares underlying RSUs granted as of the Latest Practicable Date	Number of Shares underlying RSUs granted immediately following the [REDACTED]	Approximate percentage of shareholding immediately following the completion of the [REDACTED] (assuming that the [REDACTED] and any options which may be granted under the Post-[REDACTED] Share Scheme is not exercised)
				(RMB)				
Mr. Ding Yuming . . .	General affairs department	No. 203, Gate 3, Building 10, Huanxiudongli, Tianshan Road, Hedong District, Tianjin, PRC	November 6, 2023	6.34	48 months	725	[**REDACTED**]	<[REDACTED]%

Notes:

(1) Subject to the satisfaction of the relevant the vesting criteria and conditions as stipulated in the Grant letter, such RSUs shall vest as to 10%, 20%, 30% and 40% on the date falling 12 months, 24 months, 36 months and 48 months from the [**REDACTED**], respectively.

(2) Exercise price per Share is calculated based on the number of Shares underlying RSUs granted immediately following the [**REDACTED**].

As of the Latest Practicable Date, none of the RSUs were vested and all of the RSUs were outstanding. As all Shares underlying the outstanding RSUs have already been issued to Suda BVI, the outstanding RSUs will not have any dilutive effect on the shareholding of our Company upon [**REDACTED**]. The Company will not issue or grant further RSUs under the RSU Scheme after the [**REDACTED**].

E. POST-[REDACTED] SHARE SCHEME

The following is a summary of the principal terms of the Post-[**REDACTED**] Share Scheme conditionally adopted by our Company pursuant to the written resolutions of our then Shareholders passed on [●].

(a) Purpose of the Post-[REDACTED] Share Scheme

The Post-[**REDACTED**] Share Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Post-[**REDACTED**] Share Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Eligible participants of the Post-[REDACTED] Share Scheme

Our Board may, at its discretion, offer to grant an option to any director and employee of our Company or any of our subsidiaries (including persons who are granted options under the Post-[**REDACTED**] Share Scheme as an inducement to enter into employment contracts with our Company and/or any of our subsidiaries) (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (f) below.

Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for [**REDACTED**] Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for

[**REDACTED**] Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

The vesting period of any options shall not be less than 12 months. Options may be subject to a shorter vesting period under any of the following circumstances:

(a) where the options are granted in assumption of, or in substitution or exchange for, an award previously granted, or the right or obligation to make a future award, in all cases by a company acquired by our Company or any of our subsidiary or with which our Company or any of our subsidiary combines;

(b) where the Shares to be issued upon the exercise of such options are subject to a minimum holding period of not less than 12 months and are delivered to an Eligible Participant under his/her compensation arrangements with our Company, including Shares delivered to a non-employee director in respect of such non-employee director's annual retainer;

(c) where the options are sign-on or make-whole grants to new Eligible Participants;

(d) where the options are subject to performance-based vesting conditions;

(e) where the options are granted in batches for administrative or compliance reasons;

(f) where the options shall vest evenly over a period of 12 months or more;

(g) where the options are subject to a total vesting and holding period of more than 12 months; or

(h) in cases of retirement, separation, retention arrangements, death, disability or a change in control of our Company, our Board may accelerate the vesting of the options at its sole discretion.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Post-[**REDACTED**] Share Scheme and under any other share schemes of our Company must not in aggregate exceed 10% ("**Scheme Limit**") of the total number of Shares in issue immediately following the completion of the [**REDACTED**], being [●] Shares (assuming that the [**REDACTED**] is not exercised). As of the date on which such option is offered in writing to an Eligible Participant which must be a Business Day (the "[**REDACTED**]") of any proposed grant of options under the Post-[**REDACTED**] Share Scheme, the maximum number of Shares in respect of which options may be granted is such number of Shares less the aggregate of the following:

(i) the number of Shares which would be issued on the exercise in full of the options under the Post-[**REDACTED**] Share Scheme or under any other share schemes of our Company but not canceled or exercised;

(ii) the number of Shares which have been issued and allotted pursuant to the exercise of any options under the Post-[**REDACTED**] Share Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company; and

(iii) the number of those Shares which were the subject of options which had been granted and accepted under the Post-[**REDACTED**] Share Scheme and any other share schemes of our Company but subsequently canceled.

Subject to the approval of our Shareholders in general meeting in compliance with Rules 17.03C(1) and 17.03C(2) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time, our Board may refresh the Scheme Limit from time to time to 10% of the number of Shares in issue ("**New Scheme Limit**") as of the date of the approval by our Shareholders in general meeting ("**New Approval Date**"). Any refreshment within any three-year period from the date of our Shareholders' approval for the last refreshment (or the adoption of the Post-[**REDACTED**] Share Scheme) must be approved by our Shareholders subject to the following provisions:

(i) any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) abstaining from voting in favor of the relevant resolution at the general meeting of our Company; and

(ii) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules, and thereafter, as of the date of grant of any options under the Post-[**REDACTED**] Share Scheme, the maximum number of Shares in respect of which options may be granted is the New Scheme Limit less the aggregate of the following:

(i) the number of Shares which would be issued on the exercise in full of the options under the Post-[**REDACTED**] Share Scheme or under any other share schemes of our Company granted on or after the New Approval Date but not canceled or exercised;

(ii) the number of Shares which have been issued and allotted pursuant to the exercise of any options under the Post-[**REDACTED**] Share Scheme or under any other share schemes of our Company or any awards granted under any other share schemes of our Company granted on or after the New Approval Date; and

(iii) the number of those Shares which were the subject of options which had been granted on or after the New Approval Date and accepted under the Post-[**REDACTED**] Share Scheme and any other share schemes of our Company but subsequently canceled.

Subject to the approval of our Shareholders in general meeting in compliance with Rule 17.03C(3) of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time, our Board may grant options exceeding the Scheme Limit to Eligible Participants specifically identified by our Board.

The Scheme Limit shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of our Company.

(e) Maximum number of options to any one individual

Our Board shall, subject to and in accordance with the provisions of the Post-[**REDACTED**] Share Scheme and the Listing Rules, be entitled to but shall not be bound, at any time on any business day during the Scheme Period (as defined in paragraph (j) below) offer to grant an option to any Eligible Participant whom our Board may in its absolute discretion select and subject to such conditions (including, without limitation, the vesting period and/or any performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (k) below) during a specified performance period which must be achieved before an option can be exercised) as it may think fit.

If our Board determines to offer options under the Post-[**REDACTED**] Share Scheme to an Eligible Participant which, when aggregated with any Shares issued or to be issued in respect of all options or awards granted to that person (excluding any options or awards lapsed in accordance with the terms of the relevant schemes) under the Post-[**REDACTED**] Share Scheme and the other share schemes of our Company in any 12-month period up to and including the date of such offer, exceed 1% of the number of Shares in issue on the [**REDACTED**]:

(i) the grant shall be subject to (a) the issue of a circular by our Company to our Shareholders which shall comply with Rules 17.03D and 17.06 of the Listing Rules and/or such other requirements as prescribed under the Listing Rules from time to time; and (b) the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting; and

(ii) unless provided otherwise in the Listing Rules, the date of the Board meeting at which our Board resolves to grant the proposed options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares.

Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

(aa) the Eligible Participant's name, address and occupation;

(bb) the [**REDACTED**];

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;

(gg) the date of expiry of the option as may be determined by our Board;

(hh) the method of acceptance of the option which shall, unless our Board otherwise determines, be as set out in paragraph (c); and

(ii) such other terms and conditions (including, without limitation, the vesting period and/or any performance targets as assessed in accordance with the Performance Measures (as defined in paragraph (k) below) during a specified performance period which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of our Board are fair and reasonable but not being inconsistent with the Post-[**REDACTED**] Share Scheme and the Listing Rules.

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Post-[**REDACTED**] Share Scheme shall be such price as our Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and

(ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(g) Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).

If our Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued in respect of all options and awards granted to such person under the Post-[**REDACTED**] Share Scheme or the other share schemes of our Company (excluding any options and awards lapsed in accordance with the terms of such schemes) in the 12-month period up to and including the [**REDACTED**] of representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue on the [**REDACTED**], such further grant of options will be subject to, in addition to the abovementioned approval of the independent non-executive Directors, the approval of our Shareholders in general meeting in accordance with Rule 17.04(4) of the Listing Rules and/or such other requirements prescribed under the Listing Rules from time to time. Our Company must also send a circular to our Shareholders, which shall contain the following information:

(i) the details of the number and terms (including the information required under Rules 17.03(5) to 17.03(10) and Rule 17.03(19) of the Listing Rules) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting, and the [**REDACTED**] (which shall be the date of the Board meeting at which our Board proposes to grant the proposed options to that Eligible Participant);

(ii) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of our Company and our Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the time of grant of options

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our annual results or our results for half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of our annual results or our results for half-year, or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of actual publication of the results for such year, half-year, quarterly or interim period (as the case may be) and where an option is granted to a Director, no options shall be granted:

(i) during the period of 60 days immediately preceding the publication date of our annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of our quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) Rights are personal to grantee

Save for a transfer to a vehicle (such as a trust or a private company) for the benefit of the grantee and any family members of such grantee (including for estate planning or tax planning purposes) that would continue to meet the purpose of the Post-[**REDACTED**] Share Scheme and comply with other requirements of the Listing Rules, in which case a waiver must be obtained from the Stock Exchange, an option and offer to grant an option is personal to the grantee and shall not be transferrable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option held by him/her or any offer relating to the grant of an option made to him/her or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Post-[**REDACTED**] Share Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Post-[REDACTED] Share Scheme

An option may be exercised in accordance with the terms of the Post-[**REDACTED**] Share Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the [**REDACTED**]. Subject to earlier termination by our Company in general meeting or by our Board, the Post-[**REDACTED**] Share Scheme shall be valid and effective for a period of 10 years from the [**REDACTED**] ("**Scheme Period**").

(k) Performance target

A grantee may be required to achieve any performance targets as our Board may then specify in the grant before any options granted under the Post-[**REDACTED**] Share Scheme can be exercised. The performance targets shall be assessed in accordance with any one or more of the following corporate-wide or subsidiary, division, operating unit, line of business, project, geographical or individual performance measures ("**Performance Measures**") during a specified performance period: cash flow; earnings; earnings per share; market value added or economic value added; profits; return on assets; return on equity; return on investment; sales; revenue; Share price; total shareholder return; customer satisfaction metrics; and such other goals as our Board may determine from time to time. Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of our Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, shareholders' equity and/or shares outstanding, investments or to assets or net assets. Our Board may, in its sole discretion, amend or adjust the Performance Measures and establish any special rules and conditions to which the Performance Measures shall be subject at any time.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries:

(i) by any reason other than death, ill-health, injury, disability or termination of his/her employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not; or

(ii) by reason of death, ill-health, injury or disability, his/her personal representative(s) may exercise the option within a period of 12 months from the date of cessation of being an Eligible Participant or death to exercise the option in full (to the extent not already exercised), failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of our subsidiaries on the grounds that he/she has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by our Board) on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his/her integrity or honesty, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) Rights on compromise or arrangement between our Company and our members or creditors

If a compromise or arrangement between our Company and our members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance or payment for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable as if such compromise or arrangement had not been proposed by our Company.

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares to be issued and allotted upon the exercise of options, subject to the provisions of the articles of association of our Company, will carry the same right in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue. For the avoidance of doubt, Shares issued upon the exercise of an option shall not be entitled to any rights attaching to Shares by reference to a record date preceding the date of allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the subscription price per Share of each outstanding option as the auditors of our Company or an approved independent financial advisor shall at the request of our Company or any grantee, certify in writing either generally or as regards any particular grantee to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance issued by the Stock Exchange on November 6, 2020 and any further guidance and interpretation of the

Listing Rules issued by the Stock Exchange from time to time and/or such other requirement prescribed under the Listing Rules from time to time), rounded to the nearest whole Share, as that to which he/she was entitled to subscribe had he/she exercised all the options held by him/her immediately before such adjustments and the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);

(iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment with our Company or any of our subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offense involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by our Board), or has been insolvent, bankrupt or has made compositions with his creditors generally or any other ground as determined by our Board that would warrant the termination of his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of our Board or the board of our relevant subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date on which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

Save as provided above in this paragraph (s), no options or shares issued upon the exercise of any options under the Post-[**REDACTED**] Share Scheme are subject to any clawback mechanism.

(t) Alteration of the Post-[REDACTED] Share Scheme

The Post-[**REDACTED**] Share Scheme may be altered in any respect by resolution of our Board except that:

(i) any change to the terms of options granted to a grantee must be approved by our Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) if the initial grant of the options was approved by our Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) (except any changes which take effect automatically under the terms of the Post-[**REDACTED**] Share Scheme); and

(ii) any alterations to the terms and conditions of the Post-[**REDACTED**] Share Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants or any change to the authority of the Directors or the administrators of the Post-[**REDACTED**] Share Scheme to alter the terms of the Post-[**REDACTED**] Share Scheme must be approved by our Shareholders in general meeting.

The amended terms of the Post-[**REDACTED**] Share Scheme shall still comply with Chapter 17 of the Listing Rules.

(u) Cancelation of options

Subject to paragraph (i) above, any cancelation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is canceled pursuant to paragraph (m).

(v) Termination of the Post-[REDACTED] Share Scheme

Our Company may by resolution in general meeting or our Board at any time terminate the Post-[**REDACTED**] Share Scheme and in such event no further option shall be [**REDACTED**] but the provisions of the Post-[**REDACTED**] Share Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-[**REDACTED**] Share Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Post-[**REDACTED**] Share Scheme.

(w) Administration of our Board

The Post-[**REDACTED**] Share Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Post-[**REDACTED**] Share Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Conditions of the Post-[REDACTED] Share Scheme

The Post-[**REDACTED**] Share Scheme shall take effect subject to and is conditional on:

(i) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Post-[**REDACTED**] Share Scheme;

(ii) the Stock Exchange granting the approval for the [**REDACTED**] of, and permission to [**REDACTED**], our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Post-[**REDACTED**] Share Scheme;

(iii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional (including, if relevant, as a result of the waiver(s) of any such condition(s)) by the Sole Sponsor, the [**REDACTED**] (on behalf of the [**REDACTED**]) and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise; and

(iv) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within twelve calendar months from the adoption date:

(i) the Post-[**REDACTED**] Share Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Post-[**REDACTED**] Share Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Post-[**REDACTED**] Share Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Post-[**REDACTED**] Share Scheme in our annual reports and interim reports including the number of options, [**REDACTED**], exercise price, exercise period, vesting period and other information as prescribed under the Listing Rules from time to time during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) Present status of the Post-[REDACTED] Share Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Post-[**REDACTED**] Share Scheme.

Application has been made to the Stock Exchange for the approval for the [**REDACTED**] of and permission to [**REDACTED**] our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Post-[**REDACTED**] Share Scheme, being [**REDACTED**] Shares in total.

F. OTHER INFORMATION

1. Indemnities

Our Controlling Shareholders [have entered] into the Deed of Indemnity with and in favour of our Company (for ourselves and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of any historical outstanding social insurance and housing provident fund contributions of our Group during the Track Record Period and any related late charges or penalties which our Group pays to the relevant authorities pursuant to their requests after the [**REDACTED**].

2. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon us.

3. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the Shares in issue and to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and any options that may be granted under the Post-[**REDACTED**] Share Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay an aggregate of US$500,000 to the Sole Sponsor to act as the sponsor to our Company in the [**REDACTED**].

5. Preliminary Expenses

As of the Latest Practicable Date, we have not incurred any material preliminary expenses in relation to the incorporation of our Company.

6. Promoter

We have no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

7. Qualification and Consents of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
CITIC Securities (Hong Kong) Limited	Licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Conyers Dill & Pearman	Legal advisors to our Company as to Cayman Islands laws
Jingtian & Gongcheng	Legal advisors to our Company as to PRC laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Cushman & Wakefield Limited	Independent property valuer
Han Kun Law Offices	Legal advisors to our Company as to PRC data compliance laws

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this document with the inclusion of its report and/or letter and/or valuation certificate and/or opinion and/or the references to its name included in this document in the form and context in which it is respectively included.

8. Binding Effect

This document shall have the effect, if an application is made in pursuance of this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

G. MISCELLANEOUS

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(iv) no commission has been paid or is payable for [**REDACTED**], agreeing to [**REDACTED**], procuring [**REDACTED**] or agreeing to procure [**REDACTED**] of any share in our Company or any of its subsidiaries.

(b) Save as disclosed in this document, our Group had not issued any debentures nor did it have any outstanding debentures or any convertible debt securities.

(c) Save as disclosed in this document, no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(d) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since (being the date to which the latest audited consolidated financial statements of our Group were prepared); and

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

(e) Our [**REDACTED**] of members will be maintained by our [**REDACTED**], in the Cayman Islands and our [**REDACTED**] of members will be maintained by our [**REDACTED**], in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our [**REDACTED**] and may not be lodged in the Cayman Islands.

(f) No company within our Group is presently [**REDACTED**] on any stock exchange or [**REDACTED**] on any [**REDACTED**] system.

(g) The Directors have been advised that, under the Cayman Companies Act, the use of a Chinese name by our Company for identification purposes only does not contravene the Cayman Companies Act.

(h) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

(i) The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among others:

(a) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix VI to this document; and

(b) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 7. Qualification and Consents of Experts" in Appendix VI to this document.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.ivfchina.net**) up to and including the date which is 14 days from the date of this document:

(a) our Memorandum and Articles of Association;

(b) the Accountants' Report of our Group for the three years ended December 31, 2020, 2021 and 2022 and the [nine months ended September 30, 2023] from KPMG, the texts of which are set out in Appendix I to this document;

(c) the audited combined financial statements of our Group for the three years ended December 31, 2020, 2021 and 2022 and the [nine months ended September 30, 2023];

(d) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set out in Appendix II to this document;

(e) the letters, summary of values and valuation certificates relating to the property interests of our Group prepared by Cushman & Wakefield Limited, the texts of which are set out in Appendix IV to this document;

(f) the legal opinion issued by Jingtian & Gongcheng, our PRC Legal Advisors, in respect of the business operations and property interests of the Group;

(g) the legal opinion issued by Han Kun Law Offices, in respect of PRC data compliance laws;

(h) the legal opinion issued by Conyers Dill & Pearman, our Cayman legal advisors, summarizing certain aspects of the company law of the Cayman Islands referred to in Appendix V to this document;

(i) the Cayman Companies Act;

(j) the Rules of the RSU Scheme;

(k) the Rules of the Post-[**REDACTED**] Scheme;

(l) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix VI to this document;

(m) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 7. Qualification and Consents of Experts" in Appendix VI to this document;

(n) the service contracts and letters of appointment entered into between the Company and each of the Directors (as applicable) referred to in "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Particulars of Service Contracts" in Appendix VI to this document; and

(o) the industry report issued by Frost & Sullivan.