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Application Proof of

BenQ BM Holding Cayman Corp.
明基醫院集團股份有限公司

(the "**Company**")

(A company incorporated in the Cayman Islands with limited liability)

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BenQ BM Holding Cayman Corp.
明基醫院集團股份有限公司

(A company 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$[REDACTED] per [REDACTED] plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**US$[REDACTED] per Share**
[REDACTED]	**:**	**[REDACTED]**

***Joint Sponsors,* [REDACTED], [REDACTED], [REDACTED] *and* [REDACTED]**

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The obligations of the **[REDACTED]** under the **[REDACTED]** Agreement are subject to termination by the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. See "**[REDACTED]** — **[REDACTED]** Arrangements — **[REDACTED]** — Grounds for Termination" for further details.

Prior to making an **[REDACTED]** decision, prospective **[REDACTED]** should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors".

Pursuant to the termination provisions contained in the **[REDACTED]** Agreement in respect of the **[REDACTED]**, the **[REDACTED]**, on behalf of the **[REDACTED]**, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the **[REDACTED]** pursuant to the **[REDACTED]** Agreement at any time prior to 8:00 a.m. on the **[REDACTED]**. Further details of the terms of the termination provisions are set out in "**[REDACTED]** — **[REDACTED]** Arrangements — **[REDACTED]** — Grounds for Termination" in this document. It is important that you refer to that section for further details.

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IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

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[**REDACTED**]

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[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

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CONTENTS

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document before you decide to [**REDACTED**] *in the* [**REDACTED**].

There are risks associated with any [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set out in "Risk Factors" in this document. You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OVERVIEW

We are a pioneer and leader among private for-profit general hospital groups in mainland China, and have adopted the advanced hospital operation and management experiences from Taiwan. We currently own and operate two general hospitals. As measured by revenue generated from healthcare services in 2022, we are the largest private for-profit general hospital group in the East China region, with our revenue exceeding the second and third largest groups combined, according to Frost & Sullivan. By the same measure, we are the fifth largest private for-profit general hospital group nationwide, being the only one among the top five each of whose hospitals is Class III-rated, according to the same source. As measured by average revenue per registered bed in 2022, we also rank the first among all private for-profit general hospital groups in mainland China, according to the same source.

As of December 31, 2023, our two hospitals had a total combined GFA of approximately 380,000 sq.m. and 1,850 registered beds, as well as a dedicated team featuring more than 900 doctors, including 35 experts from Taiwan or overseas. In 2023, we recorded over two million outpatient visits and performed over 20,000 inpatient surgeries. We have established two general hospitals, namely Nanjing BenQ Hospital and Suzhou BenQ Hospital:

- **Nanjing BenQ Hospital.** Having commenced operations in 2008, Nanjing BenQ Hospital has been rated as a Grade A Class III hospital since 2022, being the first private hospital so rated in Nanjing, Jiangsu Province. As measured by revenue generated from healthcare services in 2022, Nanjing BenQ Hospital is the fourth largest private for-profit general hospital in the PRC and the largest private for-profit general hospital in Jiangsu Province, according to Frost & Sullivan. In addition, Nanjing BenQ Hospital was recognized as one of the first batch of National Chest Pain Center Accreditation Units and a National Health Management Demonstration Base of the PRC. Nanjing BenQ Hospital has established various national and provincial key disciplines and medical specialties.

- **Suzhou BenQ Hospital.** Having commenced operations in 2013, Suzhou BenQ Hospital is a Class III general hospital. Suzhou BenQ Hospital was accredited by the Joint Commission International (JCI) in 2020 and was, as of the Latest Practicable Date, one of the only few general hospitals that had obtained the JCI accreditation in Jiangsu Province according to Frost & Sullivan. Suzhou BenQ Hospital was also recognized as a National Chest Pain Center, Certified Atrial Fibrillation Center and National Stroke Prevention and Treatment Center of the PRC. With an acute understanding of market demands, Suzhou BenQ Hospital has pursued a differentiated development strategy and accumulated distinctive strengths in departments such as gynecology, pediatrics, geriatrics and rehabilitation.

Driven by economic growth, favorable policies and expanding yet diversifying public demands for healthcare services in recent years, private hospitals in the PRC have outpaced public hospitals in growth due to their flexibility in management models, service offerings and pricing. According to Frost & Sullivan, the market size of private hospitals in the PRC as measured by revenue is estimated to increase from RMB319.1 billion in 2017 to RMB607.4 billion in 2022, representing a CAGR of 13.7% from 2017 to 2022, whereas that of public hospitals is estimated to be merely 7.8% during the same years. It is estimated that the market size of private hospitals will reach RMB1,094.3 billion in 2026, representing a CAGR of 15.9% from 2022 to 2026, according to the same source. As industry consolidation intensifies in the future, private hospital groups with the greatest growth potential will be those that are capable of providing differentiated quality healthcare services while possessing strong operational capabilities, high brand recognition and robust business expansion abilities. As a pioneer and leader among private for-profit general hospital groups in mainland China, our leading healthcare service capabilities, operational capabilities and highly scalable and standardized management model allow us to capitalize on the significant growth prospects for private hospitals and achieve sustainable and rapid growth in the years ahead.

With nearly two decades of dedication to the healthcare service market in mainland China, we have built "BenQ Medical Center" into an influential, widely recognized and reputable brand for quality healthcare services. We are dedicated to providing patients with world-class and high-standard healthcare services. Our "medical-teaching-research-operation" integrated private healthcare service platform emphasizing both comprehensive healthcare services and medical specialties generates tremendous business synergies, solidifying our leading position while laying a solid foundation for future business expansion. Both of our hospitals are established to the highest national standard as Class III general hospitals, and we also lead the industry in doctor and medical technician staffing and medical equipment, according to Frost & Sullivan. Meanwhile, we have forged close collaborations with various leading hospitals and medical schools in the PRC, with a focus on scientific research and innovation. We have also successfully assembled a team of global top medical experts and cultivated a large pool of leading healthcare talents. Our medical team leads the industry in size, experiences and level of internationalization, according to Frost & Sullivan. For multiple years, we have been ranked among the top ten best private hospital employers nationwide in the PRC. Building upon our strong and integrated healthcare service capabilities, we have been developing a variety of disciplines and medical specialties with broad prospects, effectively addressing market demands and enhancing our hospitals' market influence.

Our success can also be attributed to our internationally advanced healthcare philosophy. We adhere to a patient-centric approach that emphasizes humanistic care. We believe that only by winning over patients can we retain and expand our market presence. By adopting various well-established healthcare systems from Taiwan and overseas and flexibly adapting and tailoring to local patient circumstances, we have institutionalized and put into practice humanistic care principles that are reflected in every aspect of our hospital operations and management. In terms of hospital environment and hardware facilities, we strive to create a humanistic atmosphere centered on respecting, caring for, and fulfilling patients' diverse needs. We also actively participate in and organize various social welfare activities. Our long-standing commitment to humanistic care has given us a unique advantage distinct from other general hospitals, which helps us continuously improve patient experience, attract more patients and strengthen patient loyalty, thus further unlocking our brand potential. Multiple authoritative surveys have shown that our patient satisfaction levels far exceed other comparable medical institutions in the same regions. For instance, Nanjing BenQ Hospital has been recognized as an "Advanced Unit for Patient Satisfaction in Nanjing", and the Obstetrics and Gynecology Department of Suzhou BenQ Hospital has become a benchmark for obstetrics and gynecology services in Suzhou, according to Frost & Sullivan. Even amidst the impact of the COVID-19, the number of patient visits at our hospitals grew rapidly during the Track Record Period. The total inpatient visits at our two hospitals in aggregate increased from 61.4 thousand in 2021 to 67.1 thousand in 2022, and further to 81.9 thousand in 2023. The total outpatient visits at our two hospitals in aggregate increased from 1,604.1 thousand in 2021 to 1,680.6 thousand in 2022, and further to 2,002.3 thousand in 2023. According to Frost & Sullivan, such growth rate is well above the industry average during the same years.

While ensuring the quality of our healthcare services, we have leveraged our industry-leading operational capabilities and granular management system to effectively control costs and improve operational efficiency. During the Track Record Period, our revenue increased from RMB2,223.6 million in 2021 to RMB2,336.4 million in 2022, and further to RMB2,687.6 million in 2023, and our gross profit margin increased from 15.3% in 2021 to 16.4% in 2022, and further to 18.9% in 2023. In addition, during the Track Record Period, our average bed turnover days were only 9.4 days, 9.2 days and 8.2 days in 2021, 2022 and 2023, respectively. Our granular management system not only allows us to maximize our hospital services' potential through the most cost-effective practices, but also helps us quickly adapt to changes in healthcare reform policies, making us one of the very few hospitals in Jiangsu Province that could maintain and even achieve growth in both revenue and gross profit after the implementation of the diagnosis-related group (DRG) payment system as of the Latest Practicable Date, according to Frost & Sullivan.

Our Controlling Shareholder, Qisda Corporation (2352.TW), is a global technology group with businesses spanning across IT, healthcare, smart solutions, networking, and communication. Its brand influence and global presence in the healthcare and technology industries will continue to provide us with synergetic business opportunities. As the sole undertaker and brand of Qisda Corporation healthcare services business, we plan to accelerate the expansion of our hospital network and form regional medical alliances by strengthening cooperation with primary, secondary and community healthcare institutions, thereby continuously identifying new growth drivers. We believe that our industry-leading management model, the support from our Controlling Shareholder and the extensive experiences accumulated from operating two large-size general hospitals over the years will continue to support our business expansion. This will enable us to successfully integrate newly acquired or established healthcare institutions in different regions, so as to swiftly replicate our success and achieve sustainable growth.

During the Track Record Period, we achieved stable financial growth. Our total revenue increased by 5.1% from RMB2,223.6 million in 2021 to RMB2,336.4 million in 2022, and further by 15.0% to RMB2,687.6 million in 2023. Our revenue generated from outpatient healthcare services increased by 8.3% from RMB1,019.4 million in 2021 to RMB1,103.9 million in 2022, and further by 14.4% to RMB1,262.9 million in 2023; Our revenue generated from inpatient healthcare services increased by 2.2% from RMB1,176.1 million in 2021 to RMB1,201.7 million in 2022, and further by 16.1% to RMB1,395.7 million in 2023; and our net profit increased by 29.7% from RMB69.1 million in 2021 to RMB89.6 million in 2022, and further by 87.0% to RMB167.5 million in 2023.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths have contributed to our success and differentiated us from our competitors: (i) a pioneer and leader among private for-profit general hospital groups in mainland China with wide brand recognition and influence; (ii) a "medical-teaching-research-operation" integrated private healthcare service platform emphasizing both comprehensive healthcare services and medical specialties that keeps attracting talents and generating business synergies; (iii) high-quality services with profound humanistic care through upholding an internationally advanced healthcare philosophy and putting patients first, resulting in better patient experience; (iv) industry-leading operational capabilities and highly scalable and standardized management model that drive robust and stable profitability; (v) a higher starting point backed by our world-renowned Controlling Shareholder, as well as synergies with shareholder to safeguard our long-term growth; and (vi) visionary leadership team.

OUR STRATEGIES

We are committed to becoming a leading private hospital group in Asia. We plan to implement the following strategies to realize our vision: (i) solidify our advantage of "comprehensive healthcare services plus medical specialties" and enhance medical expertise through academic research to continuously improve healthcare service quality and patient satisfaction; (ii) further scale up operations of our existing hospitals to expand service capabilities; (iii) form regional medical alliances that covers the full cycle of care needs to promote resource sharing and patient referrals; (iv) extend our healthcare service platform through acquisitions; and (v) continuously develop smart healthcare platform and advanced diagnosis and solutions to improve operational efficiency and service standardization.

OUR BUSINESS MODEL

We focus on providing a continuum of high-quality healthcare services to our patients through our multi-disciplinary private for-profit general hospitals. During the Track Record Period, we derived our revenue primarily from the provision of general healthcare services that comprise inpatient healthcare services and outpatient healthcare services.

We have experienced steady growth during the Track Record Period. The following table sets forth the components of our revenue by segment, in absolute amount and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Inpatient healthcare services	1,176,137	52.9	1,201,678	51.4	1,395,719	51.9
Outpatient healthcare services[1]	1,019,404	45.8	1,103,907	47.3	1,262,905	47.0
Others[2]	28,106	1.3	30,850	1.3	28,989	1.1
Total	**2,223,647**	**100.0**	**2,336,435**	**100.0**	**2,687,613**	**100.0**

Notes:

(1) Including revenue generated from our provision of physical examination services.

(2) Mainly including revenue generated from our provision of leasing services and car parking services.

We own and operate two private for-profit general hospitals in Jiangsu Province, the PRC, namely Nanjing BenQ Hospital and Suzhou BenQ Hospital. Nanjing BenQ Hospital is a Grade A Class III general hospital located in Nanjing. According to Frost & Sullivan, it is the fourth largest private for-profit general hospital in the PRC and the largest private for-profit general hospital in Jiangsu Province in terms of revenue generated from healthcare services in 2022. Suzhou BenQ Hospital is a Class III general hospital located in Suzhou.

The following table sets forth certain operating statistics of our hospitals as of the end of or for the years indicated:

	Year Ended December 31,		
	2021	2022	2023
Inpatient healthcare services			
Number of registered beds[(1)]	1,600	1,700	1,850
Effective service capacity[(2)]	584,000	620,500	675,250
Inpatient visits (in thousand)[(3)]	61.4	67.1	81.9
Number of inpatient surgeries[(4)]	17,238	18,451	20,511
Average spending per inpatient visit (RMB)[(5)]	19,142	17,918	17,042
Average bed turnover days[(6)]	9.4	9.2	8.2
Outpatient healthcare services			
Outpatient visits (in thousand)[(7)]	1,604.1	1,680.6	2,002.3
Average spending per outpatient visit (RMB)[(8)]	571	599	584
Number of outpatient surgeries[(9)]	4,677	4,882	5,251

Notes:

(1) Represents the number of beds that were registered in our hospitals' practicing license as of the end of the relevant year.

(2) Represents the estimated inpatient service capacity of our hospitals during the given year, calculated as the number of registered beds as of the end of such year multiplied by the number of days in such year.

(3) Represents the total number of inpatients (with hospital stay) in our hospitals during the given year.

(4) Represents the total number of inpatient surgeries performed in our hospitals during the given year.

(5) Represents the average spending per inpatient visit calculated as the revenue from inpatient healthcare services divided by the number of inpatient visits in our hospitals during the given year.

(6) Represents the average turnover days per registered bed in our hospitals, as an indicator of the efficiency of our delivery of inpatient healthcare services, calculated as the effective service capacity during the given year divided by the total number of discharged patients during such year.

(7) Represents the total number of outpatients (without hospital stay, and excluding the number of patients receiving physical examination services) in our hospitals during the given year.

(8) Represents the average spending per outpatient visit calculated as the revenue from outpatient healthcare services (excluding the revenue from physical examination services) divided by the number of outpatient visits of our hospitals during the given year.

(9) Represents the total number of outpatient surgeries performed in our hospitals during the given year.

OUR HOSPITALS

The table below sets forth certain key information of our hospitals as of December 31, 2023:

	Hospital type	Hospital class	Number of registered beds[1]	Number of doctors[2]	Number of other healthcare professionals[3]	Date of commencement of operation
Nanjing BenQ Hospital . . .	Private for-profit general hospital	Grade A Class III	1,050	566	1,030	May 2008
Suzhou BenQ Hospital . . .	Private for-profit general hospital	Class III	800	364	692	May 2013
Total.			**1,850**	**930**	**1,722**	

Notes:

(1) Refers to the number of beds that were registered in the hospital's practicing license.

(2) This number represents the total number of doctors employed by us. It does not include doctors from other healthcare facilities who engage in multi-site practice with us.

(3) Includes nurses, pharmacists and other medical technicians.

We experienced steadfast revenue growth during the Track Record Period. The table below sets forth a breakdown of our revenue by hospital, in absolute amount and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2021		**2022**		**2023**	
	Amount (RMB'000)	*% of total revenue*	*Amount (RMB'000)*	*% of total revenue*	*Amount (RMB'000)*	*% of total revenue*
Nanjing BenQ Hospital . . .	1,441,513	64.8	1,454,259	62.2	1,707,895	63.5
Suzhou BenQ Hospital . . .	782,134	35.2	882,176	37.8	979,718	36.5
Total	**2,223,647**	**100.0**	**2,336,435**	**100.0**	**2,687,613**	**100.0**

Nanjing BenQ Hospital

Having commenced operations in May 2008, Nanjing BenQ Hospital has been rated as a Grade A Class III hospital since 2022, being the first private hospital so rated in Nanjing, Jiangsu Province. According to Frost & Sullivan, Nanjing BenQ Hospital is the fourth largest private for-profit general hospital in the PRC and the largest private for-profit general hospital in Jiangsu Province as measured by revenue generated from healthcare services in 2022. As a medical university affiliated hospital that engages in medical treatment, teaching, research, and operation, it is a large scale purpose-built healthcare institution integrating multi-disciplinary clinical care, full range of diagnostic testing and a platform for medical training and research.

Suzhou BenQ Hospital

Having commenced operations in May 2013, Suzhou BenQ Hospital is a private for-profit general hospital that offers multi-disciplinary inpatient and outpatient diagnosis and treatments, similar to those offered by our Nanjing BenQ Hospital, yet with an emphasis on localized medical services. In August 2023, Suzhou BenQ Hospital obtained the Class III hospital ranking.

For details of our hospitals, see "Business — Our Hospitals" in this document.

OUR HEALTHCARE SERVICES

The treatment processes of our healthcare services can be generally divided into two categories: inpatient healthcare services and outpatient healthcare services. Inpatient healthcare services involve treating patients hospitalized overnight or for a prolonged period of time (the duration of which depend on each patient's health needs and recovery process), subject to the patients' conditions and recovery. Outpatient healthcare services refer to the treatment of patients who are hospitalized for less than 24 hours. Outpatient surgeries involving minor to intermediate procedures that are less invasive are sometimes performed without the need for overnight hospitalization. Within the scope of our outpatient healthcare services, we also provide physical examination services where we will examine signs of diseases and provide medical advices on healthcare issues. Individuals may seek such services for a number of reasons, including routine check-ups, pre-employment health check, driver's check-ups, school admission and travels. In addition, corporations and government administrations may also purchase our physical examination packages for their employees.

Nanjing BenQ Hospital has established multiple key disciplines and medical specialties that are highly regarded in the industry. As of December 31, 2023, Nanjing BenQ Hospital had (i) one National Key Clinical Discipline in Thoracic Surgery; (ii) one Jiangsu Provincial Key Clinical Discipline in the Department of Medical Imaging, and one Jiangsu Provincial Key Clinical Discipline Construction Unit in the Department of Urology; and (iii) 16 Nanjing Municipal Key Medical Disciplines. Suzhou BenQ Hospital obtained the Class III hospital ranking. Suzhou BenQ Hospital has a notably strong reputation in the Departments of Gynecology and Pediatrics. For details of our key disciplines and medical specialties, see "Business — Our Hospitals — Nanjing BenQ Hospital — Key Disciplines and Medical Specialties" in this document.

OUR CUSTOMERS

Our hospitals have a broad patient base, with no individual patient accounting for more than 1.0% of our revenue during the Track Record Period. Our five largest customers in each year during the Track Record Period also included business corporations and government administrations who purchase our physical examination services for their employees, and lessees of our owned properties. Our five largest customers in each year during the Track Record Period in aggregate contributed to less than 1.0% of our revenue in the respective year. For details of our customers, see "Business — Our Customers" in this document.

OUR SUPPLIERS

Our suppliers primarily consist of agents and distributors of pharmaceuticals, medical consumables and medical equipment that are either obtained from reputable local manufacturers or imported from international manufacturers. For some medical products, such as vaccines, we are required to obtain supplies directly from the Chinese Center for Disease Control and Prevention. Our suppliers also include construction companies who are engaged by us for the construction and expansion of our hospitals, as well as collaborative healthcare service providers who provide management and patient consulting services to certain of our departments. For details of our suppliers, see "Business — Our Suppliers" in this document.

RISK FACTORS

Our business faces risks including those set out in "Risk Factors" in this document. As different [**REDACTED**] may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to [**REDACTED**] in our [**REDACTED**]. Some of the major risks that we face include: (i) we conduct our business in a heavily regulated industry and are subject to extensive regulatory requirements; (ii) changes in the PRC's regulatory regime for the healthcare services industry, particularly changes in healthcare reform policies, may have a material adverse effect on our business; (iii) if we become subject to additional pricing guidelines on medical services, pharmaceuticals, medical equipment and medical consumables, our revenue may be adversely affected; (iv) we derive a considerable portion of our revenue from healthcare services and products provided to patients covered under public medical insurance programs, and the loss of any such revenue, especially that caused by our failure to remain eligible for public medical insurance coverage, could have a material adverse effect on our business, results of operations and prospects; and (v) our revenue has historically been significantly dependent on our operations in Jiangsu Province. As such, we are especially sensitive to the local conditions and changes in Jiangsu Province, such as with respect to its economy, laws and regulations, and any force majeure events, natural disasters or other outbreaks in this region. For more details, see "Risk Factors" in this document.

SUMMARY OF KEY FINANCIAL INFORMATION

The following tables summarize our consolidated financial results during the Track Record Period and should be read in conjunction with "Financial Information" of this document and the Accountants' Report set out in Appendix I to this document, together with the respective accompanying notes.

Summary of Consolidated Statements of Profit or Loss

The following table sets forth selected consolidated statement of profit or loss for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	**2,223,647**	**100.0**	**2,336,435**	**100.0**	**2,687,613**	**100.0**
Cost of revenue	(1,883,318)	(84.7)	(1,953,335)	(83.6)	(2,179,957)	(81.1)
Gross profit	**340,329**	**15.3**	**383,100**	**16.4**	**507,656**	**18.9**
Other net gain	6,145	0.3	11,981	0.5	1,476	0.1
Selling and distribution expenses	(8,142)	(0.4)	(6,783)	(0.3)	(5,661)	(0.2)
Administrative expenses	(205,749)	(9.3)	(217,625)	(9.3)	(241,006)	(9.0)
Impairment losses on trade receivables	(4,056)	(0.2)	(5,428)	(0.2)	(292)	–
Profit from operations	**128,527**	**5.8**	**165,245**	**7.1**	**262,173**	**9.8**
Net finance costs	(20,123)	(0.9)	(15,491)	(0.7)	(4,228)	(0.2)
Share of losses of associates	(6,507)	(0.3)	(22,143)	(0.9)	(23,849)	(0.9)
Profit before taxation	**101,897**	**4.6**	**127,611**	**5.5**	**234,096**	**8.7**
Income tax expense	(32,822)	(1.5)	(38,061)	(1.6)	(66,646)	(2.5)
Profit for the year	**69,075**	**3.1**	**89,550**	**3.8**	**167,450**	**6.2**
Profit for the year attributable to equity shareholders of the Company	**69,075**	**3.1**	**89,550**	**3.8**	**167,450**	**6.2**

Primarily driven by the growing number of patient visits at our two hospitals, our revenue increased continuously during the Track Record Period from RMB2,223.6 million in 2021 to RMB2,336.4 million in 2022, and further to RMB2,687.6 million in 2023. Thanks to our operational capabilities and granular management system to effectively control costs and improve operational efficiency, our gross profit margin increased continuously from 15.3% in 2021 to 16.4% in 2022, and further to 18.9% in 2023. As a result of the foregoing, our profit for the year increased from RMB69.1 million in 2021 to RMB89.6 million in 2022, and further to RMB167.5 million in 2023, and our net profit margin increased from 3.1% in 2021 to 3.8% in 2022 and further to 6.2% in 2023.

Summary of Consolidated Statements of Financial Position

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	**2,023,852**	**2,143,744**	**2,352,231**
Current assets			
Derivative financial instruments	–	28	–
Inventories	79,569	73,082	68,690
Trade receivables	242,573	188,474	246,924
Prepayments, deposits and other receivables	30,993	14,067	17,586
Time deposits	637	698	708
Cash and cash equivalents	89,950	135,704	226,246
Total current assets	**443,722**	**412,053**	**560,154**
Current liabilities			
Bank loans	175,124	410,252	419,992
Derivative financial instruments	1,480	1,216	1,364
Trade payables	362,491	325,796	376,865
Other payables and accruals	501,008	314,468	351,015
Contract liabilities	29,060	39,787	31,606
Current taxation	12,197	33,769	38,971
Total current liabilities	**1,081,321**	**1,125,288**	**1,219,813**
Net current liabilities	**(637,638)**	**(713,235)**	**(659,659)**
Total non-current liabilities	**160,000**	**101,000**	**190,392**
Net assets	**1,226,214**	**1,329,509**	**1,502,180**

We had a net assets position as of December 31, 2021, 2022 and 2023. Our net assets increased from RMB1,226.2 million as of December 31, 2021 to RMB1,329.5 million as of December 31, 2022, and further to RMB1,502.2 million December 31, 2023, primarily as our total comprehensive income for the year increased from RMB65.9 million in 2021 to RMB102.6 million in 2022, and further to RMB170.0 million in 2023. For further details on the equity movement of our Group, see "Consolidated Statements of Changes in Equity" of the Accountants' Report set out in Appendix I to this document.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows information for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Operating profit before changes in working capital	266,305	318,384	419,376
Changes in working capital	(98,030)	38,299	(105)
Cash generated from operations	168,275	356,683	419,271
Income tax paid	(64,391)	(23,503)	(60,847)
Net cash generated from operating activities	103,884	333,180	358,424
Net cash used in investing activities	(184,862)	(255,311)	(349,812)
Net cash (used in)/generated from financing activities	(7,672)	(32,531)	81,893
Net (decrease)/increase in cash and cash equivalents	(88,650)	45,338	90,505
Cash and cash equivalents at the beginning of the year	178,752	89,950	135,704
Effect of foreign exchange rate changes	(152)	416	37
Cash and cash equivalents at end of the year	89,950	135,704	226,246

Working Capital Sufficiency

During the Track Record Period, we financed our operations primarily through cash generated from our operating activities as our principal sources of funding, and our primary uses of cash were to fund our capital expenditures and working capital. Going forward, we believe that our liquidity requirements will be satisfied with a combination of our internal resources, cash flows generated from our operating and financing activities and net [**REDACTED**] from the [**REDACTED**].

Despite that we had a net current liability position as of December 31, 2021, 2022 and 2023 and February 29, 2024, taking into account the financial resources available to us, including (i) cash inflow from operating activities of RMB358.4 million in 2023, (ii) our current cash and cash equivalents of RMB237.9 million as of February 29, 2024, (iii) the time deposit of RMB0.7 million as of February 29, 2024; (iv) the unutilized banking facilities of RMB934.9 million as of February 29, 2024, and (v) the estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have available sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this document.

Key Financial Ratios

The table below sets forth our key financial ratios for the years/as of the dates indicated:

	As of/Year ended December 31,		
	2021	2022	2023
Gross profit margin(1)	15.3%	16.4%	18.9%
Net profit margin(2)	3.1%	3.8%	6.2%
Return on equity(3)	5.8%	7.0%	11.8%
Return on total assets(4).	2.8%	3.6%	6.1%
Current ratio(5)	0.4	0.4	0.5
Quick ratio(6).	0.3	0.3	0.4

Notes:

(1) Gross profit margin was calculated based on gross profit divided by revenue for the respective year.

(2) Net profit margin was calculated based on net profit divided by revenue for the respective year.

(3) Return on equity was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

(4) Return on total assets was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(5) Current ratio was calculated based on the total current assets divided by the total current liabilities as of the relevant dates.

(6) Quick ratio was calculated based on the total current assets less inventories and divided by the total current liabilities as of the relevant dates.

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

As of the Latest Practicable Date, Qisda Corporation was interested directly and indirectly through its wholly-owned subsidiaries (i.e., Darly2 Venture, Darly Venture, BenQ Corp. and Darly Venture (L)) in 232,736,837 Shares, representing approximately 95.02% equity interests in our Company. Upon completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised), Qisda Corporation will be interested directly and indirectly in 232,736,837 Shares, representing approximately [**REDACTED**]% of the equity interests in our Company.

As a part of the internal restructuring arrangements of Qisda Group, to simplify the holding structure, it is proposed that Darly2 Venture and Darly Venture, being wholly-owned subsidiaries of Qisda Corporation will transfer all of the Shares they hold in the Company to Qisda Corporation which is subject to the prior approval of the Department of Investment Review of the Ministry of Economic Affairs of Taiwan (the "**DIR**"). Upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised) and the Qisda Internal Restructuring, Qisda Corporation will still control the exercise of the voting rights attached to such [232,736,837] Shares, representing approximately [**REDACTED**]% equity interests in our Company. Therefore, Qisda Corporation will remain as our ultimate Controlling Shareholder and its interest in our Company will remain unchanged due to the Qisda Internal Restructuring.

Therefore, pursuant to the Listing Rules and the Guide, Qisda Corporation and its subsidiaries who are the Shareholders of the Company upon [**REDACTED**] will be considered as a group of Controlling Shareholders of our Company upon [**REDACTED**]. For more details, see "Relationship With Our Controlling Shareholders" in this document.

Pre-[REDACTED] Investments

From January 2009 to May 2016, our Company introduced the Pre-[**REDACTED**] investors including Mr. TSAI Chiang-Hai, Leader International Biomedicine Limited and ShareHope Medical Co., Ltd. (盛弘醫藥股份有限公司), through subscription for issued Shares of our Company or purchase of Shares from existing Shareholders. For more details, see "History, Development and Corporate Structure — Pre-[**REDACTED**] Investments" in this document.

[**REDACTED**]

[REDACTED] EXPENSE

[**REDACTED**]

FUTURE PLANS AND USE OF [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] from the [**REDACTED**], after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised. We currently intend to use the net [**REDACTED**] we expect to receive from the [**REDACTED**] for the following purposes and in the amounts set out below:

- Approximately [**REDACTED**], will be allocated to fund the expansion and upgrade of our existing hospitals.
- Approximately [**REDACTED**], will be allocated to fund potential investment and mergers and acquisitions opportunities.
- Approximately [**REDACTED**], will be allocated to fund the upgrade of our "Smart Hospital".
- Approximately [**REDACTED**], will be used for our working capital and general corporate purposes.

For details, see "Future Plans and Use of [**REDACTED**]" in this document.

DIVIDEND

No dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period.

Our Company is a holding company incorporated in the Cayman Islands. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may recommend a payment of dividend in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and such other conditions and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividend shall be proposed and approved by the Board in accordance with the Articles, the Cayman Companies Act and any applicable laws and regulations. Any future declarations of dividend may or may not reflect our historical declarations of dividend and will be at the absolute discretion of our Directors. There is no assurance that dividends of any amount will be declared or be distributed in any year.

RECENT DEVELOPMENT

Regulatory Update

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Administrative Measures**") and relevant supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Administrative Measures, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC enterprise limited by shares; and (ii) any offshore enterprise that conducts its business operations primarily in the PRC and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after its [**REDACTED**] is submitted. We have timely [**REDACTED**] with the CSRC, which was officially [**REDACTED**] by the CSRC on [●]. We are also proactively following up on changes in laws and regulatory development and will carry out relevant work to ensure continuous compliance with laws and regulations with the aid of external counsels, including our PRC Legal Adviser. For details, see "Regulatory Overview — Regulations Relating to Overseas Listings" in this document.

No Material Adverse Change

Our Directors confirmed that, up to the date of this document, there had been no material adverse change in our financial or operational prospects since December 31, 2023, being the latest balance sheet date of our consolidated financial statements in the Accountants' Report in Appendix I to this document.

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in "Glossary of technical terms".

"**Accountants' Report**"	the audited consolidated financial statements of our Company for the Track Record Period, as included 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**"	Accounting and Financial Reporting Council of Hong Kong
"**Articles**" or "**Articles of Association**"	the articles of association of our Company conditionally adopted on [●] with effect from the [**REDACTED**]
"**associate(s)**"	has the meaning ascribed to it under the Listing Rules
"**BenQ BM**"	BenQ BM Holding Corp., a private limited company incorporated under the laws of Malaysia on October 30, 2003 and a wholly-owned subsidiary of our Company
"**BenQ Corp.**"	BenQ Corp. (明基電通股份有限公司), a joint stock company incorporated under the laws of Taiwan and will be a Controlling Shareholder upon [**REDACTED**]. As of the Latest Practicable Date, it was a wholly-owned subsidiary of Qisda Corporation., details of which are set out in "Substantial Shareholders" and "Relationship With Our Controlling Shareholders" in this document
"**BenQ Healthcare Consulting**"	BenQ Healthcare Consulting Corporation (明基醫務管理顧問股份有限公司), a company limited by shares incorporated under the laws of Taiwan on February 5, 2009 and a wholly-owned subsidiary of our Company
"**BenQ L**"	BenQ (L) Corp. (now known as Qisda (L) Corp.), a company incorporated under the laws of Malaysia and a wholly-owned subsidiary of Qisda Corporation (our Controlling Shareholder)
"**Board**"	the board of Directors
"**business day**"	any 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

"**Cayman Companies Act**"	the Companies Act (As Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
"**CCASS**"	the Central Clearing and Settlement System established and operated by HKSCC
"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
"**Company**" or "**our Company**"	BenQ BM Holding Cayman Corp. (明基醫院集團股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability on January 5, 2009
"**connected person(s)**"	has the meaning ascribed to it under the Listing Rules
"**connected transaction(s)**"	has the meaning ascribed to it under the Listing Rules
"**Controlling Shareholder(s)**"	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, collectively refers to, Qisda Corporation, [Darly2 Venture, Darly Venture, BenQ Corp. and Darly Venture (L)] as detailed in "Relationship With Our Controlling Shareholders" in this document
"**CSRC**"	China Securities Regulatory Commission (中國證券監督管理委員會)
"**Darly Venture**"	Darly Venture, Inc. (達利投資股份有限公司), a joint stock company with limited liability incorporated under the laws of Taiwan and [will] be a Controlling Shareholder upon [**REDACTED**] (assuming the Qisda Internal Restructuring is not completed before [**REDACTED**]). As of the Latest Practicable Date, it was a wholly-owned subsidiary of Qisda Corporation, details of which are set out in "Substantial Shareholders" and "Relationship With Our Controlling Shareholders" in this document
"**Darly Venture (L)**"	Darly Venture (L) Ltd, a limited liability company incorporated under the laws of Malaysia and will be a Controlling Shareholder upon [**REDACTED**]. As of the Latest Practicable Date, it was a wholly-owned subsidiary of Qisda Corporation., details of which are set out in "Substantial Shareholders" and "Relationship With Our Controlling Shareholders" in this document

"**Darly2 Venture**"	Darly2 Venture, Inc. (達利貳投資股份有限公司), a limited liability company incorporated under the laws of Taiwan and [will] be a Controlling Shareholder upon [**REDACTED**] (assuming the Qisda Internal Restructuring is not completed before [**REDACTED**]). As of the Latest Practicable Date, it was a wholly-owned subsidiary of BenQ Corp., details of which are set out in "Substantial Shareholders" and "Relationship With Our Controlling Shareholders" in this document

[**REDACTED**]

"**Director(s)**"	the director(s) of our Company
"**Extreme Conditions**"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"**General Rules of HKSCC**"	the terms and conditions regulating the use of HKSCC's services, as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures

[**REDACTED**]

"**Group**", "**our Group**", "**we**", "**us**", or "**our**"	the Company and its subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"**Guangxi**"	Guangxi Zhuang Autonomous Region, the People's Republic of China
"**Guide for New Listing Applicants**"	the Guide for New Listing Applicants published by the Stock Exchange effective on January 1, 2024, as amended from time to time
"**HK**" or "**Hong Kong**"	the Hong Kong Special Administrative Region of the People's Republic of China
"**HK$**", "**HK dollars**" or "**Hong Kong dollars**"	Hong Kong dollars, the lawful currency of Hong Kong

"**HKFRS**"	Hong Kong Financial Reporting Standard
"**HKSCC**"	Hong Kong Securities Clearing Company Limited
"**HKSCC Clearing Participant**"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"**HKSCC Custodian Participant**"	a person admitted to participate in CCASS as a custodian participant

[**REDACTED**]

"**HKSCC Nominees**"	HKSCC Nominees Limited, a wholly owned subsidiary of the HKSCC
"**HKSCC Operational Procedures**"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operation and functions of the Systems, as from time to time in force
"**HKSCC Participant**"	an HKSCC Clearing Participant or an HKSCC Custodian Participant

[**REDACTED**]

"**Hong Kong Share Registrar**"	Computershare Hong Kong Investor Services Limited
"**Hong Kong Takeovers Code**" or "**Takeovers Code**"	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC

[**REDACTED**]

"**IFRS**"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"**Independent Third Party(ies)**"	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules to the knowledge of our Directors after all reasonable enquiries

[**REDACTED**]

"**Joint Sponsors**"	the joint sponsors of the [**REDACTED**] as named in "Directors and Parties Involved in the [**REDACTED**]"

"**Latest Practicable Date**"	March 27, 2024, being the latest practicable date for ascertaining certain information in this document before its publication

[**REDACTED**]

"**Listing Committee**"	the Listing Committee of the Stock Exchange

[**REDACTED**]

"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"**Macau**"	the Macau Special Administrative Region of the People's Republic of China
"**Main Board**"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"**mainland China**" or "**PRC**"	the People's Republic of China which, for the purposes of this document and for geographical reference only, except where the context requires otherwise, exclude Hong Kong, Macau and Taiwan
"**Memorandum**" or "**Memorandum of Association**"	the memorandum of association of our Company conditionally adopted on [●], with effect from the [**REDACTED**]
"**Nanjing BenQ Hospital Management**"	BenQ (Nanjing) Hospital Management Consulting Co., Ltd. (明基(南京)醫院管理諮詢有限公司), a limited liability company incorporated in the PRC on November 14, 2005 and a wholly-owned subsidiary of our Company
"**Nanjing BenQ Hospital**"	Nanjing BenQ Medical Center Co., Ltd. (南京明基醫院有限公司), a limited liability company incorporated in the PRC on November 11, 2003 and a wholly-owned subsidiary of our Company
"**NHC**"	the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)

[**REDACTED**]

"**PRC Legal Adviser**"	Commerce & Finance Law Offices, our legal adviser as to PRC laws
"**Pre-**[**REDACTED**] **Investment(s)**"	the investment(s) in our Company undertaken by the Pre-[**REDACTED**] Investors prior to the [**REDACTED**], the details of which are set out in "History, Development and Corporate Structure — Pre-[**REDACTED**] Investments"
"**Pre-**[**REDACTED**] **Investor(s)"**	the investors in our Company prior to the [**REDACTED**] as named in "History, Development and Corporate Structure — Pre-[**REDACTED**] Investments — Information about our Pre-[**REDACTED**] Investors"
"**Pre-**[**REDACTED**] **Share Option Plan**"	the share option plan which first became effective in November 2018, as amended and adopted by our Company on March 22, 2024, as amended from time to time, the principal terms of which are set out in "Statutory and General Information — D. Pre-[**REDACTED**] Share Option Plan" in Appendix V to this document

[**REDACTED**]

"**Qisda Corporation**"	Qisda Corporation (佳世達科技股份有限公司), a joint stock limited company incorporated under the laws of Taiwan and is listed on the Taiwan Stock Exchange (stock code: 2352.TW). Qisda Corporation will be a Controlling Shareholder upon [**REDACTED**], details of which are set out in "Substantial Shareholders" and "Relationship With Our Controlling Shareholders" in this document
"**Qisda Entities**"	Qisda Corporation and its subsidiaries, who are the Shareholders of the Company as of the Latest Practicable Date
"**Qisda Group**"	Qisda Corporation and, except where the context otherwise requires, all of its subsidiaries and their respective branches and business and, for the purpose of this document, excluding our Group
"**Qisda Internal Restructuring**"	has the meaning ascribed to it in the section headed "History, Development and Corporate Structure — Major Shareholding Changes of Our Company — Qisda Internal Restructuring" in this document
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**RMB**" or "**Renminbi**"	Renminbi, the lawful currency of the PRC
"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**SAFE**"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"**SAMR**"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"**SASAC**"	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
"**SAT**"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"**SFC**"	Securities and Futures Commission of Hong Kong
"**SFO**" or "**Securities and Futures Ordinance**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"**Share(s)**" or "**Ordinary Share(s)**"	ordinary share(s) in the capital of our Company with a nominal value of US$[**REDACTED**] each
"**Shareholder(s)**"	holder(s) of our Share(s)

[**REDACTED**]

"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**subsidiary**" or "**subsidiaries**"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"**substantial shareholder(s)**"	has the meaning ascribed to it in the Listing Rules
"**Suzhou BenQ Investment**"	Suzhou BenQ Investment Co., Ltd. (蘇州明基投資有限公司), a limited liability company incorporated in the PRC on September 16, 2015 and a wholly-owned subsidiary of our Company
"**Suzhou BenQ Hospital**"	Suzhou BenQ Medical Center Co., Ltd. (蘇州明基醫院有限公司), a limited liability company incorporated in the PRC on July 7, 2004 and a wholly-owned subsidiary of our Company
"**Taiwan**"	Taiwan, province of the People's Republic of China
"**Track Record Period**"	the three financial years ended December 31, 2021, 2022 and 2023
"**U.S.**", "**US**" or "**United States**"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"**U.S. dollars**", "**US dollars**" or "**US$**"	United States dollars, the lawful currency of the United States
"**U.S. SEC**"	the Securities and Exchange Commission of the United States
"**U.S. Securities Act**"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder

[**REDACTED**]

"**VAT**"	value-added tax

[**REDACTED**]

"**%**"	per cent

"AI"	Artificial Intelligence
"angiography"	visualization of blood vessels by means of injecting radiographic substance into the blood stream
"associate chief doctor"	a doctor obtaining associate professional title will be recognized as an associate chief doctor, which is the second professional rank for doctors in the PRC after chief doctor. An associate chief doctor may supervise attending and resident doctors, direct research work of a specific field, and typically handle complex medial cases
"attending doctor"	an attending doctor may supervise resident doctors and typically undertake medical treatment, teaching, research and disease prevention work
"CAGR"	compound annual growth rate, a financial metric used to measure the annualized growth rate of an investment or business over a specified period of time
"cardiovascular"	relating to or affecting heart and blood vessels
"chief doctor"	a doctor granted the senior professional title will be recognized as a chief doctor, which is the highest professional rank for doctors in the PRC. A chief doctor is generally in charge of a specific clinical department
"COVID-19"	Novel Coronavirus (COVID-19) or Novel Coronavirus Pneumonia, a respiratory illness caused by a new strain of coronavirus and characterized especially by fever, cough, and shortness of breath and may progress to pneumonia and respiratory failure
"critical care"	healthcare services provided to seriously or critically ill patients who are at risk of, or are recovering from conditions that may be life-threatening
"CT"	computed tomography, a medical imaging technique that uses X-rays and computer processing to create detailed cross-sectional images of the body
"dialysis"	the clinical purification of blood by dialysis, as a substitute for the normal function of the kidney

"DRG"	diagnosis-related group, a system commonly used in the healthcare industry to classify and categorize hospital inpatient stays into groups based on similar clinical conditions and resource requirements, primarily for reimbursement purposes by government and private insurance payers
"DSA"	digital subtraction angiography, a medical imaging technique which combines angiography and digital image processing to provide clear images of blood vessels to assist in the detection, diagnosis, and treatment of vascular diseases, used to observe and evaluate the condition of the vascular system
"endoscopy"	the examination and/or treatment of the interior of body organs, joints or cavities using miniaturized camera systems inserted into the body through openings or small incisions
"gastroenterology"	the branch of medicine which deals with the diagnosis and treatment of diseases and disorders of the digestive system
"general hospital"	a hospital that provides multi-disciplinary healthcare services including outpatient, inpatient and diagnosis
"geriatrics"	the branch of medicine that deals with problems and diseases of old age and aging people
"GFA"	gross floor area
"gynecology"	the branch of medicine that deals with health care for women, in particular the diagnosis and treatment of disorders affecting the female reproductive system
"healthcare services"	include (i) medical services, which are services dedicated to the prevention, diagnosis, and treatment of diseases, illnesses, injuries or dysfunctions; and (ii) other healthcare services, which are services dedicated to acute care, rehabilitation, home care and similar healthcare services, as well as healthcare education and infectious disease prevention and control

"hemodialysis"	a treatment method for individuals with end-stage kidney disease or acute kidney injury, where an artificial kidney machine is used to remove waste products and excess fluids from the blood
"ICU"	intensive care unit, a specially equipped unit that provides intensive care to patients who suffer from serious injuries or illnesses generally through a multi-disciplinary team of healthcare professional
"immunotherapy"	a type of treatment that fights disease by activating enhancing, or regulating the function of a patient's own immune system
"infectious disease"	a specialty of medicine that focuses on the prevention, diagnosis and treatment of infectious diseases
"internal medicine"	the branch of medicine dealing with the diagnosis and non-surgical treatment of diseases, especially of internal organ systems
"internet hospitals"	a new type of medical institutions approved by the provincial health commission or municipal health commission primarily consists of offshoots of offline medical institutions and online medical platforms. After completing filing on relevant regulatory platforms and registration with the Internet hospitals, doctors usually could provide online consultation and diagnosis, follow-up consultation for some common diseases and chronic diseases, as well as family doctor health management services
"inflammatory bowel disease"	disorders involving long-standing inflammation of tissues in digestive tract
"ISO"	International Organization for Standardization, a non-governmental organization that develops and publishes international standards
"JCI"	the Joint Commission International, an international arm of The Joint Commission. The Joint Commission is an independent, not-for-profit organization which accredits and certifies healthcare organizations and programs

"kWh"	kilowatt hour, a unit of energy
"medical examination"	a process by which a medical professional investigates the body of a patient for symptoms of disease, which aids in determining the correct diagnosis and devising the treatment plan
"Medical Insurance Designated Medical Institutions"	medical institutions designated by the relevant local medical insurance authority as ones that are permitted to treat patients covered by public medical insurance programs
"minimally invasive"	an advanced surgical technique that results in less injuries to the body than with open surgeries. Such techniques minimize recovery time, blood loss, postsurgical complications, surgical traumas and infection risks and result in more aesthetically pleasing surgical wounds than conventional open surgeries for the same condition
"MRI"	magnetic resonance imaging, a type of medical imaging technique to visualize detailed internal structure by making use of the property of nuclear magnetic resonance to image the nuclei of atoms inside the body
"multi-disciplinary team"	a healthcare team involving healthcare professionals from a range of disciplines collaborating with each other for the purpose of providing comprehensive healthcare services to address as many of the patient's needs as possible, including planning and implementing treatment programs for complex medical conditions
"multi-site doctors"	licensed doctors who are qualified and permitted to practice at multiple sites in the PRC
"multi-site practice"	a doctor providing medical services in two or more medical institutions in the PRC within his or her practicing period
"near-miss situation"	a situation that could have had an adverse patient consequence but was avoided
"nephrology"	a medical specialty that focuses on the diagnosis, treatment, and management of kidney-related diseases and disorders
"neurosurgery"	surgery performed on the nervous system, especially the brain and spinal cord

"NHFPC"	the National Health and Family Planning Commission of the PRC (中華人民共和國衛生和計劃生育委員會), which was reformed from the former Ministry of Health and the National Population and Family Planning Commission in March 2013, and its predecessors for the purposes of this document
"nosocomial infection"	an infection that is contracted from the environment or staff of a healthcare facility
"nuclear medicine"	the branch of medical specialty that applies radioactive substances in the research, diagnosis, and treatment of diseases
"obstetrics"	the branch of medicine that deals with the care of women during pregnancy, childbirth, and the recuperative period following delivery
"oncology"	a branch of medicine that focuses on the prevention, diagnosis, treatment, and research of cancer
"orthopedics"	medical specialty that focuses on injuries and diseases of the musculoskeletal system, which includes bones, joints, ligaments, tendons, muscles and nerves
"pathology"	a branch of medical science relating to the examination of organs, tissues and bodily fluids in order to make a diagnostic decision
"pediatrics"	the branch of medicine that deals with diagnosis and treatment of diseases of the infants, children and adolescents
"PET"	positron emission tomography, a functional imaging technique
"PET-CT"	positron emission tomography-computed tomography, a nuclear medical technology which combines, in a single gantry, a positron emission tomography scanner and an X-ray computed tomography scanner, to acquire sequential images from both devices in the same session and combine such images into a single superposed (co-registered) image, enabling the more precise alignment or correlation between the functional imaging obtained by positron emission tomography scanning and the anatomic imaging obtained by computed tomography scanning

"radiodiagnosis"	diagnosis by means of radiography or radioscopy
"radiology"	a medical specialty that uses imaging technologies to diagnose and treatment of diseases
"radiotherapy"	a treatment that uses high energy to kill malignant cancer cells or other benign tumor cells
"registered bed"	number of beds that are registered in a medical institution's practicing license
"resident doctor"	the entry professional rank for physicians in the PRC. A resident physician must have a medical degree, and may undertake basic tasks such as patient's medical record preparation and practice medicine under the supervision of attending physicians or other superiors
"SCI"	Science Citation Index
"sq.m."	square meter(s)
"thoracic surgery"	surgery performed on the heart, lungs, esophagus, and other organs in the chest
"traumatology"	the branch of medicine that deals with serious wounds and injuries and the associated surgical and reconstruction procedures
"urology"	a specialty field of medicine that focuses on the diagnosis, treatment, and management of diseases of the urinary system, including the kidneys, bladder, urethra, and prostate
"X-ray"	a type of radiation that can pass through most solid materials, with wavelength ranging from 0.01 to ten nm, which is commonly used for medical imaging examination

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as 'will', 'expect', 'anticipate', 'estimate', 'believe', 'going forward', 'ought to', 'may', 'seek', 'should', 'intend', 'plan', 'projection', 'could', 'vision', 'goals', 'aim', 'aspire', 'objective', 'target', 'schedules', and 'outlook') are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to complete the development and obtain the relevant requisite regulatory approvals of our product candidates;
- our ability to commercialize our approved products in a timely manner;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- our ability to control costs and expenses;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- the actions and developments of our competitors;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate;
- relevant government policies, legislations and regulations relating to our business and industry, as well as interpretation and positions adopted by, and actions taken by, the relevant regulatory agencies; and
- all other risks and uncertainties described in "Risk Factors".

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution [**REDACTED**] against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

An [**REDACTED**] *in our Shares involves significant risks. 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. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your* [**REDACTED**]. *These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section titled "Forward-Looking Statements" of this document.*

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) key risks relating to our business, industry, regulatory compliance, general operations and financial prospects; (ii) risks relating to our business and industry; (iii) risks relating to regulatory compliance; (iv) risks relating to our financial position and need for additional capital; (v) risks relating to our general operations; and (vi) risks relating to the [**REDACTED**]. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

KEY RISKS RELATING TO OUR BUSINESS, INDUSTRY, REGULATORY COMPLIANCE, GENERAL OPERATIONS AND FINANCIAL PROSPECTS

We conduct our business in a heavily regulated industry and are subject to extensive regulatory requirements.

We are subject to laws and regulations at the national, regional and local levels as a private hospital in the PRC. Such laws and regulations are mainly relating to (i) the quality and use of medical facilities, equipment, supplies and services; (ii) procurement, usage and storage of pharmaceuticals, medical equipment and medical consumables; (iii) the licensing and number of healthcare facilities, hospital beds and medical professionals; (iv) the discharge and disposal of pollutants and medical waste; (v) anti-corruption and anti-bribery; (vi) the confidentiality and safekeeping of patient's medical records; and (vii) data privacy and protection. The above list of certain regulated areas is not exhaustive. For details, see "Regulatory Overview" in this document. Due to the complexity of the regulatory environment, we cannot 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.

We are also exposed to potential legal liabilities in the course of our operations arising from medical disputes, whether with or without merit. For details, see "— Key Risks Relating to Our Business, Industry, Regulatory Compliance, General Operations and Financial Prospects — We are exposed to inherent risks of medical disputes and legal proceedings arising from our operations, and resolving such disputes and proceedings could result in significant costs and harm to our reputation, and materially and adversely affect our results of operations and prospects" in this section. There can be no assurance that there will not be additional laws or regulations on healthcare services. We cannot assure you that we will always be able to meet all of the regulatory obligations, including any additional requirements imposed in the future on hospitals.

Announced and unannounced inspections by regulators may be carried out periodically at our hospitals depending on the applicable regulatory requirements. Any failure to comply with laws or regulations, the receipt of an unsatisfactory rating in an inspection, 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. For instance, any irregularities with our fee charging practices, payment system, or prescribing activities of our doctors, especially those deemed by the competent authorities upon their inspections to have resulted in payments in excess of the reimbursable insurance scope subjecting to evolving implementation polices and interpretations, could lead to administrative penalties such as confiscation of payments collected and/or fines. Any of these consequences could have a material adverse effect on our business, results of operations and prospects.

Changes in the PRC's regulatory regime for the healthcare services industry, particularly changes in healthcare reform policies, may have a material adverse effect on our business.

In 2009, the PRC government unveiled its healthcare reform plan, which aims to ensure that every citizen has access to affordable basic healthcare. Since then, the PRC government has issued new policies addressing the affordability, accessibility and quality of healthcare services, public medical insurance coverage, as well as the reform of public hospitals, and has called for additional government spending on healthcare.

Our business and operations benefited directly from such policies and we expect our future growth will largely be driven by these policies. For example, the *Several Opinions of the State Council on Promoting the Development of Healthcare Service Industry* (《國務院關於促進健康服務業發展的若干意見》), which was promulgated by the State Council on September 28, 2013, encourages the private sector to invest in the healthcare service industry by various means, and proposes to take measures to further relax the limitations for establishing hospitals based on Sino-foreign joint venture and cooperation, and gradually expand the pilot project for qualified foreign capital to set up wholly foreign-owned medical institutions. However, these policies may change significantly in the future or become unfavorable to our business and operations. Future legislative changes may, among other things, limit private or foreign investment in healthcare services, change reimbursement rates for healthcare services provided to publicly insured patients, regulate the treatment fees permitted to be charged. Any such adverse change in the PRC's regulatory regime for the healthcare services industry could have a material and adverse effect on 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.

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 National Development and Reform Commission of the PRC (the "**NDRC**"), the NHC and the Ministry of Human Resources and Social Security of the PRC (the "**MOHRSS**") 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 relatively stable for a certain period of time.

The *Circular on Issuing the Opinions on Promoting the Drug Pricing Reform* (《關於印發推進藥品價格改革意見的通知》), 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 will 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 public 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 public medical insurance funds. With regard to patented drugs and exclusively produced drugs, the prices 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 timely 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.

We derive a considerable portion of our revenue from healthcare services provided to patients covered under public medical insurance programs, and the loss of any such revenue, especially that caused by our failure to remain eligible for public medical insurance coverage, could have a material adverse effect on our business, results of operations and prospects.

We receive a considerable portion of payments for our medical bills from the PRC government, principally through public medical insurance programs. The medical fee of patients for healthcare services and products covered under such programs is generally paid by the PRC government to our hospitals. We expect to continue to receive a considerable portion of our total medical bill payments under public medical insurance programs. The PRC government also only reimburses medical expenses for certain approved services and pharmaceuticals, and the reimbursement percentages and limits for covered medical expenses may vary widely depending on the region, hospital rating, type of disease and the treatment and pharmaceuticals provided. Our participation in medical insurance programs is dependent on our hospitals' maintaining the relevant "designated" status, which is subject to stringent regulatory scrutiny of, among other things, our medical facilities, staff, quality of healthcare services, procedures, internal controls, clinical governance and risk management. We cannot assure you that our hospitals will be able to maintain their status as a "designated" hospital under any of the public medical insurance programs in which we currently participate. The loss of the "designated" status of our hospitals will not only harm our reputation but may also result in a reduced volume of patients visiting our hospitals for healthcare services covered by the relevant public medical insurance programs. Further, the PRC government may develop its reimbursement policies in coverage plans in the future such that: (i) certain healthcare services and products provided by us will no longer be covered; or (ii) more stringent thresholds on existing coverage may be imposed, such as reducing the admissions and length of stays for inpatients, for whom treatment is generally more costly than outpatients. Any reduction in the rates paid or the scope of services covered may reduce patient accessibility to our hospitals and may lead to reduced patient flow and fees. Both the loss of our "designated" status and any development in the PRC government's reimbursement policies in public medical insurance programs could lead to a decrease in our revenue generation and profitability which could have a material adverse effect on our business, results of operations and prospects.

Our revenue has historically been significantly dependent on our operations in Jiangsu Province. As such, we are especially sensitive to the local conditions and changes in Jiangsu Province, such as with respect to its economy, laws and regulations, and any force majeure events, natural disasters or other outbreaks in this region.

During the Track Record Period, we derived our revenue from our operations in Jiangsu Province. Going forward, we expect that a large part of our revenue will remain dependent on our operations in Jiangsu Province. We are therefore highly sensitive to the regulatory, economic, environmental and competitive conditions, as well as the public health landscape, in this region. Furthermore, significant changes in the laws and regulations governing the healthcare industry in Jiangsu Province may have a material effect on our business operations. In addition, any pandemic outbreaks in Jiangsu Province may disrupt our operations. For example, the volume of patients that would seek non-urgent medical care at our hospitals may decrease if such patients avoid visiting hospitals during such outbreaks. The service capability of our hospitals will also be disrupted as a result of the need to implement heightened sanitation and quarantine procedures. Furthermore, natural disasters or other catastrophic events that may occur in Jiangsu Province, 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 our hospitals. Any such unpredictable development in Jiangsu Province could have a material adverse effect on our business, results of operations and prospects.

We derive our revenue from operating Nanjing BenQ Hospital and Suzhou BenQ Hospital during the Track Record Period. Our revenue and profitability could be materially and adversely affected if we fail to successfully operate these two hospitals.

Nanjing BenQ Hospital and Suzhou BenQ Hospital contributed all of our revenue during the Track Record Period. Any disruption to the operations of Nanjing BenQ Hospital and Suzhou BenQ Hospital, including as a result of natural disasters, negative publicity, regulatory action or otherwise, could have an adverse effect on our business, results of operations and prospects.

We are committed to accelerating our revenue growth and diversifying our income sources by, for instance, expanding our capacity and service offerings, improving our existing disciplines and building or acquiring additional hospitals. Our future growth and financial performance will depend on our ability to develop Nanjing BenQ Hospital and Suzhou BenQ Hospital by enhancing their clinical quality and expanding their service offerings. Therefore, if we fail to consistently maintain the standard of Nanjing BenQ Hospital and Suzhou BenQ Hospital or develop Nanjing BenQ Hospital and Suzhou BenQ Hospital to compete effectively with other hospitals, our ability to grow may be adversely affected.

The development and ramp-up of new healthcare facilities could contribute to fluctuations in our financial results, and they may not achieve profitability as anticipated in a timely manner, or at all.

New healthcare facilities typically require a substantial amount of commitment, capital expenditure (such as capital contribution), as well as investments, for the construction, decoration and/or renovation of the property, recruitment of suitable staff, and acquisition of requisite medical and other equipment. As a result, relevant costs and expenses, such as amortization, depreciation of property, plant and equipment, staff expenses and rental expenses, begin to accrue in this initial operation phase. As such, the development and ramp-up of new healthcare facilities could affect our results of operations and may lead to period-to-period fluctuations in the future.

Ramp-up schedules may also be affected for regulatory reasons as we are generally required to undergo certain regulatory reviews and approval processes from various authorities, including relevant health authorities, in the PRC. We cannot assure you that we will be able to obtain all the required approvals, permits or licenses for establishing and operating healthcare facilities in a timely manner, or at all, particularly in areas outside of Nanjing or Suzhou where we have limited experience. Furthermore, we may not be able to fully ramp-up new healthcare facilities in line with our anticipated timetables due to, among other reasons: (i) any failure or material delay in obtaining the required approvals, permits or licenses; (ii) any substantial increase in costs to ramp-up operations and utilization; (iii) achieving weaker market reception than expected; and (iv) difficulty in recruiting sufficient doctors and other medical staff to work at such facilities. Should any of these circumstances occur, we may be unable to put our new healthcare facilities into operation as planned.

We cannot assure you that we will be able to successfully commence, ramp-up our new healthcare facilities in a timely and cost-efficient manner, or at all, and put them into operation as planned, and if we fail to do so, our overall business growth strategy and prospects could be materially and adversely affected. The operating results generated at our new hospitals, or our expanded operations at our existing hospitals may not be comparable to the historical operating results generated at any of our existing hospitals, and may even operate at a loss. If so, our gross profit margin and net margin may be impaired. We cannot assure you that our future hospitals will achieve the level of profitability of our existing hospitals, if at all. Any of the above conditions could materially and adversely affect the operation of our new hospitals or our expanded operations at our existing hospitals, our reputation and our ability to compete effectively, which would in turn have a material adverse effect on our business, results of operations and prospects.

The Grade A Class III rating of our Nanjing BenQ Hospital and Class III rating of our Suzhou BenQ Hospital carry significant competitive advantages. If we are unable to maintain such ratings in the future, our reputation and our ability to compete successfully could be adversely affected.

The Grade A Class III rating of our Nanjing BenQ Hospital represents the highest rating attainable by hospitals in the PRC under the NHC hospital classification system. The Grade A Class III rating and Class III rating that have been attained by our Nanjing BenQ Hospital and Suzhou BenQ Hospital carry significant competitive advantages, but require substantial ongoing efforts to maintain. We cannot assure you that our Nanjing BenQ Hospital and Suzhou BenQ Hospital will always be able to meet all of the enhanced requirements of a Grade A Class III hospital and a Class III hospital, or that these two hospitals will be able to maintain the rating in the future, which is subject to assessment once every four years. If we are unable to maintain the Grade A Class III rating and Class III rating for our Nanjing BenQ Hospital and Suzhou BenQ Hospital, our reputation and ability to compete with other hospitals, particularly those possessing the Grade A Class III rating, could be compromised, and our business, results of operations and prospects would be adversely affected.

Our success is linked to our ability to recruit and retain high quality doctors, hospital administrators and other healthcare professionals, such as nurses and technicians.

Our operations depend on the number, efforts, ability and experience of our doctors and other healthcare professionals at our hospitals. We compete with other healthcare providers to recruit and retain qualified doctors and other healthcare professionals. The reputation, expertise and demeanor of the doctors and other healthcare professionals who provide medical services at our hospitals are instrumental to our ability to attract patients. The success of our hospitals is, therefore, linked to the number and the quality of the doctors and other healthcare professionals at our hospitals, their admitting practices and our relationships with them. The factors that doctors consider important in deciding where they will work include their compensation package, reputation of the hospital, the quality of equipment and facilities, research capability, platform for career advancement, the quality and number of supporting staff, and market leadership of the hospital. We may not be able to compete with other healthcare providers, whether public or otherwise, on all of these factors.

Without a team of quality doctors and other healthcare professionals, our hospitals would not be able to attract patients or offer high quality services to the general public. The loss of a significant number of our doctors and other healthcare professionals, or the inability to attract or retain sufficient numbers of qualified doctors and other healthcare professionals, could have a material adverse effect on our business, results of operations and prospects.

Quality deficiencies could adversely impact our brand, reputation and ability to market our services effectively.

Our success depends on our ability to continuously and consistently deliver high-quality healthcare services to our patients, to which end, we have established strict code of conduct for our healthcare professionals and internal control systems, and have arranged regular training sessions to provide added assurance of the quality of our healthcare services and avoid defective service delivery. We cannot assure you that we may not face risks of quality deficiencies, due to the nature of the healthcare industry and the inherent risks in treating patients, especially patients with complex medical conditions requiring intensive care or high-risk clinical interventions. In addition, any problems contained in our supply chain, inventory management, or the provision of services by our healthcare professionals, could lead to quality deficiencies that negatively affect our business operations.

We depend on the strength of our brand and reputation, in particular the Grade A Class III hospital rating attained by our Nanjing BenQ Hospital and Class III rating attained by our Suzhou BenQ Hospital. Factors such as poor clinical outcomes, health and safety incidents, problems with our medical equipment, negative press or patient dissatisfaction, could lead to a deterioration in our hospitals' rating or the public perception of the quality of our services, which could result in a reduction in the number of our patients. In addition, quality deficiencies could lead to regulatory action by PRC regulatory authorities, which could also result in a reduction of patient numbers or in us ceasing to provide a service or closing down part of our service offerings because of the negative publicity such regulatory action may generate.

Many of our patients have complex medical conditions, are considered vulnerable and often require a substantial level of intensive care and supervision. There is a risk that one or more of such patients could be harmed by our employees, either intentionally, negligently or accidentally. A serious incident involving harm to one or more of our patients could result in negative publicity. Furthermore, the damage to our reputation or to the reputation of our hospitals could be exacerbated by any failure on our part to respond effectively. We cannot assure you that our internal control and other governance procedures will enable us to prevent an event giving rise to significant negative publicity.

Any quality deficiency in our healthcare services could lead to deterioration of our hospitals' rating, loss of goodwill or damage to our reputation or the value of our brand, which could have a material adverse effect on our ability to attract new and returning patients and, as a result, adversely affect our business, results of operations and prospects.

We are exposed to inherent risks of medical disputes and legal proceedings arising from our operations, and resolving such disputes and proceedings could result in significant costs and harm to our reputation, and materially and adversely affect our results of operations and prospects.

We rely on doctors and other healthcare 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 doctors and other healthcare professionals, as their diagnoses and treatments of patients are subject to their professional judgment, and in many cases, must be performed swiftly on a real time basis. Any lapse of judgment on the part of our doctors and other healthcare 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. We are especially exposed to these risks from the treatment of complex medical conditions at our hospitals that do not have guaranteed positive outcomes. As a result, we may be held liable in medical disputes with our patients and/or their families that arise out of the personal judgment of our doctors and other healthcare professionals. In addition, there are inherent risks associated with our clinical activities which may result in unfavorable medical outcomes not caused by clinical decisions. We are susceptible to complaints from patients or their relatives associated with our services from time to time. They may use violence during the course of the disputes, which may result in damage to our equipment and facilities or cause harm to our doctors, other medical staff, patients or visitors. They may also generate negative publicity using the media. In such events, we may choose to settle with the unsatisfied parties without legal proceedings in order to minimize the negative impact on our reputation and operations. For details of our on-going medical disputes, see "Business — Legal Proceedings and Compliance — Legal Proceedings" in this document.

In the future, serious incidents of patient death or injury may occur at our hospitals. Through providing healthcare 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. Such risks cannot be entirely eliminated. Any medical dispute occurring at our hospitals may result in a claim or legal proceeding against us, which, regardless of merit or settlement status, could adversely affect our industry reputation, divert management resources and cause us to incur significant costs, such as legal fees. Further, we may not be adequately insured against losses and liabilities arising from such claims or proceedings. A settlement or successful claim against us can result in significant costs, damages, compensation and adversely affect our reputation, business, results of operations and prospects.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may not be able to properly identify or effectively execute expansion opportunities and plans, and any business we acquire in relation to our expansion may have unknown or contingent liabilities, which may materially and adversely affect our business, results of operations and prospects.

Our growth strategy depends, to an extent, on our ability to acquire and manage additional healthcare institutions and businesses. We may from time to time identify suitable acquisition targets, and pursue strategic acquisitions of and/or equity investments in businesses that we believe are complementary to our growth strategies. However, we might not be able to achieve the anticipated benefits or synergies from our acquired businesses due to a number of factors.

We may in the future continue to evaluate and consider a wide array of acquisitions and investments that we believe are complementary to our growth strategies, particularly those that can help us expand our geographical presence. Although we continuously evaluate potential opportunities, we may not be able to identify suitable business targets to expand our business operations, or be able to negotiate commercially acceptable terms for such expansion. We also compete with other companies on seeking suitable business targets. Even if we are able to identify suitable business targets, such expansion can be difficult, time consuming and costly and we may not be able to secure the necessary financing at commercially acceptable terms for such expansion. In addition, new facilities may require a significant number of additional staff, and we may have difficulty in hiring enough properly qualified personnel or in obtaining licenses for such personnel to practice in the relevant location. Furthermore, as we may not achieve the operating levels that we expect from future projects, including acquired healthcare institutions, we may not be able to achieve our target return on investment on, or intended benefits or operating synergies from, these projects. If we cannot identify suitable expansion opportunities, secure suitable financing or achieve our target return on investment, our business, results of operations and prospects could be materially and adversely affected.

With respect to the execution of our expansion strategy, we may encounter unknown or contingent liabilities, including those incurred for non-compliance with relevant laws, rules and regulations, such as failure to obtain requisite licenses, permits and title certificates to land or failure to register leases, which may result in financial penalties, reputation damage as well as being required to relocate our facilities. If we suffer reputational damage or financial loss caused by unknown or contingent liabilities of the business targets that we expand to, our business, results of operations and prospects could be materially and adversely affected.

We may not be able to execute our growth strategy or manage our growth in a timely and cost-efficient manner.

As part of our growth strategy, we are exploring opportunities to among other things, (i) expand the operating scale of our existing hospitals, namely, Nanjing BenQ Hospital and Suzhou BenQ Hospital, via multiple-phase expansion plans or other business upgrade schemes; and (ii) acquire existing healthcare institutions through selective mergers and acquisitions. See "Business — Our Strategies" in this document. To grow our business effectively and expand our geographic foot print, we are seeking expansion opportunities in, and have expanded into, areas outside of Jiangsu Province, with which we have limited experience. In particular, we have jointly invested in Donghui Hospital in Guigang, Guangxi in a collaborative manner with several business partners. Since our experience in operating hospitals was historically limited to Nanjing and Suzhou, we may not be successful in adapting our business model outside such markets. We may not be able to overcome the technological, regulatory, commercial and operational challenges relevant to a new market in a timely and cost-efficient manner. As a result, it may be challenging for us to develop, operate and integrate our hospitals in new markets outside of Nanjing or Suzhou or capitalize on our brand recognition in the new areas. Additionally, our experience in mergers and acquisitions is limited and we may not be able to identify and execute on suitable acquisition targets as we carry out our expansion plans. We may also not be able to successfully integrate newly acquired healthcare institutions or achieve expected profitability.

Furthermore, our future expansion and subsequent ramping up and integration efforts may require significant time commitments from our management, as well as substantial operational, financial and other resources, and could result in a diversion of resources from our existing hospitals, which in turn could have an adverse effect on our business operations.

Generally, we are subject to the following risks associated with our growth strategy:

- significant demands on our management's time and attention and diversion of resources from our existing operations;
- difficulties in identifying suitable business targets to expand our business operations to and negotiating commercially acceptable terms for such expansion;
- difficulties in expanding into other sectors within the healthcare value chain, such as elder care, including the increased operational cost associated therewith and uncertainties in achieving the desired outcomes;

- uncertainties in our multi-phase expansion plans for Nanjing BenQ Hospital and Suzhou BenQ Hospital, including successfully completing such plans on time within designed budget and yield the desired benefits therefrom;
- 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;
- hiring properly qualified staff and obtaining the requisite licenses for staff to practice locally;
- uncertainties associated with the local rules 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;
- difficulties in capitalizing on our brand recognition with respect to hospitals outside of markets familiar to us;
- difficulties in adapting our hospital operation model outside of markets where we operate in;
- local market competition dynamics may not be conducive to our hospital operations;
- local demographics may not be receptive to the types of healthcare services we offer;
- our due diligence may not uncover all material unknown or contingent liabilities or other negative developments with respect to acquired business targets, including those incurred for non-compliance with relevant laws, rules and regulations;
- integrating acquired business targets into our management structure and operations, including with respect to implementation of clinical governance procedures; and
- providing consistent, high-quality services throughout all of our hospitals to uphold our reputation and brand.

We cannot assure you that our growth strategy will be successful or implemented successfully. Any failure to manage our growth strategy effectively may materially and adversely affect our ability to capitalize on new business opportunities, place us at a competitive disadvantage and limit our growth, which may in turn have a material adverse effect on our business, results of operations and prospects.

The shortage of healthcare professionals, together with the costs associated with the increased wages and benefits to attract such professionals, may have an adverse effect on our profitability.

The competition for medical talents is intense in the industry where we operate. We have experienced and expect to continue to experience pressure to offer significant and increasing wages and benefits to doctors and other medical personnel due to the current shortage of healthcare professionals. Such competition is particularly intense in certain disciplines involving high clinical complexity and threshold for medical practitioners' experience. Also, there can be no assurance that we will not experience competition for recruiting doctors in some less complex disciplines that can be readily offered by outpatient clinics, which are generally able to offer a competitive salary package to doctors and a more flexible and less demanding working environment compared to hospitals.

We expect this shortage to continue, and we expect to continue to enhance wages, performance bonuses and benefits to recruit and retain our healthcare professionals. It has become increasingly costly to recruit and retain healthcare professionals in recent years. We do not know when and if the number of professional personnel will increase so that there would no longer be a shortage of such doctors and healthcare professionals. The continuation of the shortage of doctors in certain disciplines and medical personnel and the costs associated with the increased wages and benefits to attract such doctors and other healthcare professionals could have an adverse effect on our business and reduce our profitability in the long term.

Furthermore, although multi-site practice is generally considered to be beneficial to the development of private hospitals by facilitating their access to high quality and experienced doctors particularly from public hospitals, our own doctors may also opt to engage in multi-site practice with other healthcare facilities, which may result in a shortage of doctors from time to time. The relevant rules of multi-site practice stipulate that doctors in the PRC may only use their free time for multi-site practice without interfering with their responsibilities with the primary healthcare institution they practice in. Doctors constantly work under pressure and those who use their free time to engage in multi-site practice without taking adequate rest may be more prone to clinical mistakes and job burnout. If our own doctors who participate in multi-site practice with other hospitals fail to manage their time and responsibilities effectively, their performance at our hospitals, and in turn our clinical quality, may be adversely affected. These doctors may also request to reduce their practice hours with us, which may strain our clinical resources, in particular disciplines that are under heavy workload and generally experience a shortage of doctors. These doctors may also be more susceptible to attrition if their other multi-site practice healthcare facilities, having established rapport, seek to recruit them. If a significant number of our own doctors begin to engage in multi-site practice with other healthcare facilities in the future, we may experience a shortage of doctors. We may not be able to replenish the shortage of doctors on reasonable terms without paying substantially higher wages and benefits, if at all. As a result, our business, results of operations and prospects may be adversely affected.

We may be adversely affected by unfavorable market perceptions of, or negative developments and news regarding, the healthcare industry as a whole.

Recognition of the importance and value of healthcare has grown significantly in the PRC in recent years. However, many prospective patients and their families are prone to have more trust in public hospitals and may carry misconceptions and skepticism about the merits of the private hospital industry, and may be particularly susceptible to, among other things, media influences, social stigma, peer perceptions and reports alleging potential adverse health effects of certain healthcare procedures involved in our industry, any of which may have adverse consequences for the market perception of healthcare services provided in private for-profit hospitals and in turn, lead to less demand for services such as ours. In addition, if any news report or allegation surfaces in the traditional media, social media or other sources of any accident, ineffectiveness of treatment, poor service standards or mishandling of sensitive personal information by any operator of healthcare services provided by private for-profit hospitals, the private for-profit hospitals healthcare industry as a whole may suffer reputational harm. Any of the above developments may have a material adverse effect on our business, financial condition and results of operations.

Our business depends significantly on the strength of our reputation, which may be negatively impacted by various circumstances and events. Failure to develop, maintain and enhance our reputation, or any negative publicity about us or our hospitals could harm our brand recognition of, and trust in, our services.

We operate in an industry in which maintaining a reputation for high quality and reliable healthcare services overseen by a professional, high caliber and stable management team is of paramount importance to our success. Although we currently enjoy a strong reputation in the market in which we operate, as evidenced by the numerous awards and honors that have been bestowed upon our hospitals in recent years, we cannot assure you that we will be able to maintain or further enhance this reputation.

While many of the circumstances that may negatively impact our reputation, such as a failure to comply with existing or new regulations, loss of status as a designated service provider under key healthcare programs, the quality of our doctors, other healthcare professionals and services, and the quality of the services we provide are, to a reasonable extent, within our control, there are other circumstances and events that we may have limited or no control over. For example, despite our best efforts, there may be poor clinical outcomes with some of our patients and our employees may engage in conduct that is contrary to laws or regulations. Furthermore, negative publicity surrounding our Shareholders, Directors, management and their associates may also impact our reputation, whether or not directly related to us or our operations, and any negative publicity relating to our Shareholders, Directors, management and their associates, whether or not accurate or justified, may in turn have a material adverse impact on the reputation of our Company, our hospitals and operations.

Any deterioration of our reputation or the value of our brand caused by any of these events could have a material adverse effect on our ability to hire quality healthcare professionals and attract new and returning patients and, as a result, adversely affect our business, results of operations and prospects.

Our prospects for growth and reputation will be affected if we do not continuously enhance our facilities with the most recent technological advances in diagnostic and treatment equipment.

We utilize various types of medical equipment to carry out our operations. The healthcare industry is characterized by frequent product improvements and evolving technology. As technological advances in the healthcare industry continue to evolve rapidly, in order to compete with other hospitals and healthcare providers for doctors and patients, we must continuously assess our equipment at our hospitals and upgrade or acquire new equipment as a result of technological improvements. Such equipment upgrades and acquisitions represent significant expenditure and may be subject to licensing or other regulatory requirements. If we are unable to upgrade our existing medical equipment or satisfy relevant regulatory requirements for any newly acquired equipment in a timely manner, such that medical practitioners are unable to provide required services and either do not provide the relevant treatment or elect to leave our hospitals, then it could have a material adverse effect on our business, results of operations and prospects.

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 results of operations. We may from time to time incur impairment charges, which may materially adversely affect our business, results of operations and prospects.

Moreover, using equipment with advanced technologies also requires us to timely and properly provide training for our healthcare professionals. Without adequate training, our medical professionals may struggle to effectively utilize the upgraded technology, leading to waste in medical resources and inefficiencies in workflow. This may result in unnecessary expenditures, such as prolonged procedural times, increased equipment downtime, and maintenance costs that could otherwise avoid. In addition, inadequate training may result in an increased risk of medical errors or malpractice. Without a thorough understanding of the upgraded technology and its proper usage, healthcare professionals may make errors in diagnosis, treatment, or patient management. These errors can have serious consequences, including patient harm, legal implications, damage to our hospitals' reputation, and potential litigation costs. Any of such consequences may materially and adversely affect our business operation and growth.

Our failure to maintain relationships with public or commercial insurance providers on terms similar to those currently in place could have a material adverse effect on our business, results of operations and prospects.

Our relationship with public and commercial insurance providers is important to our success. For details of risks related to uncertainty with our continuous eligibility for public medical insurance coverage, see "— Key Risks Relating to Our Business, Industry, Regulatory Compliance, General Operations and Financial Prospects — We derive a considerable portion of our revenue from healthcare services provided to patients covered under public medical insurance programs, and the loss of any such revenue, especially that caused by our failure to remain eligible for public medical insurance coverage, could have a material adverse effect on our business, results of operations and prospects" in this section. Public and commercial insurance providers usually maintain a list of appropriate providers of certain medical services, which is made available to the patients who are funded by such insurance providers. Patients will not be reimbursed for treatments from hospitals that are not included in that list.

Accordingly, our ability to attract patients who are funded by public or commercial insurance providers could be adversely affected if one or more commercial insurance providers for any reason were to: (i) remove our hospitals from its approved list of hospitals; (ii) eliminate coverage of treatment options that we provide; (iii) impose more onerous reimbursement policies; (iv) revoke any applicable direct settlement protocols; (v) change its policies in a manner which makes access to our services more difficult or costly to patients; or (vi) otherwise withdraw recognition status of our hospitals. Any of these situations could have a material adverse effect on patients' affordable accessibility to medical services delivered by our hospitals, which could have a corresponding material adverse effect on our business, results of operations and prospects.

Our relationship with commercial insurance providers is important to our success. We have agreements in place with a number of commercial insurance providers setting out, among other things, the prices payable or reimbursable by commercial insurance providers for the services we provide. We may not be able to renew our existing agreements with commercial insurance providers on terms comparable to what we have achieved in the past. Any reduction in the rates paid or the scope of services covered by commercial insurance providers may reduce patients' accessibility to our hospitals, and may, in turn, lead to reduced patient flow or require us to lower the prices we charge, either of which could have a material adverse effect on our business, results of operations and prospects. In addition, should any of our agreements with commercial insurance providers be terminated, commercial insurance providers may withdraw recognition of our hospitals from their approved lists of hospitals, resulting in a reduced number of privately insured patients seeking our hospital services. Should some or all of our arrangements with commercial insurance providers (including but not limited to arrangements on pricing) fail to be renewed or extended, or are renewed on terms less favorable than in the past, or are otherwise adversely modified without alternative arrangements being made on comparable terms, our business, results of operations and prospects could be materially and adversely affected.

We operate in a competitive industry. If we do not compete successfully against other hospitals and healthcare providers, our profitability and market share may be affected.

The healthcare industry in the PRC is competitive. We compete with other public and private general hospitals and, to some extent, specialty hospitals, in particular those located in Jiangsu Province. Specifically, public hospitals have traditionally held a prominent position in delivering healthcare services in the PRC, and patients are prone to have more trust in public hospitals, which make it challenging for private hospitals to establish their market position and grasp patient resources. We will also compete with future market entrants as the growth of the healthcare market in the PRC may attract new entrants, both domestic and international. International market players may have substantially greater financial, marketing or other resources than we do, and the international profile of these operators and their ability to draw resources may constitute attractive features for many patients, thus increasing their competitive advantage. It is also possible that there will be significant consolidation and mergers in the healthcare industry. Our competitors may develop alliances that could capture substantial market share and strengthen their competitive position.

Furthermore, specialty hospitals that focus on one or a few clinical disciplines continue to grow. These hospitals generally have a lower barrier to entry than general hospitals. Any increase in such hospital could divert patients who might otherwise go to our hospitals for the same services, intensifying competition for our business, which could, in turn, have a negative effect on our patient volume and overall market share.

Hospitals compete on factors such as reputation, clinical excellence and patient satisfaction. We cannot assure you that we will be able to successfully compete against new or existing competitors, and changes in the competitive landscape may result in price reduction, reduced profitability or loss of market share, any of which could have a material adverse effect on our business, results of operations and prospects.

We depend on the continual service of our key personnel, and loss of the services of one or more of our key executives or a significant portion of our management personnel could weaken our management team and materially adversely affect our business, results of operations and prospects.

Our success depends on the skills, experience and efforts of our senior management. For details, see "Directors and Senior Management" in this document. Our senior management has extensive experience in the healthcare industry and have skills that are important to the operation of our business. The pool of individuals with industry-specific experience is limited, and the market for such individuals is competitive. Should we incur loss of one or more of our key personnel, we may not be able to attract, recruit and retain qualified personnel with comparable expertise to replace or succeed members of our senior management or other key employees. We do not maintain any key man life insurance policies. The loss of services of one or more members of our senior management or of a significant portion of any of our management staff could weaken our management expertise and our ability to deliver healthcare services efficiently, which could in turn have a material adverse effect on our business, results of operations and prospects.

Our ability to provide our 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. During the Track Record Period, we also engage third-party suppliers and service providers for the construction projects for our hospital network expansion.

The availability and prices of the pharmaceuticals, medical consumables and other supplies used in our business may 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. Should price fluctuations relating to our aforementioned supplies occur that are unfavorable to us, we cannot assure you that we will be able to anticipate and react to changes in such supply costs by finding alternative suppliers with more favorable terms or adjusting our service fees in the future, or that we will be able to pass these cost increases onto our customers. Any interruptions or changes in our 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. Any of these factors may have a material adverse effect on our business, results of operations and prospects. 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. Any such negative development in association with our supplies may negatively affect our business operations and prospects.

We have limited control over the quality of the pharmaceuticals, medical equipment, medical consumables and other supplies we use in our operations, which are provided by third-party suppliers.

The provision of general hospital healthcare services involves the frequent use of a variety of pharmaceuticals, medical equipment, medical consumables and other supplies, procurements of which were from suppliers we do not have control over. We cannot assure you that all supplies are authentic, free of defects and meet the relevant quality standards. If these products are subsequently found to have been defective at the time of the supply, even though we did not know or could not have known about such defects, we may be subject to liability claims, negative publicity, reputational damage or administrative sanction, any of which may adversely affect our results of operations and reputation. We cannot assure you that significant claims of such nature will not be asserted against us in the future, and that adverse verdicts will not be reached or that we will be able to recover losses from our suppliers. In addition, we cannot assure you that we will be able to find suitable replacement suppliers, failure of which may adversely affect our profitability, our business, results of operations and prospects.

Our relationships with certain academic institutions and clinical experts may affect our business prospects.

Medical research and education is an integral part of our institutional practice. We emphasize research, education and innovation, which help us attract, nurture and retain healthcare professionals who have a keen interest in the latest medical developments. To this end, we have been dedicating to establishing friendly and cooperative relationships with a wide range of industry-renowned academic institutions and engaging clinical experts in our multi-disciplinary professional team. From time to time, we also invite visiting specialist doctors to consult on difficult, highly unusual or complicated conditions on an ad-hoc or regular basis. For details, see "Business — Our Other Activities and Functions" and "Business — Our Staff — Our Doctors" in this document. We believe such cooperation is critical to our ability to stay at the forefront of medical service capabilities as well as our position as a hospital for medical treatment, teaching, research, and operation.

However, we cannot assure you that we will be able to maintain or strengthen our collaborations and relationships with such academic institutions and clinical experts, or that our efforts to maintain or strengthen such relationships will yield the successful outcomes, such as helping us iterate our medical service capabilities or expand our base of high-caliber medical professionals. Competition for cooperation with such institutions or personnel is intensive, thereby, they may choose to establish relationships with other hospitals within the industry, also, these clinical experts may leave their roles, or change their business or practice focus which render their continuous cooperation with us infeasible. If we are unable to maintain or strengthen our collaborations and relationships with such academic institutions and clinical experts, or generate returns from such relationships as anticipated, or at all, our business, financial condition and results of operations may be materially and adversely affected.

We and our hospitals may not be adequately insured against professional and other liabilities which may arise in our business.

We are exposed to potential liabilities that are inherent to the provision of healthcare services. As of the Latest Practicable Date, Nanjing BenQ Hospital and Suzhou BenQ Hospital were insured with property insurance, employee fidelity insurance, cash insurance, medical facility liability insurance, physician's practice insurance and group comprehensive accident insurance. However, we do not maintain business interruption insurance for our operations or key employee insurance for our management. We may face claims in excess of our insurance coverage or claims which are not covered by our insurance due to other policy limitations or exclusions or where we have failed to comply with the terms of the policy. In addition, there is only a limited number of medical liability insurance providers in the market and we may experience gaps in coverage when seeking to renew our insurance policies or seeking to change insurance providers. Moreover, we cannot assure you that we will be able to obtain medical liability insurance in the future for our hospitals on acceptable terms or without substantial premium increases or at all, particularly if there is deterioration in our claims experience history. Any successful claim against us not covered by or in excess of our insurance cover could have a material adverse effect on our business, results of operation and prospects.

The levels of demand or patient acceptance of our smart hospital related services may affect our business.

We have been building our brand name and reputation for our smart hospital, which we believe enables our prompt adaptation to the rapidly expanding digital medical service market. Our smart hospital enables online registration, online bill payment and online consultation, among others. Our ability to maintain or increase user acceptance of our smart hospital is primarily affected by the following factors:

- our ability to maintain superior user experience and the quality of services and products provided through our smart hospital, including the delivery of care;
- the breadth of offerings of our services and products and their efficacy in addressing our users' needs and meeting their expectations;
- the reliability, security and functionality of our smart hospital;
- our ability to adopt new technologies or adapt our information infrastructure to changing user requirements or emerging industry standards;
- the strength of our consumer protection measures; and
- our ability to increase brand awareness of our smart hospital among existing and potential users through various marketing and promotional activities.

If we fail to address, among other things, any of the foregoing challenges, users may become frustrated by or dissatisfied with our smart hospital services and may discontinue using such services. As a result, our business, results of operations and financial condition could be affected and our business expansion plan on the smart hospital may be slowed down.

Our reliance on our Controlling Shareholder may carry certain risks on our growth and future prospects.

We are a healthcare service group established by Qisda Corporation (2352.TW) in the spirit of giving back to the society. The pursuit of truth, goodness and beauty upheld by Qisda Group is deeply embedded in our genes. Qisda Group is a global technology group with businesses spanning across IT, healthcare, smart solutions, networking, and communication. Its brand influence and global presence in the healthcare and technology industries will continue to provide us with synergetic business opportunities. In addition, we benefit from our connections with Qisda Group with respect to our granular management system, financial resources, human resources and information system resources. However, our reliance on Qisda Group carries certain risks. For example, we may not be able to maintain the strategic support we currently receive from Qisda Group, if, for example, Qisda Group adjusts its brand development strategy and reduces its investment in the healthcare business segment. In addition, should our major corporate decisions be subject to approval by Qisda Group, we may miss out on certain development opportunities due to Qisda Group's opposition thereto. Moreover, given the overlap at the directors and senior management level between Qisda Corporation and us, any adjustments to staffing arrangements may negatively impact our corporate management and operations. For details, see "Directors and Senior Management" in this document. Furthermore, in the event that Qisda Connected Persons terminated their continuing connected transactions with us, including that on provision of healthcare services thereto, leasing of property thereto, and procurement of medical product and equipment therefrom, our business could be negatively impacted. For details, see "Connected Transactions" in this document. Lastly, our reputation may also be affected if Qisda Group suffers from negative publicity, which will negatively affect our growth and future prospects.

Demand for our healthcare services is affected by macroeconomic and political conditions that are outside of our control.

The demand for our healthcare services can be affected by a number of factors that are beyond our control such as general macroeconomic conditions, conditions in the financial services markets, geopolitical conditions and other general political and economic developments. However, We may be more susceptible to changes in patient preference, spending power, consumer sentiment and economic conditions than some of our competitors who provide similar services at lower prices. In particular, our patients may become less receptive to our high-margin services, and opt for more economic alternatives and cut back spending on treatments, procedures or services that are not considered medically necessary. As such, any changes in consumer spending power and economic conditions may have a material adverse effect on our business, results of operations and prospects.

Apart from revenue generated under medical insurance programs, during the Track Record Period, we also generated revenue from (i) self-pay patients who funded their treatments themselves or sought reimbursement from commercial insurance programs; and (ii) corporate customers who purchase employee healthcare services. The private medical insurance market, the self-pay market and employee healthcare market are subject to fluctuations in demand and are likely to be adversely affected in an economic downturn, particularly if employers become unable to employ additional workers or provide health benefits for their existing employees or if there is a decline in the number of people with sufficient income or capital to pay for treatment themselves. To the extent our payers are negatively affected by a decline in the economy, we may experience further pressure on commercial rates, less demand and a reduction in the amounts we expect to collect, any of which could have a corresponding material adverse effect on our business, results of operations and prospects.

On account of risks typically associated with the operation of healthcare facilities, we are susceptible to in-hospital infections and related claims by patients and visitors.

Our operations involve the treatment of patients with a variety of infectious diseases. Previously healthy or uninfected individuals may contract serious communicable diseases in connection with their stay or visit at our hospitals. This may result in significant claims for damages against us and, as a result of media coverage, damage of our reputation. Furthermore, these germs of infections could also infect employees and thus significantly reduce the service capacity at our hospitals. In addition to claims for damages, any of these epidemic events may lead to limitations on the activities of our hospitals as a result of quarantines, closing of parts of our hospitals at times for sterilization, regulatory restrictions on, or the withdrawal of, permits and authorizations, and it may indirectly result, through a loss of reputation, in reduced utilization of our hospitals. Any of these factors may have a material adverse effect on our business, results of operations and prospects.

We may not be able to protect our name, trademarks or other intellectual property rights.

The "BenQ" (明基) name and trademark supports our business. We believe our reputation and brand are associated with the "BenQ" (明基) name, and that this association has contributed to the success of our business. Marketing efforts that are carried out to promote our hospital services and to strengthen our position within the healthcare industry depend on the association of the "BenQ" (明基) name with our reputation, and the "BenQ" (明基) name may be damaged if it is used by third parties whose reputation or brand is not associated with quality, or if such third parties are otherwise the subject of any adverse publicity.

We may need to initiate legal proceedings to defend the rights of the trademarks or brand that we use against any infringement by third parties, which may be costly and time-consuming, may require our management to devote substantial time and resources, and may not ultimately achieve a favorable outcome. Furthermore, the scope and validity of laws governing the protection of trademarks and brand names in the PRC may continue to evolve and the outcome of any legal actions to protect our intellectual property rights may be unfavorable to us. If we are unable to adequately protect or safeguard our intellectual property rights, our business, results of operations and prospects may be adversely affected.

In addition, other parties may use or register trademarks that look similar to our registered trademarks under certain circumstances, and may cause confusion among consumers. We may not be able to prevent other parties from using trademarks that are similar to ours and our patients may confuse our hospitals with others using similar trademarks. In such cases, the goodwill and value of our trademarks and the public perception of our brand and our image may be adversely affected. A negative perception of our brand and image could have a material and adverse effect on our sales, and therefore on our business, results of operations and prospects.

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 and other medical institutions. 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.

Our business is subject to seasonality.

We experience seasonal fluctuations in our revenue and profitability. Our hospitals typically experience fewer patient visits during the Chinese New Year holiday period, as most Chinese usually avoid hospitals visits during this period, as well as other public holidays. Our hospitals generally experience more patient visits during the periods that are conducive to the spread of infectious diseases, particularly in the colder months of the fourth quarter. During these periods, the elderly or people with weaker dispositions are more susceptible to disease in cold weather, leading to increased demands of our services. Therefore, our interim results or results over the first three quarters of a year may fluctuate as a result of the foregoing and may not be indicative of our performance over longer periods.

RISKS RELATING TO REGULATORY COMPLIANCE

We are required to obtain and maintain the requisite licenses, permits or approvals required in the jurisdictions where we operate our business, and if we are required to take actions that are time consuming or costly in order to obtain and maintain such licenses, permits or approvals, our business, financial condition and results of operations may be materially and adversely affected.

The industry in which we operate is extensively regulated, and we are required to obtain and maintain the requisite licenses, permits or approvals required in the jurisdictions where we operate our business from different regulatory authorities. For details, see "Regulatory Overview" in this document. For details of our material licenses and permits, see "Business — Licenses, Permits and Certificates" in this document. We may also be required to take actions that are time-consuming or costly in order to obtain and maintain such licenses, permits or approvals, which may negatively affect our financial condition and results of operations.

As the regulatory regime for the industry in which we operate continues to evolve and in the course of our expansion to new business operations, the government authorities may continue to implement new laws and regulations, or interpretations and applications of existing laws and regulations, applicable to us. As such, we may be required to obtain additional licenses, permits or approvals so that we can continue to operate our existing or future businesses, which may increase our costs for business operations. We cannot assure you that we can successfully do so in a timely and cost-effective manner, or at all, considering the possible future developments regarding the interpretation and implementation by the relevant authorities of existing and future laws and regulations governing our business activities. Similarly, there is no assurance that we can successfully update or renew the licenses, permits or approvals required for our business upon revocation or expiration in a timely and cost-effective manner, or at all, which may be due to various reasons. Moreover, if we fail to obtain and maintain any of the required licenses, permits or approvals in any jurisdiction where we operate our business, we may be subject to various penalties, such as confiscation of the revenue generated through the unlicensed business activities, imposition of fines and discontinuation or restriction of our operations. Any such penalties may disrupt our business operations, negatively impact our reputation and materially and adversely affect our business, financial condition and results of operations.

If we fail to properly manage the practice and employment registration of doctors and other medical 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.

Doctors, nurses, laboratory technicians and medical technicians 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. If the doctor issues a prescription in a medical institution not registered in his or her license, the relevant medical institution would also be subject to regulatory penalties, including a fine and, in the worst-case scenario, revocation of the Medical Institution Practicing License. For details, see "Regulatory Overview — Regulations on Medical Practitioners of Medical Institutions" in this document.

In addition, a doctor 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. We have multi-site practice physicians practicing at our hospitals pursuant to the liberated physician registration regulation during the Track Record Period. If there are new regulations on such practice in the future, we may not be able to retain our current base of multi-site practice physicians. Moreover, in practice, it takes some time for doctors 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 closely follow up with the registration and renewal status of the practicing licenses by our doctors and other medical professionals at the time of employment and conduct regular checking of such practicing licenses.

However, we cannot assure you that the medical professionals at our hospitals will always strictly follow the requirements and will not practice outside the permitted scope of their respective licenses. In addition, we cannot assure you that external doctors 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 by our hospitals to properly manage the employment and registration of their doctors and other medical professionals may subject us to administrative penalties against our hospitals, which could materially and adversely affect our business.

We may be adversely affected by potential changes in regulations of digital healthcare and internet-related business.

Both healthcare and internet industries are heavily regulated. Potential changes relating to the laws and regulations of the internet hospital business, including evolving licensing practices, give rise to the risk that some of our permits, licenses or operations may be subject to challenge, which may be disruptive for us to provide smart hospital services, subject us to punishments, or have other adverse effects on us. Further, the restrictions on processing healthcare data, user data, personal information distributed online are convoluted. As a result, we may be subject to potential liability, temporary blockage or even complete revocation of our smart hospital services for any incompliance with the regulatory requirements. We cannot assure you that we will not be subject to penalties or be forced to relinquish our interests in those operations.

We may fail to comply with relevant medical, health and safety or environmental laws and regulations, including those in relation to the dealings of medical wastes.

Our operations are subject to PRC environmental laws and regulations that, among other matters, impose limitations on the discharge of pollutants into the air and water and establish standards for the treatment, storage and disposal of solid, hazardous and other medical waste materials, remediation of releases of hazardous substances and reclamation of land. As part of our normal business operations, we produce medical wastes, which may produce effects harmful to the environment or human health. If we 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. As confirmed by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we were not in violation of any applicable PRC laws and regulations that would have a material adverse effect on our business, financial condition or result of operations. However, if there are changes in applicable laws and regulations, we may incur additional compliance costs which could in turn have a material adverse effect on our business, results of operations and prospects. Failure to comply with applicable regulations in the PRC could also result in us being held liable or fined and any of our licenses, permits, approvals and certificates could be suspended or revoked by the relevant PRC health authorities. Any of these consequences may have a material adverse effect on our business, results of operations and 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 exposed to risks relating to health and safety, primarily in respect of food and water quality, as well as fire safety and the 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》), where the housing and urban-rural development authority under the State Council requires that an application for fire protection final inspection of an as-built construction project should be filed, a construction enterprise shall file such an application with the housing and urban-rural development authority. According to *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》), within five working days from the date when passing the final inspection of any other as-built construction project, the construction entity shall report for recordation to the competent department of fire protection design review and final inspection. Should the competent authorities find us to be non-compliant or liable in any of the aforementioned aspects, our reputation, business operations and prospects would be adversely affected.

Failure to comply with anti-corruption, anti-money laundering and anti-bribery laws could subject us to investigations, sanctions or fines, which may harm our reputation and have a material adverse effect on our business, results of operations and prospects.

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. We have established internal policies mandating compliance with anti-corruption and anti-bribery laws. The PRC government has recently increased its anti-bribery efforts by introducing a range of measures to address improper payments that facilitate preferential treatment with respect to services and drugs, and such measures are required to be strictly implemented and followed at Grade A Class III hospitals, such as our Nanjing BenQ Hospital. For example, Grade A Class III hospitals are required to: (i) implement robust internal controls and risk management measures specifically addressing bribery and corruption risks; and (ii) undergo inspections from relevant regulatory authorities, which include their anti-bribery and corruption status. 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. We may also 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.

Our business operations may be extensively affected by the laws and regulations regarding cybersecurity and data security.

Cybersecurity Review

We are subject to privacy laws, information security policies and contractual obligations related to data privacy and security. On December 28, 2021, the Cyberspace Administration of the PRC (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, (i) critical information infrastructure operators (the **"CIIO**") purchasing network products and services which affects or may affect national security, must file for the cybersecurity review; (ii) the internet platform operators holding personal information of more than one million users seeking a listing in a foreign country must file for the cybersecurity review; and (iii) where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review 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 "**CIIO Regulation**") which came into effect on September 1, 2021. Pursuant to the CIIO 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 CIIO Regulation also stipulates the procedures for determining critical information infrastructure. It provides that competent authorities shall promulgate detailed rules in designating critical information infrastructure, identify critical information infrastructure in the relevant industries, and notify operators of such critical information infrastructure in a timely manner. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a CIIO, involved in any cybersecurity review or received any investigation, inquiry, notice, warning or sanctions by any governmental authorities on such basis. Our PRC Legal Advisors conducted consultation via the hotline published by the CAC on a named basis on behalf of us on January 18, 2024, with an officer of the China

Cybersecurity Review, Certification and Market Regulation Big Data Center ("**CCRC**"). The CCRC is a competent authority on this consultation, because it is entrusted by the Cybersecurity Review Office under the CAC with authority to accept and review of application materials and to set up a hotline for consultation regarding the cybersecurity review, according to the official announcement by the CAC. Based on such consultation, our PRC Legal Advisor was informed that we do not need to proactively file for the cybersecurity review for our [**REDACTED**] in Hong Kong, given Hong Kong is part of China and does not belong to any "foreign country" as contemplated in the Cybersecurity Review Measures.

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"**), which further elaborated a listing in Hong Kong should not be treated as "listing in a foreign country", which was mentioned in the Cybersecurity Review Measures. According to Draft Regulations on the Administration of Network Data Security, data processors seeking to be listed in Hong Kong that affects or may affect the national security should be apply for cybersecurity review. According to National Security Law of the PRC (《中華人民共和國國家安全法》) adopted by the Standing Committee of the National People's Congress on July 1, 2015 and became effective on the same date, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other major interests of the state are relatively not faced with any danger and not threatened internally or externally and the regime has the capability to maintain a sustained security status.

Our Directors are of the view that the Cybersecurity Review Measures and the Draft Regulations on the Administration of Cyber Data Security, if implemented in current form, will not have material adverse effects on our business operations or the proposed [**REDACTED**]. However, with the continuous expansion of our business and growth of our customer base, there can be no assurance that we will not be subject to cybersecurity review or the recent tightening regulations on the collection and use of personal information by relevant government authorities in China will have no effect to our business operations in the future.

Cybersecurity and Data Security Protection

On November 7, 2016, the SCNPC promulgated the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), which came into effect on June 1, 2017 and applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in China. Network service providers who do not comply with the PRC Cybersecurity Law may be subject to correction orders, warnings, fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. The PRC Data Security Law provides for data security obligations and duties on entities and individuals carrying out data processing activities. The PRC Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken according to respective data security protection grade. Violation of the PRC Data Security Law may be subject to an order to cease illegal activities, warnings, fines, suspension of business and revocation of business licenses or operating permits, and the personnel directly in charge or other directly responsible personnel may be imposed with fines.

Personal Privacy and Protection

On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》, PIPL), which took effect on November 1, 2021. Pursuant to the Personal Information Protection Law. The Personal Information Protection Law applies to the processing of personal information of natural persons within the territory of the PRC, as well as personal information processing activities outside the territory of PRC, for the purpose of providing products or services to natural persons located within China, or for analysing or evaluating the behaviors of natural persons located within China, or for other circumstances as prescribed by laws and administrative regulations.

The interpretation and application of laws, regulations and standards on cybersecurity, data protection and privacy are still evolving. We cannot assure you that the relevant measures we have taken are, and will be, always considered sufficient under applicable laws and regulations related to cybersecurity, data protection and privacy. Nor can we assure you that we can meet all the requirements under such applicable laws and regulations related to cybersecurity, data protection and privacy. In addition, such applicable laws and regulations related to cybersecurity are still evolving and the interpretation or implementation of such laws and regulations may also develop in the future. We may be subject to investigations and inspections by Governmental Authorities regarding our compliance with such laws and regulations and we cannot assure you that our practices will always be found to fully comply with all applicable rules and regulatory requirements. Any accidental or willful security breaches or other unauthorized access to our systems could cause confidential data to be stolen and used for criminal purposes, and could also expose us to liability related to the loss of information, time-consuming and expensive litigation and negative publicity. If security measures are breached or if we fail to protect confidentiality of the personal data of our clients otherwise, our clients may be deterred from choosing us, which could result in significant loss of business and incurrence of significant liability, and our business and operations could be adversely affected.

We are subject to laws and regulations relating to the personal information of our patients. Any failure to adequately protect our patients' personal data and our operation information from leakage or improper use could expose us to liability.

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. In addition, we have implemented our own policies to safeguard our patients' personal information. However, we cannot ensure that we will be able to adapt to potential changes in relevant laws and regulations, which may affect our ability to collect, store or use patients' data for current permitted purposes and may also incur additional costs and labors. Furthermore, the patients' and operation information is processed by our information system, and we have adopted a set of rules and management procedures in accordance with relevant laws and regulations for the system safety to prevent any data leakage.

However, we cannot guarantee that our confidentiality policies and measures could always effectively or completely prevent our patient information from leakage or unauthorized use. Any system failure or compromise of our hospital network security may result in the unauthorized access to or release of such data. In particular, we could be subject to attacks on our systems by third parties or fraudulent or inappropriate behaviors by our employees, third-party service providers or other business partners. Third parties may also gain access to our data using computer malware, viruses, spamming, phishing attacks or other means. Personal information we maintain could be leaked because of any theft or misuse of personal information due to misconduct or negligence. Any breach of our confidentiality obligations to our patients could expose our Group and/or our medical professionals and management to potential liabilities, such as claims, regulatory actions or litigations, or disciplinary actions, which may have a material adverse effect on our brand image and reputation, business, results of operations, financial conditions and prospects.

We are subject to strict regulatory requirements in labor-related laws and regulations of the PRC.

According to PRC labor laws and regulations, we are required to pay various statutory employee benefits, including pensions, unemployment insurance, childbirth insurance, work-related injury insurance, public medical insurance and housing provident fund. For details, see "Regulatory Overview — Regulations on Employment — Labor Law of the PRC" in this document. If we are found not in compliance with relevant laws and regulations, we may face fines or penalties which could adversely affect our business, financial condition and results of operations.

Moreover, as the interpretation and implementation of labor-related laws and regulations are still evolving and the PRC government has recently enhanced its measures relating to public medical insurance collection, which may lead to stricter enforcement, we cannot assure you that our employment practices and policies will at all times be deemed to be in full compliance with such laws and regulations, which may subject us to labor disputes or government investigations. If we are deemed to have violated the relevant labor laws and regulations, we could be subject to related penalties, fines or legal fees, and our business, financial condition and results of operations could be materially and adversely affected.

Non-compliance with PRC laws relating to advertisement and promotion of medical services could subject us to potential fines and penalties.

We are obligated under PRC laws and regulations to monitor our advertising content to comply with applicable laws. According to the Measures for the Administration of Medical Advertisement (《醫療廣告管理辦法》) and Circular of the MOH 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》), our hospitals must apply for and obtain a Medical Advertisement Examination Certificate before publishing a medical advertisement. Violation of these regulations may result in penalties against our hospitals, including rectification, warnings, suspension of operations, revocation of relevant diagnostic and therapeutic disciplines and the revocation of the hospitals' Medical Institution Practicing License. In addition, if the content of the published advertisement is different from what is approved and documented in the Medical Advertisement Examination Certificate, the competent authority may revoke the Medical Advertisement Examination Certificate and refuse to accept any applications for advertisement examination for a period of one year. Any violation of the relevant laws and regulations may subject us to governmental penalties, impair our brand and adversely impact our financial condition and results of operations.

Changes in political and economic policies may affect our business, financial condition, results of operations and prospects.

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by political, economic and legal developments in the PRC. The overall economic growth of PRC is influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects. We shall comply with the applicable PRC laws, rules and regulations. With social developments, the relevant PRC laws, rules and regulations in force at present may be amended in the future, and their interpretation and implementation shall be determined in accordance with relevant laws and regulations in force at the time. Any non-compliance with any existing or new laws and regulations could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

You may have limited resources in effecting service of legal process and enforcing foreign judgments against us and our management.

We are incorporated under the laws of the Cayman Islands, but substantially all of our assets are located in the PRC. In addition, a majority of our Directors and senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may be difficult for [**REDACTED**] to directly effect service of legal process upon our Directors and senior management personnel.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region* (《關於內地與香港特別政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the mainland China, without including the requirement for a choice of court agreement in writing by the parties. Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. The 2019 Arrangement will, upon its effectiveness, supersedes the Arrangement. Therefore, before the 2019 Arrangement becomes effective, a choice of court agreement in writing by parties in the dispute is generally required for enforcing a judgment rendered by a Hong Kong court in mainland China.

We are subject to and shall comply with the Foreign Investment Law.

On March 15, 2019, the National People's Congress of the PRC ("**NPC**") promulgated the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》), which took effect on January 1, 2020. Along with the *Foreign Investment Law*, the *Implementing Rules of Foreign Investment Law of the PRC*《中華人民共和國外商投資法實施條例》) promulgated by the State Council and the *Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign* Investment *Law* promulgated by the Supreme People's Court (《最高人民法院關於適用<中華人民共和國外商投資法>若干問題的解釋》) took effect on January 1, 2020. The *Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition)* (《外商投資准入特別管理措施(負面清單)(2021年版》)) (the "**Negative List**") promulgates certain areas which imposes restrictions on foreign investments. The *Foreign Investment Law* provides that (i) foreign-invested entities operating restricted business are required to obtain market entry clearance and other approvals from relevant PRC government authorities; (ii) foreign investors shall not invest in any prohibited business under the Negative List. On July 3, 1988, the State Council issued and implemented the Regulations of the State Council on Encouraging Investment by Taiwan Compatriots (《國務院關於鼓勵台灣同胞投資的規定》). On October 22, 2010, the MOH and MOC promulgated the Interim Measures for the Management of Sole proprietorship Hospitals Established by Taiwanese Service Providers in Mainland China (《台灣服務提供者在大陸設立獨資醫院管理

暫行辦法》), which stipulates that the establishment of sole proprietorship hospitals by Taiwanese service providers in mainland China is limited to Shanghai, Jiangsu, Fujian, Guangdong, and Hainan provinces. Taiwanese service providers can establish Taiwan funded wholly owned hospitals in mainland China and independently choose to operate for profit or non-profit purposes. If we are prohibited or restricted from operating our business according to evolving implementation and interpretation of relevant laws and regulations or future laws and regulations, our business operations will be materially and adversely affected.

We may be treated as a resident enterprise for PRC tax purposes and our income may become subject to PRC tax.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**IIT Law**") with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of the Shares and the tax rate applicable thereto are known to us.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC enterprise income tax at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the PRC Enterprise Income Tax Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification. The interpretation and application of the relevant PRC tax laws by the PRC tax authorities may continue to evolve, including whether and how individual income tax or enterprise income tax on gains derived by holders of our Shares from their disposition of our Shares may be collected. If any such tax is collected, the value of our Shares may be adversely affected.

Under the PRC Enterprise Income Tax Law, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise," meaning that it is treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. The implementing rules of the PRC Enterprise Income Tax Law define "de facto management bodies" as "management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In addition, the Notice *Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies* (《國家稅務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 Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following are located or resident in the PRC: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of senior management or directors having voting rights. The State Taxation Administration of the PRC, or the SAT, has subsequently provided further guidance on the implementation of Circular 82.

As substantially all of the operational management of our Company is currently based in the PRC, our offshore subsidiaries may be deemed to be "PRC resident enterprises" for the purpose of the PRC Enterprise Income Tax Law. If our offshore subsidiaries are deemed PRC resident enterprises, they could be subject to the enterprise income tax at 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be exempt from the enterprise income tax to the extent such dividend income constitutes "dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise." It is, however, unclear what type of enterprise would be deemed a "PRC resident enterprise" for such purposes. The enterprise income tax on our subsidiaries' global income could increase our tax burden and adversely affect our cash flows and profitability.

The heightened scrutiny over acquisitions from the PRC tax authorities may have a material and adverse impact on our business or acquisition strategies or the value of your investment in us.

On February 3, 2015, the SAT issued the Announcement of the SAT on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Circular 7**"), which abolished certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得稅管理的通知》) (the "**Circular 698**"), which was previously issued by the SAT on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the "**PRC Taxable Assets**").

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets according to Article 47 of the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), when 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, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Article 5 and Article 6 of Circular 7, transfers of PRC Taxable Assets under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the equity value of the overseas enterprise is directly or indirectly from PRC Taxable Assets; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in the PRC at any time during the year prior to the indirect transfer of PRC Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from the PRC during the year prior to the indirect transfer of PRC Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold PRC Taxable Assets and have registered in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be lack of economic substance due to their inadequate ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of PRC Taxable Assets payable abroad is lower than the income tax in the PRC that may be imposed on the direct transfer of such PRC Taxable Assets.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it requires further clarification whether any exemptions under Circular 7 will be applicable to the transfer of our Shares that do not qualify for the aforementioned situation or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 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 relevant PRC tax reporting obligations or tax liabilities.

Payment of dividends is subject to restrictions under PRC law and regulations.

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, our operating subsidiaries in the PRC may not have distributable profit as determined under the Generally Accepted Accounting Principles of the PRC (the "**PRC GAAP**"). Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our operating subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we were not in violation of any requirements under relevant PRC tax laws and regulations that would have a material adverse effect on our business, financial condition or result of operations, and had established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government may continue to adjust or revise its tax laws and regulations. For example, under the IIT Law which was last amended on August 31, 2018 and came into effect on January 1, 2019, foreign nationals who have no domicile in the PRC but have resided in the PRC for a total of 183 days or more in a tax year, would be subject to PRC individual income tax on their income gained within or outside the PRC. Should such rule be strictly enforced, our ability to attract and retain highly skilled foreign scientists and research technicians to work in the PRC may be adversely affected, which may in turn have an adverse effect on our business, financial condition, results of operations, cash flows and prospects. Further adjustments or developments to tax laws and regulations could also have an adverse effect on our business, financial condition and results of operations.

Government regulations on currency exchange may limit our ability to utilize our revenue effectively in order to satisfy our foreign currency denominated obligations.

Government authorities in regions where we operate our business regulate the convertibility and remittance of currencies. Shortages in availability of foreign currency may then affect our ability to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign currency denominated obligations. The RMB is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries. Currently, we and our PRC subsidiaries may purchase foreign currency for settlement of "current account transactions," including making dividend payments in foreign currencies, without the approval of the SAFE by complying with certain procedural requirements. However, the relevant regulatory developments may affect our ability to purchase foreign currencies in the future for current account transactions. Since a portion of our revenue is denominated in RMB, any existing and future regulations on currency exchange may affect our ability to utilize our revenue to fund our offshore business activities or pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under the capital account require approvals from, registration with, or filing with, SAFE and other relevant governmental authorities and competent banks. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

Regulations relating to offshore investment activities by PRC residents or entities may affect our PRC subsidiaries' abilities to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiaries.

The SAFE has promulgated several regulations requiring PRC residents and entities to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by Domestic Residents via Special-Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**"), issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents and entities to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents and entities, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC residents and entities under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of SAFE Circular 37 or other related regulations. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain applicable registrations or approvals with the SAFE, the NDRC and the Ministry of Commerce of the PRC (the "**MOFCOM**") or their local branches which are required by SAFE Circular 37 or other related regulations, including applicable NDRC and MOFCOM regulations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and government regulations on currency exchange may delay or prevent us from using the proceeds of our securities [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

Any funds we transfer to our WFOE, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, the information of capital contributions to our WFOE should be reported to MOFCOM or its local branches and filed with other governmental authorities in the PRC.

Additionally, any foreign loan procured by our WFOE is required to be registered with the SAFE or its local branches, and our WFOE may not procure loans which exceed the difference between its registered capital and its total investment amount as approved by MOFCOM or its local branches. Any medium or long-term loan to be provided by us to our Consolidated Affiliated Entities for a term of over one year must be approved by the NDRC and the SAFE or its local branches. We may not obtain these governmental approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registrations, our ability to use the [**REDACTED**] of the [**REDACTED**] and to capitalize our PRC operations may be negatively affected, which could adversely affect our WFOE's liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE issued the Circular of the State Administration of Foreign Exchange on Performing the Administration Approach regarding the Foreign Exchange Capital Settlement 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》) ("**SAFE Circular 19**"). SAFE Circular 19 allows foreign-invested enterprises in the PRC to convert foreign currencies into Renminbi in order to pay their registered capital and make equity investments in Renminbi. On June 9, 2016, SAFE promulgated 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》) ("**SAFE Circular 16**"), which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using Renminbi capital converted from foreign currency-denominated registered capital of a foreign-invested enterprises to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. As a result, SAFE Circular 19 and SAFE Circular 16 may affect our ability to convert, transfer and use the net [**REDACTED**] from the [**REDACTED**].

The changes in international political relationships, trade policies and trade barriers, or the escalation of trade tensions, may have an adverse effect on our business operations.

In order to deliver high-quality medical devices, we may from time to time procure medical devices or other supplies, including from certain overseas suppliers as the circumstance may require. In the event that the countries from which we import equipment impose import tariffs, trade restrictions or other trade barriers affecting the importation of such supplies, we may not be able to obtain a steady supply in time, at competitive prices or at all, and our business and operations may be adversely affected. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions.

It is notable that the U.S. government has made significant changes in its trade policy in recent years and has taken certain actions that may materially impact international trade, such as announcing import tariffs which have led to some other countries to impose tariffs against the U.S. in response. Currently, it remains unclear what actions, if any, the U.S. government will take with respect to other existing international trade agreements. It is also unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry. Furthermore, any escalation in existing trade tensions or the advent of a trade war, or news and rumors of the escalation of a potential trade war, could affect consumer confidence and have a material adverse effect on our business, results of operations and, ultimately, the market price of our Shares. Rising political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the relevant major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, such changes could have an adverse effect on our business, financial condition and results of operations.

We are required to complete filing procedures with the CSRC for the [REDACTED] and the [REDACTED], which, as well as our future financing activities, may be subject to additional regulatory requirements.

On July 6, 2021, the relevant PRC government authorities issued the *Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law* (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by PRC-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by PRC-based overseas-listed companies. On February 17, 2023, the CSRC promulgated the Trial Administrative Measures and relevant supporting guidelines, which came into effective on March 31, 2023. Pursuant to the Trial Administrative Measures, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC enterprise limited by shares; and (ii) any offshore enterprise that conducts its business operations primarily in the PRC and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after its application for overseas listing is submitted. For details, see "Regulatory Overview — Provisions on Strengthening the Confidentiality and Archives Administration Overseas — Securities Issuance and Listing by Domestic Enterprises" in this document.

The [**REDACTED**] and the [**REDACTED**] will be considered an indirect overseas [**REDACTED**] and [**REDACTED**] activity by a PRC domestic company under the Trial Administrative Measures. Pursuant to the Trial Administrative Measures, where an issuer submits an [**REDACTED**] for overseas [**REDACTED**] to competent overseas regulators, such issuer must file with the CSRC within three business days after such [**REDACTED**] is submitted. Accordingly, we will be required to file with the CSRC in connection with the [**REDACTED**] and the [**REDACTED**] within three business days after our [**REDACTED**] is submitted. We cannot assure you that we could meet such requirements or complete such filing in accordance with the Trial Administrative Measures in a timely manner. Any failure may restrict our ability to complete the [**REDACTED**] and the [**REDACTED**] or any future equity capital-raising activities.

In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for the [**REDACTED**] and the [**REDACTED**] or [**REDACTED**], we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business operations, prospects and financial condition.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

Our historical revenue growth may not be representative of our future performance.

Our historical results may not be indicative of future performance. Our financial and operating results may not meet the expectations of our investors or public market analysts who are tracking our performance, which may 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 market, adjustments and changes in healthcare related policies, 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 maintain our strength in service quality, strengthen our reputation, attract quality talent, adopt innovative technologies and treatment processes, increase the awareness of our brand through effective marketing, promotional activities and word-of-mouth, and utilize any growth in demand in the markets in which we operate or intend to operate. We will also need to successfully expand our footprint into new geographical locations where we have limited experience. We cannot assure you that we will achieve any of the above. 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 such comparisons to predict the future performance of our operating results or the Shares.

We may not obtain adequate or timely financing for existing and future investments in our hospitals, and our improvement projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.

In order to finance our growth and development, including any potential investments and upgrades in our existing 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.

Our ability to obtain additional 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 PRC government approvals, investors' confidence, general performance of the healthcare industry, specific policies and legal requirements applicable to healthcare industry, and in particular, our operating and financial performance. We cannot assure you that future 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.

Our improvement projects may not be completed within the expected time frame and within our budget, or at all. Even if our improvement projects were consummated, we might not be able to achieve the anticipated intended economic results from them due to a number of factors.

Any negative developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

To the extent we engage in debt financing, the indebtedness we incur would result in increased debt service obligations and could result in 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, which could trigger a default of other debt obligations and materially and adversely affect our liquidity and financial condition.

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

Purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB573.8 million, RMB598.5 million and RMB 807.0 million, respectively, representing 39.1%, 39.4%, and 47.6% of our total purchases for the same periods, respectively; purchases from our largest supplier in each year during the Track Record Period amounted to RMB269.5 million, RMB259.7 million and RMB340.5 million, respectively, representing 18.4%, 17.1%, and 20.1% of our total purchases for the same periods, respectively. We cannot assure you that we will be able to secure a stable supply of qualified medical supplies and/or other products and services at all times going forward. Specifically, we cannot assure you that we will be able to identify an alternative qualified supplier in a timely manner, or at all, in the event that any of our existing suppliers terminates its contract with us or is no longer qualified. Any change in suppliers could also require significant efforts or investments in circumstances where the items or services supplied are integral to our delivery of medical services, and the loss of existing supply contracts could have a material adverse effect on us.

We are subject to credit risk in respect of our trade receivables, including that of medical insurers, and any significant default on our trade receivables could materially and adversely affect our liquidity, financial condition and results of operations.

Collection of our trade receivables, which primarily relate to the unpaid portion of the medical bills we issue, is critical to our operating performance. We have a highly diversified customer base, without any single customer contributing material revenue. However, we have concentrated debtors' portfolio, as the majority of our patients will claim their medical bills from medical insurers, particularly medical insurance programs. We may not be able to timely collect all such trade receivables due to a variety of factors that are beyond our control, including the settlement cycle associated with medical insurers because of their internal financial management and payment approval processes. We cannot assure you that no default will arise from those medical insurers, or that our uninsured patients will always settle bills with us in a prompt manner.

Our trade receivables cycle may expose us to cash flow shortages or liquidity gaps in our operations, which would require us to obtain working capital from other sources, such as external borrowings, in order to meet our obligations, which we may not be able to do on commercially acceptable terms or at all. We expect to continue to face collection risk with respect to medical insurers, uninsured and underinsured patients going forward, especially as we continue to scale up our operations. Any adverse developments in our ability to timely settle our trade receivables may have a material adverse effect on our business, financial condition and results of operations.

We face inventory obsolescence, shortage or excess risks.

During the Track Record Period, our inventory primarily included pharmaceuticals and medical consumables. Maintaining an optimal level of inventory is important for the success of our business. We regularly track our inventory to keep it at a level sufficient to fulfill patients' needs. We also proactively pre-store strategically inventory in anticipation of potential supply shortage. However, we may be exposed to inventory obsolescence, shortage or excess risks as a result of a variety of factors beyond our control. We cannot assure you that we can accurately predict these trends and events and avoid under-stocking or overstocking inventory, or that our inventory management measures will be implemented effectively so that we will not have significant levels of inventory obsolescence, shortage or excess. As a result of any unforeseen or sudden events, we may experience slow movement of our inventory, fail to utilize or sell our inventory swiftly, or face the risk of inventory obsolescence. Moreover, as we plan to continue expanding our operations, we expect to include more materials in our inventory, which will make it more challenging for us to manage our inventory effectively. Inventory levels in excess of patient demand may result in inventory write-downs, expiration of materials or an increase in inventory holding costs, and a potential negative effect on our liquidity. 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. If we fail to manage our inventory effectively, we may also be subject to a heightened risk of inventory obsolescence, which may have a material adverse effect on our business, financial condition and results of operations.

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

We recognized government grants of RMB9.4 million, RMB13.9 million, and RMB1.7 million in the consolidated statements of profit or loss in 2021, 2022, and 2023, respectively. Our eligibility for government grants and other favorable policies, and the corresponding timing, amount and criteria of such government grants and policies are determined within the discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. Some of the government grants and policies may be on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. We cannot assure you of the continued availability of such financial incentives and subsidies in the future. The discontinuation of these subsidies could adversely affect our financial condition and results of operations.

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

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

We had net current liabilities during the Track Record Period, which may adversely affect our liquidity.

During the Track Record Period, we had net current liabilities of RMB637.6 million as of December 31, 2021, RMB713.2 million as of December 31, 2022 and RMB659.7 million as of December 31, 2023, which were primarily attributable to the significant amount of trade payables and other payables and accruals. We cannot guarantee that we will not continue to incur net current liabilities in the future. If we are to record net current liabilities again, it will affect our liquidity, as well as our ability to raise funds, obtain bank loans, pay debts when they become due and declare and pay dividends. Specifically, our liquidity position may also be adversely affected by our failure to fulfill our obligations in respect of our contract liabilities if we experience a shortage in cashflow generated from operations. This, in turn, may impact our ability to execute our business strategies.

RISKS RELATING TO OUR GENERAL OPERATIONS

We are subject to risks related to our construction work of our new hospital facilities.

We may incur additional costs if our construction work in relation to the expansion of Nanjing BenQ Hospital and Suzhou BenQ Hospital is not commenced or completed on time. Should we fail to complete our construction work according to the phases and the corresponding target timeline, we would be subject to costs and expenses beyond our plans and expectations, which may also cause diversion to our management's attention and resources originally allocated to our existing operations.

Our operations could be impaired if our information technology systems fail or if our databases are destroyed or damaged.

Our information technology systems help us operate and monitor the operational performance of our hospitals and other medical institutions in various aspects, such as billing, financial and budgeting data, customer records and inventory. We regularly maintain, upgrade and enhance the capabilities of our information systems to meet operational needs. Any failures associated with our information technology systems, including those caused by power disruption or loss, natural disasters, computer viruses or hackers, network failures or other unauthorized tampering, may cause interruptions in our ability to provide services to our customers, keep accurate records, and maintain proper business operations. In particular, if the information technology system relating to our billing and medical insurance reimbursements were to malfunction and result in the loss of related records, we might not receive full payment from customers and insurers, causing a material adverse effect on our business and results of operations. In addition, we may be subject to liability or damage to our reputation as a result of any theft or misuse of personal information stored on our systems, which may materially and adversely affect our business, financial condition and results of operations.

If we fail to implement and maintain adequate and effective risk management and internal control systems, we may fail to manage our business or meet our reporting obligations effectively.

We will become a [**REDACTED**] upon completion of the [**REDACTED**], and our risk management and internal control systems will be essential to the integrity of our business and financial results. In order to address our internal control issues and to generally enhance our internal control level and compliance environment, we have designed and implemented risk management and internal control policies and measures we believe are appropriate for our business operations, as well as extensive and ongoing trainings on our controls, procedures and policies to our employees. Despite our efforts to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective as to eliminate all the risks. Since our risk management and internal control systems depend on implementation by our employees, we cannot assure you that our employees will be sufficiently or fully trained to implement these systems, or that their implementation will be free from error or mistakes. We may also fail to timely update, implement and modify, or fail to deploy sufficient human resources to maintain, our risk management and internal control policies and procedures.

In addition, if we fail to maintain the adequacy of our internal controls over financial reporting, as these standards are modified, supplemented or amended from time to time, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause [**REDACTED**] to lose confidence in our reported financial information. This could in turn limit our access to capital markets, harm our results of operations and lead to a decline in the [**REDACTED**] of our Shares. Additionally, ineffective internal controls over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential [**REDACTED**] from the stock exchange on which we [**REDACTED**], regulatory investigations and civil or criminal sanctions. We may also be required to restate our financial statements from prior periods. In any event, if we encounter difficulties in discovering or eliminating weaknesses in our risk management and internal control systems, we may incur additional costs and management time in meeting our improvement goals, and our business, financial condition, results of operations and reputation may be materially and adversely affected.

Our Controlling Shareholders may have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders will, through its/their voting power at the Shareholders' meetings and delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

We face risks related to force majeure events, natural disasters, health pandemics and other outbreaks of contagious diseases.

Our business could be materially and adversely affected by force majeure events, natural disasters and extreme weather conditions, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health pandemic including COVID-19, the Severe Acute Respiratory Syndrome or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1) or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of contagious diseases or other adverse public health developments could materially disrupt our business and operations. Specifically, a prolonged global pandemic such as COVID-19 pandemic could cause temporarily impact on our business, financial performance and results of operations. In addition, any weakened market condition resulting from the spread of COVID-19 could decrease overall healthcare service spending. Such natural disasters, pandemics and other outbreaks may also give rise to consequences straining our facilities and employees, exposing our employees to personal risks, temporarily closing our hospitals, imposing additional health or safety measures upon our office spaces, or exposing us to potential liabilities for actions taken or not taken.

We have conducted, and will continue to conduct, measures to control the risk of virus spread in our hospital operations. However, if any of our employees, especially our doctors and other medical professionals, has contracted any contagious disease or condition, our patients may expose to infection risks on one hand, 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.

The changes in international political relationships, trade policies and trade barriers, or the escalation of trade tensions, may have an adverse effect on our business operations.

In the event that the countries from which we import pharmaceuticals, medical equipment and other products through our suppliers to the extent needed impose import tariffs, trade restrictions or other trade barriers affecting the importation of such raw materials, we may not be able to obtain a steady supply in time, at competitive prices or at all, and our business and operations may be adversely affected. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions.

It is notable that the U.S. government has made significant changes in its trade policy in recent years and has taken certain actions that may materially impact international trade, such as announcing import tariffs which have led to other countries to impose tariffs against the U.S. in response. Currently, it remains unclear what actions, if any, the U.S. government will take with respect to other existing international trade agreements. It is also unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry. Furthermore, any escalation in existing trade tensions or the advent of a trade war, or news and rumors of the escalation of a potential trade war, could affect consumer confidence and have a material adverse effect on our business, results of operations and, ultimately, the market price of our Shares. Rising political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the relevant major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, such changes could have an adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and there can be no assurance that an active market would develop, and the price and [REDACTED] of our Shares may be volatile.

Prior to this [**REDACTED**], there has been no public market for our Shares. The [**REDACTED**] for our [**REDACTED**] was the result of negotiations among us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and the [**REDACTED**] may differ significantly from the market price for our Shares following this [**REDACTED**]. We have applied for [**REDACTED**] of and permission to [**REDACTED**] in our [**REDACTED**] on the Stock Exchange.

A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] for the Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the Shares will not decline following the [**REDACTED**]. In addition, the [**REDACTED**] and [**REDACTED**] of the Shares may be subject to significant volatility in responses to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the [**REDACTED**] of our Shares. In addition to market and industry factors, the price and [**REDACTED**] of our Shares may be highly volatile for specific business reasons. For example:

- the performance and success of our healthcare services may significantly impact the market perception of our value. Positive outcomes, such as successful treatments, innovative services, or expansion into new markets, can drive increased [**REDACTED**] confidence and [**REDACTED**] activities. Conversely, any setbacks or failures in delivering quality healthcare services may lead to negative sentiment and volatility in share price;

- changes in regulations and policies affecting the healthcare market may have a direct impact on the our operations and financial performance. New regulations, medical reimbursement policies, or legal developments can create uncertainty and volatility in the market, influencing [**REDACTED**] sentiment and [**REDACTED**] activities;

- fluctuations in our revenue, earnings, cash flows, investments and expenditures may contribute to share price volatility. Changes in such financial metrics can indicate shifts in our financial health and performance, leading to fluctuations in share price as [**REDACTED**] reassess our business prospects and growth potentials;

- relationships with our suppliers, such as pharmaceutical companies or medical equipment providers, may affect our ability to deliver healthcare services effectively. Disruptions in supply chain, changes in pricing or contracts, or conflicts with suppliers can impact our operations and financial performance, potentially leading to share price volatility;

- movements or activities of key personnel, such as the departure or appointment of executives or key medical professionals, can influence [**REDACTED**] perception and confidence in our leadership and expertise. News regarding key personnel, including their actions or involvement in other ventures, may trigger volatility in share price; or

- actions taken by competitors may directly impact our market position and [**REDACTED**] sentiment. Factors such as new hospital openings, expansions, mergers, acquisitions, or the introduction of specialized services can affect our perceived competitiveness and market share. These industry-specific developments may lead to fluctuations in share price and [**REDACTED**] as [**REDACTED**] reassess our competitive strength and growth prospects within the healthcare industry.

[**REDACTED**]

[**REDACTED**]

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

There can be no assurance that we will declare and pay dividends because the declaration, payment and amount of dividends are 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. For more details on our dividend policy, see "Financial Information — Dividends" in this document.

We have not independently verified government statistics and facts in this document.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the healthcare service market in the PRC. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], any of their respective directors or any other party involved in the [**REDACTED**], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should, therefore, not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up to date. In any event, you should consider carefully the importance placed on such information or statistics.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

You should rely solely upon the information contained in this document, the [**REDACTED**] and any formal announcements made by us in Hong Kong when making your [**REDACTED**] decision regarding our Shares. Subsequent to the date of this document but prior to the completion of the [**REDACTED**], there may be press and media coverage regarding us and the [**REDACTED**], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of any such press articles or other media coverage, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us in any such press articles or media coverage. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this document only and should not rely on any other information. By applying to purchase our Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary [**REDACTED**] on the Stock Exchange must have a 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 management, business operations and assets are primarily located outside Hong Kong. The principal management headquarters of our Group are primarily based in the PRC. Our Company considers that our Group's management is best able to attend to its functions be being principally based in the PRC. None of our executive Director or senior management member is or will be ordinarily resident in Hong Kong after the [**REDACTED**] of our Company. Our Directors consider that relocation of our executive Director to Hong Kong will be burdensome and costly for our Company, and it may not be in the best interests of our Company and our Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong. As such, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, provided that our Company implements the following arrangements to maintain effective communication between the Stock Exchange and us:

(a) pursuant to Rule 3.05 of the Listing Rules, the Company has appointed and will continue to maintain two authorized representatives, namely, Mr. HSIAO Tze-Jung and Ms. LAI Ying Tung, being the executive Director and the company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our Company's authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(b) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;

(c) although our executive Director is not an ordinary resident in Hong Kong, each of our Directors not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;

(d) we have appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser (the "**Compliance Adviser**"), pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us for the period commencing from the [**REDACTED**] to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the [**REDACTED**]. The Compliance Adviser will maintain constant contact with the authorized representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary. Our authorized representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules;

(e) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address), and in the event that any Director expects to travel or otherwise be out of the office, he will provide the phone number of the place of his accommodation to the authorized representatives; and

(f) we will also retain legal advisors to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after [**REDACTED**].

WAIVER AND EXEMPTION IN RESPECT OF THE PRE-[REDACTED] SHARE OPTION PLAN

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the "**Share Options Disclosure Requirements**"):

(a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in the prospectus. Our Company is also required to disclose in the document full details of all outstanding options and their potential dilution effect on the shareholdings upon [**REDACTED**] as well as the impact on the earnings per share arising from the exercise of such outstanding options;

(b) Paragraph 27 of the Appendix D1A of the Listing Rules requires our Company to set out in the document particulars of any capital of any member of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee; and

(c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to set out in the document, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted outstanding options under the Pre-[**REDACTED**] Share Option Plan to 160 grantees to subscribe for an aggregate of 3,293,000 Shares, representing approximately [**REDACTED**]% of the total issued Shares immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised), on the terms set out in the paragraph headed "D. Pre-[**REDACTED**] Share Option Plan" in Appendix V to this document. Our Company will not grant any further options under the Pre-[**REDACTED**] Share Option Plan on or after the [**REDACTED**].

Our Company has applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules; and (ii) to the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company and the waiver and the exemption would not prejudice the interest of the [**REDACTED**] public for the following reasons:

(a) given that 160 grantees are involved, strict compliance with such Share Options Disclosure Requirements in setting out full details of all the grantees under the Pre-[**REDACTED**] Share Option Plan in this document would be costly and unduly burdensome for the Company in light of a significant increase in cost and time for information compilation and document preparation;

(b) as of the Latest Practicable Date, save for five grantees who are Directors, members of senior management or connected persons of our Company, the remaining 155 grantees are other employees of our Group. Strict compliance with the applicable Share Options Disclosure Requirements to disclose names, addresses and entitlements on an individual basis in this document will require a number of additional pages of disclosure that does not provide any material information to the [**REDACTED**] public;

(c) the grant and exercise in full of the options under the Pre-[**REDACTED**] Share Option Plan will not cause any material adverse impact on the financial position of the Company;

(d) lack of full compliance with the above disclosure requirements would not prevent the Company from providing its potential [**REDACTED**] with information for them to make an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Company; and

(e) material information relating to the options under the Pre-[**REDACTED**] Share Option Plan is disclosed in this document, including the details of options granted to the Directors, members of senior management and other connected persons (if any), the total number of Shares subject to the Pre-[**REDACTED**] Share Option Plan, the exercise price per Share, the potential dilution effect on shareholding and impact on earnings per Share upon full exercise of the options granted under the Pre-[**REDACTED**] Share Option Plan. The Directors consider that the information reasonably necessary for the potential [**REDACTED**] to make an informed assessment of the Company in their [**REDACTED**] decision making process has been included in this document.

The Stock Exchange [has granted] us a waiver from strict compliance with the relevant requirements under the Listing Rules on the conditions that:

(a) full details of the options under the Pre-[**REDACTED**] Share Option Plan granted to our Directors, members of senior management and other connected persons (if any) are disclosed in the paragraph headed "D. Pre-[**REDACTED**] Share Option Plan" in Appendix V to this document on an individual basis as required under the applicable Share Options Disclosure Requirements;

(b) in respect of the options granted under the Pre-[**REDACTED**] Share Option Plan granted by the Company to the remaining grantees other than those referred to in sub-paragraph (a) above, disclosure is made on aggregate basis, categorized into lots based on the number of Shares underlying the options granted under the Pre-[**REDACTED**] Share Option Plan granted to each individual grantee, being (1) 1 to 10,000 Shares, (2) 10,001 to 20,000 Shares, (3) 20,001 to 30,000 Shares, (4) 30,001 to 40,000 Shares, (5) 40,001 to 50,000 Shares, (6) 50,001 to 60,000 Shares, and (7) 60,001 to 150,000 Shares. For each lot, the following details are disclosed on an aggregated basis: (1) the aggregate number of grantees and number of Shares underlying the Options granted under the Pre-[**REDACTED**] Share Option Plan as of the Latest Practicable Date, (2) the exercise period and the exercise price of the options granted under the Pre-[**REDACTED**] Share Option Plan and (3) the approximate percentage of the total number of Shares in issue immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised);

(c) the dilutive effect and impact on earnings per Share upon full exercise of the options under the Pre-[**REDACTED**] Share Option Plan is disclosed in the paragraph headed "Pre-[**REDACTED**] Share Option Plan" in Appendix V to this document;

(d) a summary of the principal terms of the Pre-[**REDACTED**] Share Option Plan will be disclosed in the paragraph headed "D. Pre-[**REDACTED**] Share Option Plan" in Appendix V to this document;

(e) the particulars of the waiver and the exemption will be disclosed in this document;

(f) a full list of all the grantees (including those persons whose details have already been disclosed in this document) under the Pre-[**REDACTED**] Share Option Plan, containing all the particulars as required under the applicable Share Options Disclosure Requirements be made available for public inspection in accordance with Appendix VI to this document;

(g) further information relating to the grantees who have been granted options is provided to the Stock Exchange; and

(h) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting the Company from the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC [has granted] us the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(a) full details of the options under the Pre-[**REDACTED**] Share Option Plan granted to the Directors, members of senior management and connected persons (if any) are disclosed in the paragraph headed "D. Pre-[**REDACTED**] Share Option Plan" in Appendix V to the document on an as required individual basis as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the Options granted under the Pre-[**REDACTED**] Share Option Plan granted by the Company to the remaining grantees other than those referred to in sub-paragraph (a) above, disclosure will be made on aggregate basis, categorized into lots based on the number of Shares underlying the Options granted under the Pre-[**REDACTED**] Share Option Plan granted to each individual grantee, being (1) 1 to 10,000 Shares, (2) 10,001 to 20,000 Shares, (3) 20,001 to 30,000 Shares, (4) 30,001 to 40,000 Shares, (5) 40,001 to 50,000 Shares, (6) 50,001 to 60,000 Shares, and (7) 60,001 to 150,000 Shares. For each lot, the following details are disclosed on an aggregated basis: (1) the aggregate number of grantees and number of Shares underlying the Options granted under the Pre-[**REDACTED**] Share Option Plan as of the Latest Practicable Date, (2) the exercise period and the exercise price of the Options granted under the Pre-[**REDACTED**] Share Option Plan and (3) the approximate percentage of the total number of Shares in issue immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised);

(c) a full list of all the grantees (including those persons whose details have already been disclosed in this document) under the Pre-[**REDACTED**] Share Option Plan, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection in accordance with Appendix VI to this Document; and

(d) the particulars of the exemption will be disclosed in this document.

Further details of the Pre-[**REDACTED**] Share Option Plan are set forth in the paragraph headed "D. Pre-[**REDACTED**] Share Option Plan" in Appendix V to this document.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon [**REDACTED**]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Chapter 14A of the Listing Rules. See "Connected Transactions" in this document for further details.

WAIVER[S] IN RELATION TO THE QISDA INTERNAL RESTRUCTURING

Rule 9.09(b) of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any connected person of our Company from four clear business days before the expected hearing date for the [**REDACTED**] until the [**REDACTED**] is granted (the "**Relevant Period**").

Paragraph 20 of the Chapter 4.14 of the Guide for New Listing Applicants provides that each Rule 9.09(b) waiver application will be considered on a case-by-case basis and the Stock Exchange may modify or impose additional waiver conditions. The examples includes:

(a) The share dealing would not result in any change in the ultimate beneficial owners, for example, a distribution in specie by the legal holder of the shares to the ultimate controlling shareholders on a pro-rata basis.

(b) The share dealing is due to a corporate reorganization.

(c) There was a pre-existing shareholder agreement for the distribution of shares in a particular way so as not to dilute the shareholdings of the original shareholders.

Rule 10.07(1) of the Listing Rules provides that the controlling shareholders of the issuer shall not (a) in the period commencing on the date by reference to which disclosure of the shareholding of the controlling shareholders is made in the listing document and ending on the date which is six months from the date on which dealings in the securities of a new applicant commence on the Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of the issuer in respect of which he is or they are shown by that listing document to be the beneficial owner(s) (the "**First Six-Month Period**"); or (b) in the period of six months commencing on the date on which the period referred to in Rule 10.07(1)(a) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in Rule 10.07(1)(a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that person or group of persons would cease to be a controlling shareholder (the "**Second Six-Month Period**"). The First Six-Month Period and the Second Six-Month Period are collectively referred to as the "**Lock-up Period**".

As a part of the internal restructuring arrangements of the Qisda Group to simplify the holding structure, it is proposed that Darly2 Venture and Darly Venture will transfer all the Shares they hold to Qisda Corporation. According to the relevant laws and regulations of Taiwan, the Qisda Internal Restructuring will be subject to the prior approval of the Department of Investment Review of the Ministry of Economic Affairs of Taiwan (the "**DIR**"). As the approval of DIR is beyond the control of the Qisda Group or our Company, the timing that the Qisda Group may proceed with the Qisda Internal Restructuring is uncertain and it is possible that the Qisda Internal Restructuring may be carried out within [**REDACTED**]. The completion of relevant transfer procedures is estimated to take approximately two months after receiving such approval from DIR.

As of the Latest Practicable Date, Qisda Corporation is our ultimate Controlling Shareholder interested directly and indirectly (through wholly-owned subsidiaries, namely Darly2 Venture, Darly Venture, Darly Venture (L) and BenQ Corporation) in 232,736,837 Shares in aggregate, representing approximately 95.02% equity interests in our Company. Therefore, Qisda Corporation, Darly2 Venture and Darly Venture are core connected persons and members of the Controlling Shareholders of our Company under the Listing Rules and are therefore technically subject to the restrictions under Rules 9.09(b) and 10.07(1) of the Listing Rules. However, as Darly2 Venture and Darly Venture are wholly-owned subsidiaries of Qisda Corporation, Qisda Corporation will remain as our ultimate Controlling Shareholder and its interest in our Company will remain unchanged upon the completion of the Qisda Internal Restructuring. For further details, see "History, Development and Corporate Structure — Major Shareholding Changes of Our Company — Qisda Internal Restructuring" in this document.

The Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with Rules 9.09(b) and 10.07(1) of the Listing Rules in respect of the Qisda Internal Restructuring, on the following grounds:

(a) as Darly2 Venture and Darly Venture are wholly-owned subsidiaries of Qisda Corporation, the proposed [**REDACTED**] of Shares by Darly2 Venture and Darly Venture under the Qisda Internal Restructuring are purely an internal restructuring of the Qisda Group and will not result in any change in the ultimate beneficial owner of the underlying Shares or the interest of Qisda Corporation held in our Company;

(b) the proposed transfers of Shares under the Qisda Internal Restructuring will be among members of the Qisda Group instead of other existing Shareholders or [**REDACTED**], and therefore will not unfairly affect or dilute the shareholdings of other existing Shareholders, thus it will not prejudice the interests of other Shareholders or the [**REDACTED**] which Rule 9.09 is intended to prevent. In addition, for the aforementioned reasons, Qisda Corporation's interest in our Company will remain unchanged upon the completion of the Qisda Internal Restructuring and therefore will not result in any disposal of the Shares by the Qisda Entities as a whole, thus it will not constitute of a contravention of Rule 10.07(1);

(c) the Qisda Internal Restructuring is conducted by our Shareholders which our Company has no control over and the approval of DIR is also beyond the control of either the Qisda Group or our Company, therefore the timing of the completion of the Qisda Internal Restructuring is uncertain;

(d) without a waiver from strict compliance with either Rule 9.09(b) or Rule 10.07(1), the Qisda Group would be technically prohibited from conducting any internal restructuring in relation to its shareholding in the Company even if among wholly-owned subsidiaries during a period longer than one year, which would be commercially unduly burdensome for the Qisda Group, a global technology corporate group with businesses spanning across many areas; and

(e) we have disclosed the background and relationship of Qisda Corporation, Darly2 Venture and Darly Venture, the details of the transactions contemplated under and the status of the Qisda Internal Restructuring in this document to allow full disclosure and better understanding by the [**REDACTED**]. For further details, see "History, Development and Corporate Structure — Major Shareholding Changes of Our Company — Qisda Internal Restructuring" in this document.

[REDACTED]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Director		
Mr. HSIAO Tze-Jung (蕭澤榮)	Room 3071 Qisda Zhuyuan No. 169, Zhujiang Road High-tech Zone, Suzhou City Jiangsu Province PRC	Chinese (Taiwan)
Non-executive Directors		
Mr. CHEN Chi-Hong (陳其宏)	12th Floor No 18-1, Baoluo Street Taoyuan District Taoyuan City Taiwan	Chinese (Taiwan)
Ms. HUNG Chiu-Chin (洪秋金)	24F No. 66, Yiwen 1st St. Taoyuan District Taoyuan City Taiwan	Chinese (Taiwan)
Dr. WANG Liming (王黎明)	Room 2101, Building 8 Xindu Plaza Industrial Park District, Suzhou City Jiangsu Province PRC	Chinese
Independent non-executive Directors		
Dr. CHOW Hsing-Yi (周行一)	12F-2 No. 165, Sec. 2, Xiuming Rd. Wenshan District Taipei City Taiwan	Chinese (Taiwan); the United States

Name	Address	Nationality
Mr. WANG Wen-Tsung (王文聰)	2F No. 279, Wenxing Rd. Zhubei City Hsinchu County Taiwan	Chinese (Taiwan)
Mr. CHEN Ray-Jade (陳瑞杰)	No. 8, Ln. 100 Xiaopingding Tamsui Dist. New Taipei City Taiwan	Chinese (Taiwan)

Further information is disclosed in the "Directors and Senior Management" section of this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Citigroup Global Markets Asia Limited 50/F Champion Tower Three Garden Road Central Hong Kong

[**REDACTED**]

[**REDACTED**]

Legal advisers to our Company	*As to Hong Kong and U.S. laws* **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road, Central Hong Kong
	As to PRC law **Commerce & Finance Law Offices** 12-14/F, China World Office 2 No. 1 Jianguomenwai Avenue Chaoyang District Beijing PRC
	As to Cayman Islands law **Harney Westwood & Riegels** 3501 The Center 99 Queen's Road Central Central Hong Kong

Legal advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws* **Paul Hastings** 22/F, Bank of China Tower 1 Garden Road Central Hong Kong *As to PRC law* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing PRC
Reporting accountants and independent auditor	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504, Wheelock Square 1717 Nanjing West Road Jing'an District Shanghai PRC
Property valuer	**Cushman & Wakefield Limited** 27/F One Island East Taikoo Place 18 Westlands Road Quarry Bay Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office in the Cayman Islands	Vistra (Cayman) Limited P. O. Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
Headquarters and Principal Place of business in the PRC	71 Hexi Avenue Jianye District, Nanjing City Jiangsu Province PRC
Principal place of business in Hong Kong	Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company website	**www.benqmedicalcenter.com** *(Information contained on this website does not form part of this document)*
Company secretary	Ms. LAI Ying Tung Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized representatives	Mr. HSIAO Tze-Jung Room 3071 Qisda Zhuyuan No. 169 Zhujiang Road High-tech Zone, Suzhou City Jiangsu Province PRC Ms. LAI Ying Tung Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

Audit committee	Mr. WANG Wen-Tsung *(Chairperson)* Dr. CHOW Hsing-Yi Ms. HUNG Chiu-Chin
Remuneration committee	Mr. CHEN Ray-Jade *(Chairperson)* Mr. WANG Wen-Tsung Mr. HSIAO Tze-Jung
Nomination committee	Mr. CHEN Chi-Hong *(Chairperson)* Mr. CHEN Ray-Jade Dr. CHOW Hsing-Yi

[**REDACTED**]

Compliance adviser	**UOB Kay Hian (Hong Kong) Limited** 6/F Harcourt House 39 Gloucester Road Hong Kong
Principal banks	**Agricultural Bank of China** **Sanyuanxiang Branch** No. 240, Zhongshan South Road Qinhuai District, Nanjing City Jiangsu Province PRC
	Agricultural Bank of China **High-tech Zone Branch** No. 65, Shishan Road Huqiu District, Suzhou City Jiangsu Province PRC

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors, the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**] *or the* [**REDACTED**], *any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

Accordingly, you should not place undue reliance on such information. For risks relating to our industry, see "Risk Factors — Risks Relating to Our Business and Industry" in this document.

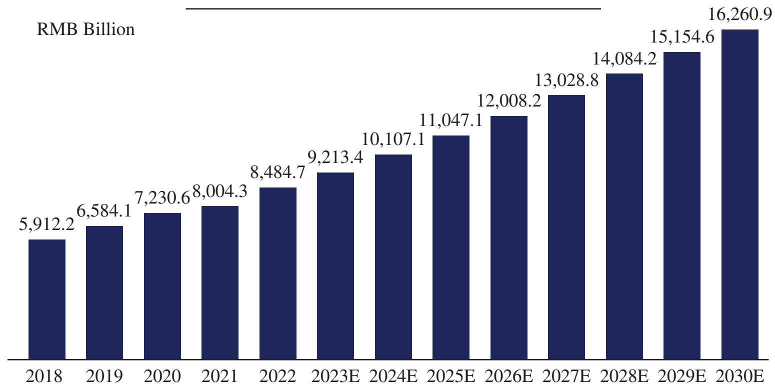
HEALTHCARE SERVICE MARKET IN THE PRC

Healthcare services are the business that provides diagnosis, treatment and prevention of human disease, illness, injury or dysfunction performed by healthcare professionals and their supporting staff. The healthcare service providers in the PRC can be broadly categorized into three types based on their roles and functions, primarily including hospitals, primary healthcare institutions, and other healthcare institutions, among which hospitals take the foremost position and dominate in the healthcare service market in the PRC.

Driven by rising per capita annual disposable income, increasing health awareness, the expansion of public medical insurance coverage and development of commercial insurance, the prevalence of chronic diseases as a result of busier living and a growing aging population, the overall healthcare service market in the PRC has experienced a steady development in recent years, with the total healthcare expenditure growing from RMB5,912.2 billion in 2018 to RMB8,484.7 billion in 2022, representing a CAGR of 9.5% from 2018 to 2022. Moreover, the total healthcare expenditure is expected to reach RMB12,008.2 billion in 2026, representing a CAGR of 9.1% from 2022 to 2026, and further increase to RMB16,260.9 billion in 2030, representing a CAGR of 7.9% from 2026 to 2030, according to Frost & Sullivan. The following chart sets forth the historical and projected total healthcare expenditure in the PRC for the periods indicated:

Total Healthcare Expenditure in the PRC, 2018-2030E

Period	CAGR
2018-2022	9.5%
2022-2026E	9.1%
2026E-2030E	7.9%



Source: NHC, Frost & Sullivan Analysis

Healthcare Expense Payers in the PRC

In the PRC, healthcare expenses are generally covered either through out-of-pocket payments made by patients or by reimbursed through public or commercial medical insurance programs. Under the public social insurance regime in the PRC, the existing basic medical insurance programs, namely Employee Basic Medical Insurance (職工基本醫療保險), Urban and Rural Resident Basic Medical Insurance (城鄉居民基本醫療保險) and New Rural Cooperative Medical Insurance (新型農村合作醫療保險) have provided coverage to a significant portion of the population. In 2022, the number of participants in basic medical insurance programs reached 1,345.9 million, representing a coverage rate of 95.3% of the total population in the PRC. Commercial medical insurance programs provide additional coverage beyond what is offered by the public medical insurance programs, and offer more flexibility and customization options for individuals to tailor their insurance coverage and receive high-quality healthcare services. As the PRC's healthcare reform continues to deepen, the basic medical insurance programs will continue to play a central role in ensuring affordable and accessible healthcare services for the population as the insurance coverage keeps expanding and the reimbursement rate keeps rising. At the same time, the commercial medical insurance sector has witnessed a rapid growth in the PRC and it is poised for further development in the foreseeable future. According to Frost & Sullivan, the expenditure of commercial health insurance fund increased from RMB174.4 billion in 2018 to RMB360.0 billion in 2022, representing a CAGR of 19.9% from 2018 to 2022. Moreover, the expenditure of commercial health insurance fund is projected to reach RMB1,087.6 billion in 2026, representing a CAGR of 31.8% from 2022 to 2026, and further to RMB2,704.6 billion in 2030, representing a CAGR of 25.6% from 2026 to 2030 according to Frost & Sullivan.

THE HOSPITAL MARKET IN THE PRC

Overview of the Hospital Market in the PRC

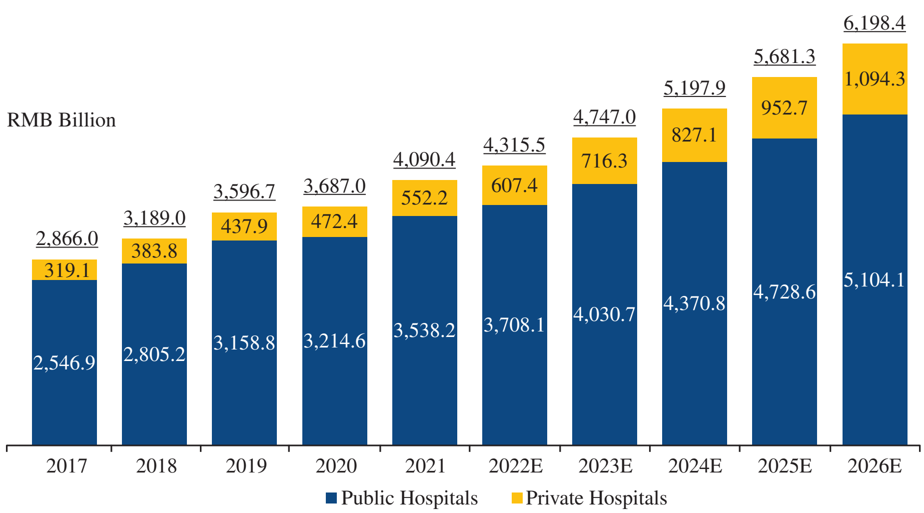
The largest providers of healthcare services in the PRC are hospitals. According to Frost & Sullivan, there were 36,976 hospitals in the PRC by the end of 2022. In addition, the revenue of hospitals is estimated to reach RMB4,315.5 billion in 2022, accounting for 74.8% of revenue of the PRC's healthcare institutions in the same year. The PRC's hospitals can be primarily classified into two categories: public hospitals and private hospitals, based on ownership. Meanwhile, hospitals in the PRC are ranked into three classes (Class I, Class II, and Class III, with Class III being the highest class attainable), based on, among others, the hospital's scale and capabilities, and each class is further divided into three sub-grades (Grade A, Grade B, and Grade C, with Grade A being the highest sub-grade attainable). Additionally, in terms of specialization, the PRC's hospitals encompass general hospitals, specialized hospitals, traditional Chinese medicine (TCM) hospitals, and other hospitals, such as hospitals of integrated traditional Chinese and Western medicine (中西醫結合醫院), ethnic minority hospitals (民族醫院) and nursing homes (護理院).

Public and Private Hospitals in the PRC

Public hospitals have traditionally held a prominent position in delivering healthcare services in the PRC, but in recent years the private hospital sector has emerged as the rapidly expanding segment in the PRC's healthcare service industry. According to Frost & Sullivan, the revenue of private hospitals is estimated to increase from RMB319.1 billion in 2017 to RMB607.4 billion in 2022, representing a CAGR of 13.7% from 2017 to 2022, and is estimated to reach RMB1,094.3 billion in 2026, representing a CAGR of 15.9% from 2022 to 2026. At the same time, the CAGR of revenue of public hospitals is estimated to be 7.8% from 2017 to 2022 and estimated to be 8.3% from 2022 to 2026. The following chart sets forth the historical and projected revenue of public and private hospitals in the PRC for the periods indicated:

Revenue of Hospitals in the PRC, 2017-2026E*

Period	CAGR		
	Public Hospitals	Private Hospitals	Total
2017-2022E	7.8%	13.7%	8.5%
2022E-2026E	8.3%	15.9%	9.5%



Source: NHFPC, Frost & Sullivan Analysis

* *Note:* Since the *China Health and Wellness Statistical Yearbook 2023* (2023中國衛生健康統計年鑒) has not been released yet, the data for 2022 were forecasted with reference to the *2022 Statistical Bulletin on the Development of Health and Wellness* (2022年衛生健康事業發展統計公報) and various provinces' *Health and Wellness Statistical Yearbooks 2023* (2023衛生健康統計年鑒).

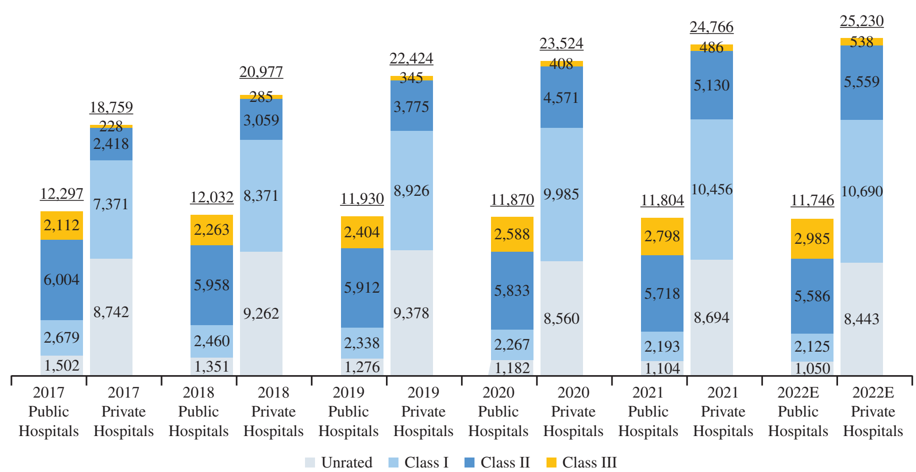
The number of private hospitals increased at a CAGR of 4.7% from 20,977 in 2018 to 25,230 in 2022, while the number of public hospitals slightly decreased from 12,032 in 2018 to 11,746 in 2022, according to Frost & Sullivan. This decline in public hospitals is mainly attributed to the reformation of some public hospitals into private entities through the introduction of social capital, aligning with the goal set forth in the "Notice on Further Encouraging and Guiding Social Capital to Establish Healthcare Institutions (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知》)", which is to promote a more balanced distribution of healthcare institutions in the PRC.

Graded Hospitals in the PRC

According to Frost & Sullivan, due to the scarcity of medical resources in the PRC, out of the total 36,976 hospitals in 2022, merely 9.5% or 3,523 hospitals were classified as Class III hospitals. Class III hospitals typically refer to tertiary hospitals providing high-level specialized medical services, servicing a wide geographic area and undertaking advanced teaching and scientific research tasks. Public hospitals have been and are expected to continue dominating and playing a crucial role among the PRC's Class III hospitals. With regard to private hospitals in the PRC, in 2022, Class III private hospitals are estimated to merely account for 3.2% of the total graded private hospitals, and the majority of graded private hospitals in the PRC was rated as Class I, according to Frost & Sullivan. Further, the Class III hospitals are subdivided into three subsidiary grades, namely A, B, and C grades, with Grade A Class III (三級甲等) hospitals being the highest attainable hospital grade that excel in various aspects, such as medical equipment and facilities, the ability to provide safe and high-level medical services across various specialties, scientific research capabilities, as well as the operational efficiency.

Our Nanjing BenQ Hospital is one of the few private hospitals that are rated as Grade A Class III, and our Suzhou BenQ Hospital is one of the few Class III private hospitals. The following chart sets forth a breakdown of the number of graded public and private hospitals by class in the PRC for the periods indicated:

Number of Graded Public and Private Hospitals in the PRC, 2017-2022E



Source: NHFPC, Frost & Sullivan Analysis

General and Specialized Hospitals in the PRC

General hospitals typically provide more comprehensive healthcare services across multiple specialties, catering to the healthcare needs of a diverse patient population. They often have a larger scale in terms of inpatient beds, medical professionals, as well as coverage area compared to specialized hospitals. According to Frost & Sullivan, the number of private general hospitals is expected to increase to 13,198 in 2022, at a CAGR of 3.5% from 11,094 in 2017, while the number of public general hospitals is expected to decrease to 6,992.

Pain Points of the Hospital Market in the PRC

The substantial population size in the PRC, coupled with the continuous growth of the aging population, has resulted in a demand for healthcare services surpasses the available supply. In 2022, the PRC had a total of 36,976 hospitals, resulting in an average allocation of approximately 5.4 beds per thousand people. In comparison, developed countries, such as Germany and Japan, demonstrate lower pressure on healthcare resources, with bed allocations of approximately 7.8 beds and 12.6 beds per thousand people, respectively.

In addition, there is an imbalanced distribution of medical resources in the PRC. It is estimated that, Class III hospitals in the PRC, which merely account for 9.5% of total hospitals in the PRC in 2022, are responsible for 2,232.2 million outpatient visits, representing a significant 58.4% of the total outpatient visits in the PRC in the same year, according to Frost & Sullivan. The demographic shift, uneven distribution of quality healthcare resources, overloaded operation in Class III hospitals and inversion of medical resource and diagnosis demands, highlight the need to ensure a more equitable distribution and to optimize utilization of medical resources in the PRC.

Key Drivers for the Growth and Development of Hospital Market in the PRC

The strong growth of the hospital industry in the PRC was, and is expected to be, primarily driven by: (i) the growing aging population and the increasing prevalence of age-related disease. The number of individuals aged above 65 increased from 166.6 million in 2018 to 209.8 million in 2022, representing a CAGR of 5.9% over the period, and the number of individuals aged above 65 is projected to reach 273.2 million by 2030, according to Frost & Sullivan; (ii) the increasing prevalence of chronic disease is anticipated to affect healthcare expenditure, specifically in response to the growing long-term demand for chronic disease treatment; (iii) advancements in diagnostic technologies and academic research will contribute to better healthcare quality by enabling earlier and more accurate disease detection and treatment, and in turn attract patients who are seeking quality healthcare services, which, as a result, foster the market growth and expansion; and (iv) government policies, aiming to achieve a more equitable distribution of hospitals and medical resources across the PRC and to address the unmet needs of quality medical services, contributing to the further development of hospital market in the PRC.

Future Trends of the PRC Healthcare Service Market

In the future, the PRC's healthcare will be characterized by a shift towards quality medical services as rising disposable incomes and evolving patient preferences drive the need for higher quality care. Private hospitals will play a significant role in meeting the growing demands for healthcare services as they offer customized services and address the limitations of overloaded public hospitals. In addition, the healthcare market will require enhanced management and operational capabilities to ensure efficient and quality healthcare delivery. Further, collaboration between medical institutions and health insurance organizations will be closer to facilitate better access to healthcare services, streamline the payment process, and improve overall healthcare affordability and efficiency.

THE PRIVATE HOSPITAL MARKET IN THE PRC

Overview

Private hospitals in the PRC are owned and operated by private entities. While private hospitals must adhere to government regulations and licensing requirements to ensure quality and safety, they have more decision-making and management autonomy compared to public hospitals. In terms of funding, public hospitals primarily rely on government budgets, patient fees, and health insurance reimbursements, while private hospitals have a more diverse funding model, including patient fees, health insurance payments, investment capital, and philanthropic donations. This financial autonomy allows private hospitals to make strategic decisions, allocate resources efficiently, invest in specialized medical fields, offer premium services, and price their services more flexibly to meet market demand. The pricing independence, coupled with the ability to provide specialized healthcare services and superior patient experiences, positions private hospitals as a desirable choice for individuals seeking personalized and premium healthcare services, which, in turn, helps private hospitals to optimize revenue streams.

Key Metrics of Public and Private Hospitals in the PRC

The following table sets forth the estimated and actual key metrics of public and private hospitals in the PRC in 2022:

	Public Hospitals	Private Hospitals
Estimated Average bed turnover days	12.0	22.3
Average spending per inpatient visit (RMB)	11,468.6	8,247.8
Average spending per outpatient visit (RMB)	333.6	388.8

Source: NHFPC, Frost & Sullivan Analysis

Entry Barriers to the Private Hospital Market in the PRC

New entrants to the private hospital market in the PRC face the following barriers to entry:

- *High Upfront Capital Requirement*. Establishing a new hospital, especially in large cities and prime locations, requires a significant amount of initial capital to cover costs for land, construction, medical equipment and other expenses. In addition, general hospitals typically require more capital investment than specialty hospitals due to the necessity of establishing diverse clinical departments covering a broad range of therapeutic areas.

- *High Requirements for Medical Strength and Expertise*. For private hospitals, building a reputation for academic excellence and technological advancements takes time and requires significant investments in infrastructure, equipment, and ongoing research initiatives. Many private hospitals in the PRC face a shortage of seasoned and esteemed healthcare talents, as public hospitals traditionally offer more research and academic opportunities as well as a larger base of clinical cases.

- *Lack of Management Talent*. The expansion of the private general hospitals necessitates strong and effective management. Managing hospitals, especially general ones, is a highly intricate and specialized task. However, many private hospitals lack experienced management talents. This can lead to the potential hindrance of development for private general hospitals.

- *Investment in Brand Building*. The healthcare market in the PRC is highly competitive. While some private hospitals have successfully established strong brand recognition and earned trust from patients, many others face challenges in establishing and promoting their brand identities. Brand building encompasses multiple aspects such as management philosophy and methods, which require a significant amount of time and effort.

Key Drivers for the Growth and Development of Private Market in the PRC

The strong growth of the private hospital industry in the PRC has been, and is expected to be, primarily driven by the following factors:

- *Increasing Demand for Quality Healthcare Services*. In the PRC, there are significant unmet medical needs resulting from the prevalence of a wide range of serious or complex medical conditions. The increasing demand for healthcare services in the PRC has surpassed the capacity of existing healthcare institutions, burdening them with high patient loads and leading to challenges in providing adequate care for all patients. Private hospitals complement public hospital capacities by providing specialized care and easing the strain on the healthcare system. This not only improves patient outcomes but also creates opportunities for the growth and development of private hospitals.

- *Favorable Government Policies Towards Private Hospitals*. The development of private hospitals was designated as a priority in the Government Work Report and the "14th Five-Year National Health Plan ("十四五"國民健康規劃)" issued by the PRC government. The government has emphasized the establishment of new private hospitals in various regions. Additionally, efforts are being made to create a favorable policy environment for private hospitals, including tax incentives and other supportive measures.

- *Disproportionate Allocation of Medical Resources*. Larger hospitals in the PRC have been concentrated in the existing urban areas of major cities. However, as urbanization progresses, there is a need to establish more hospitals in emerging urban areas and suburbs to meet the healthcare needs of local residents. This demand for expanded medical care options in these areas has created an opportunity for the growth of private hospitals.

Future Trends of the PRC Private Hospital Market

The future trends of the PRC Private Hospital Market include the following:

- *Expansion in Scale and Industry Integration*. In recent years, private hospitals in the PRC have experienced rapid growth. This expansion has been facilitated by the influx of investment from social capital, enabling private hospitals to expand in scale. At the same time, the emergence of hospital groups contributes to the economies of scale and recognition among patients. However, the majority of private hospitals in the PRC still operate on a smaller scale and face challenges in competing with larger private hospitals and public hospitals. As competition intensifies, larger private general hospitals and hospital groups are expected to leverage their competitive advantages to further expand their scale and strengthen their dominance through industry consolidation, such as acquisition of smaller private hospitals.

- *Striving for Standardized and Specialized Development*. Private hospitals in the PRC are looking to international standards and incorporating global experiences as they pursue development in specialization, expertise, patient satisfaction, and technological advancements. The industry's focus lies on higher quality of healthcare professionals, clinical expertise and services, aiming to establish internationally recognized hospitals. In order to gain increased government recognition and a competitive edge, private hospitals in the PRC are embracing global experiences, adhering to international standards and actively constructing specialized departments, with discipline leaders or experts in their respective fields. As the PRC's hospital market evolves, private hospitals that provide specialized healthcare services, are better positioned for sustained growth.

- *Formation of Regional Medical Alliances*. As the PRC's population continues to grow and age rapidly, the private hospital market is evolving toward the formation of regional medical alliances — collaborative networks that integrate different levels of care across a geographic region. Firstly, by establishing referral networks through collaborations between general hospitals and primary as well as other community-based healthcare institutions, these alliances will allow patients to seamlessly transfer between different healthcare institutions based on their acuity levels. Secondly, targeting at China's rapidly aging population, the collaborative integration of medical services with senior care and support services is also able to provide comprehensive continuing care for the elderly that encompasses acute treatment, rehabilitation and long-term care.

Competitive Landscape of Private General Hospitals in the PRC

The private hospital industry in the PRC is highly competitive and fragmented. According to Frost & Sullivan, in terms of revenue generated from healthcare services in 2022, we rank the fifth among all private for-profit general hospital groups in the PRC and, in terms of revenue generated from healthcare services in 2022, our Nanjing BenQ Hospital ranks the fourth among all private for-profit general hospitals in the PRC. The following table sets forth the top five private for-profit general hospital groups in the PRC in terms of revenue generated from healthcare services in 2022:

Top Five Private For-profit General Hospital Groups in the PRC in Terms of Revenue Generated from Healthcare Services in 2022*

Ranking	Company	Total Revenue Generated from Healthcare Services (RMB billion)
1	Group A(1)	5.32
2	Group B(2)	4.22
3	Group C(3)	2.81
4	Group D(4)	2.69
5	Our Group	2.31

Source: Frost & Sullivan Analysis

Notes:

* Excluding revenue generated from not-for-profit businesses of each respective group.

(1) Established in 2010 and headquartered in Shanghai, Group A primarily engages in providing diagnostic and treatment solutions and health management services, and holds shares in 18 healthcare institutions across five major economics zones in the PRC, including the Pearl River Delta Greater Bay Area, the Yangtze River Delta, the Huaihai Economic Zone, the Chengdu-Chongqing Economic Belt, and the Central China Economic Belt.

(2) Established in 2014 and headquartered in Shanghai, Group B primarily engages in industrial investment and operations of healthcare institutions, and holds shares in 29 hospitals across areas with limited healthcare resources in the PRC.

(3) Established in 2003 and headquartered in Beijing, Group C primarily engages in industrial investment and operations of healthcare institutions, and holds shares in over ten hospitals across over five provinces in the PRC.

(4) Established in 1956 and headquartered in Xi'an, Shaanxi Province, Group D primarily engages in providing healthcare services and modern medical technology transformation, and operates three hospitals across Shanxi Province in the PRC. Group D is a listed company on Shenzhen Stock Exchange.

The following table set forth the top five individual private for-profit general hospitals in the PRC in terms of revenue generated from healthcare services in 2022:

Top Five Individual Private For-profit General Hospitals in the PRC in Terms of Revenue Generated from Healthcare Services in 2022

Ranking	Company	Revenue Generated from Healthcare Services (RMB billion)
1	Hospital A[(1)]	2.15
2	Hospital B[(2)]	1.65
3	Hospital C[(3)]	1.62
4	Nanjing BenQ Hospital	1.43
5	Hospital D[(4)]	1.41

Source: Frost & Sullivan Analysis

Notes:

(1) Established in 1958 and located in Foshan, Guangdong Province, Hospital A is a Grade A Class III hospital specializing in spine orthopedics, urology, and women and children's center. It was awarded as "Guangdong Province Bethune-style Advanced Collective" (廣東省白求恩式先進集體), "Foshan Enterprise Postdoctoral Workstation" (佛山企業博士後工作站) and "Mother-Baby Friendly Hospital" (母嬰友好醫院), etc. Hospital A is affiliated with a listed company on Shanghai Stock Exchange.

(2) Established in 1995 and located in Dongguan, Guangdong Province, Hospital B is a Grade A Class III hospital specializing in plastic surgery, cardiology, and medical imaging department. It was awarded with "Dongguan Outstanding Social Contribution Award" (東莞市回饋社會傑出貢獻獎), and as "Dongguan Model Unit for Honest Services" (東莞誠信服務示範單位) and "Dongguan outstanding Unit for Comprehensive Hospital Management Work" (東莞市醫院綜合管理工作優秀單位). Hospital B is affiliated with a listed company on the Stock Exchange.

(3) Established in 2021 and located in Xi'an, Shaanxi Province, Hospital C is a Grade A Class III hospital specializing in emergency and critical care, diagnosis and treatment of rare and difficult disease, as well as interventional diagnosis and treatment. It has obtained the JCI accreditation and is a member hospital of Mayo Clinic Alliance. Hospital C is affiliated with a listed company on the Stock Exchange.

(4) Established in 1971 and located in Xuzhou, Jiangsu Province, Hospital D is a Grade A Class III hospital specializing in neurology, cardiovascular internal medicine, respiratory internal medicine, orthopedics, and radiation oncology. It was awarded as "National Demonstration Hospital for Improving Medical Services" (全國改善醫療服務示範醫院) and "National Innovative Enterprise Hospital" (全國改革創新企業醫院), etc.

According to Frost & Sullivan, in terms of average revenue per registered bed in 2022, we rank the first among all private for-profit general hospital groups in the PRC. The following table sets the top five private for-profit general hospital groups in the PRC in terms of average revenue per registered bed in 2022:

Top Five Private For-profit General Hospital Groups in the PRC in Terms of Average Revenue per Registered Bed in 2022

Ranking	Company	Average Revenue per Registered Bed* (RMB thousand)
1	Our Group	1,356.2
2	Group A	973.0
3	Group E(1)	826.6
4	Group F(2)	817.5
5	Group G(3)	746.4

Source: Frost & Sullivan Analysis

Notes:

* Average revenue per registered bed is equal to each group's revenue generated from healthcare services (excluding revenue generated from not-for-profit businesses) divided by the number of registered beds.

(1) Established in 2003 and headquartered in Beijing, Group E primarily engages in the investment and operation of medical and healthcare industry, and operates two general hospitals in two provinces in the PRC.

(2) Established in 2011 and headquartered in Hong Kong, Group F primarily engages in the professional integration and capital operation of medical resource, and has 146 healthcare institutions covering ten provinces in the PRC. Group F is a listed company on the Stock Exchange.

(3) Established in 2013 and headquartered in Hangzhou, Zhejiang Province, Group G primarily engages in providing healthcare services and hospital management services, and operates four hospitals across two provinces in the PRC.

THE HEALTHCARE SERVICE MARKET IN EAST CHINA REGION

The East China region encompasses economically developed areas, which have relatively higher levels of healthcare infrastructure, medical resources, and access to advanced healthcare technologies. The healthcare market in the East China region has been growing rapidly, driven by increasing demand for quality and customized healthcare services. The revenue of public hospitals in the East China region is estimated to increase from RMB739.9 billion in 2017 to RMB1,066.8 billion in 2022, with a CAGR of 7.6% from 2017 to 2022, and is projected to reach RMB1,496.1 billion in 2026, with a CAGR of 8.8% from 2022 to 2026. Meanwhile, the revenue of private hospitals is estimated to increase from RMB113.2 billion in 2017 to RMB211.1 billion in 2022, with a CAGR of 13.3% from 2017 to 2022, and is projected to reach RMB357.8 billion in 2026, with a CAGR of 14.1% from 2022 to 2026. According to Frost & Sullivan, among all the private for-profit general hospitals in the East China region, our Group ranks the first in terms of revenue generated from healthcare services in 2022.

THE HEALTHCARE SERVICE MARKET IN JIANGSU PROVINCE

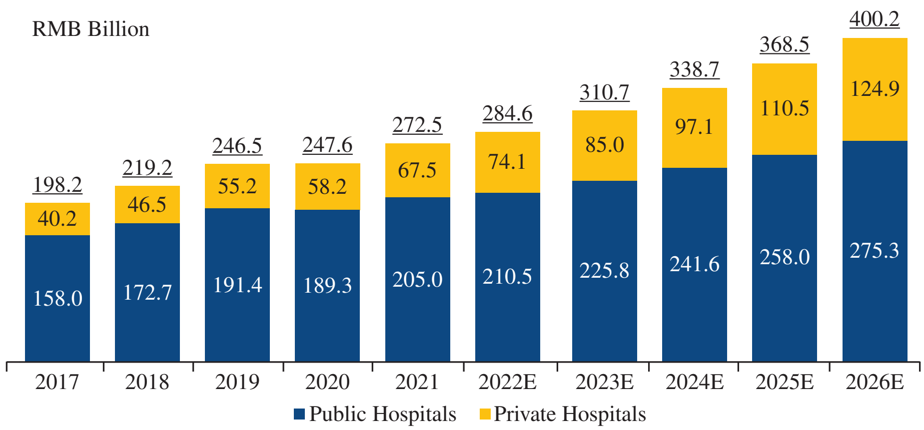
Overview

Jiangsu Province, recognized as one of the PRC's most developed regions, had a population of approximately 85.2 million at the end of 2022. The GDP of Jiangsu Province amounted to RMB12,287.6 billion, accounting for 10.2% of the national total. The per capita annual disposable income of residents in Jiangsu Province reached RMB49,862 in 2022, surpassing the nationwide figure of RMB36,883 for the same year. In addition, the average medical expenses in Jiangsu Province exceeded the national average for both outpatient and inpatient healthcare services. In 2022, the average outpatient medical expenses per visit in the PRC were RMB342.7, whereas in Jiangsu Province, it was RMB375.5. Similarly, the average inpatient medical expenses per visit in the PRC amounted to RMB10,860.6, whereas in Jiangsu Province, it reached RMB12,841.8. Fast-paced development of hospital market in Jiangsu Province is fueled by the high population density, elevated disposable income, heightened health awareness among local residents, and in turn significant demand for healthcare services.

In terms of revenue of hospitals in Jiangsu Province, private hospitals have demonstrated more robust growth than public hospitals historically and are expected to continue to grow faster than public hospitals in the near future. The following charts set forth the historical and projected revenue of public and private hospitals in Jiangsu Province for the periods indicated:

Revenue of Public and Private Hospitals in Jiangsu Province, 2017-2026E*

Period	CAGR		
	Public Hospitals	Private Hospitals	Total
2017-2022E	5.9%	13.0%	7.5%
2022E-2026E	7.0%	13.9%	8.9%



Source: NHFPC, Frost & Sullivan Analysis

* *Note:* Since the *China Health and Wellness Statistical Yearbook 2023* (2023中國衛生健康統計年鑒) has not been released yet, the data for 2022 were forecasted with reference to the *2022 Statistical Bulletin on the Development of Health and Wellness* (2022年衛生健康事業發展統計公報) and the *Jiangsu Province Health and Wellness Statistical Yearbooks 2023* (2023江蘇省衛生健康統計年鑒).

Graded Private and Public Hospitals in Jiangsu Province

As the government encourages private sector to step into the healthcare service industry and operate hospitals, the number of private hospitals in Jiangsu Province has experienced remarkable growth. According to Frost & Sullivan, between 2018 and 2022, the number of private hospitals in Jiangsu Province increased from 1,386 to 1,650, representing a CAGR of 4.5% from 2018 to 2022, while the number of public hospitals in the same area declined slightly from 467 in 2018 to 437 in 2022.

With regard to the graded hospitals in Jiangsu Province, the composition of graded hospitals in the private sector remains unbalanced in Jiangsu Province as compared to public hospitals. In 2022, the proportion of Class III hospitals is estimated to account for approximately 2.4% in the total number of graded private hospitals, whereas they are estimated to constitute approximately 45.9%, a much larger proportion in the total number of graded public hospitals.

Competitive Landscape of Private General Hospital in Jiangsu Province

According to Frost & Sullivan, among all the private for-profit general hospitals in Jiangsu Province, our Nanjing BenQ Hospital ranks the first in terms of revenue generated from healthcare services in 2022. The following table sets forth the top five individual private for-profit general hospitals in Jiangsu Province in terms of revenue generated from healthcare services in 2022:

Top Five Individual Private For-profit General Hospitals in Jiangsu Province in Terms of Revenue Generated from Healthcare Services in 2022

Ranking	Company	Total Revenue Generated from Healthcare Services (RMB billion)
1	Nanjing BenQ Hospital	1.43
2	Hospital D	1.41
3	Hospital E(1)	1.28
4	Hospital F(2)	1.27
5	Hospital G(3)	1.07

Source: Frost & Sullivan Analysis

Notes:

(1) Established in 2006 and located in Suzhou, Jiangsu Province, Hospital E is a Grade A Class III hospital specializing in cardiovascular internal medicine, neurosurgery, and medical imaging, etc. It was recognized as a "China Chest Pain Center Demonstration Base" (中國胸痛中心示範基地), and awarded as "Jiangsu Province Mother-Baby Friendly Hospital" (江蘇省母嬰友好醫院) and "Suzhou Pre-disease Treatment Alliance Unit" (蘇州市治未病聯盟單位).

(2) Established in 1905 and located in Suqian, Jiangsu Province, Hospital F is a Grade A Class III hospital specializing in cardiovascular medicine, hepatobiliary and pancreatic surgery, and gastrointestinal surgery, etc. It was awarded as "National Reassuring Demonstration Hospital" (全國百姓放心示範醫院), "Jiangsu Province Advanced Health System Unit" (江蘇省衛生系統先進單位) and "Jiangsu Province Mother-Baby Friendly Hospital" (江蘇省母嬰友好醫院), etc.

(3) Established in 1934 and located in Nanjing, Jiangsu Province, Hospital G is a Grade III Class III hospital specializing in gastroenterology, cardiovascular medicine, and neurology, etc. It is the first hospital in Jiangbei New Area to receive the certification for chest pain center, stroke center, and trauma center.

THE HEALTHCARE SERVICE MARKET IN GUANGXI

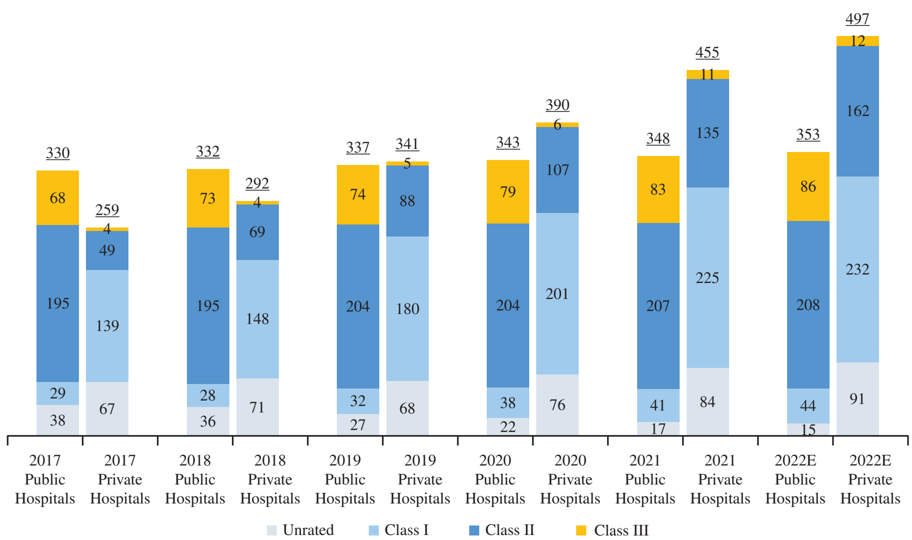
Overview

Healthcare resources in Guangxi, especially quality healthcare services, lag behind many other provinces in the PRC, according to Frost & Sullivan. In 2022, for every thousand people, Guangxi had 4.69 hospital beds and 2.75 (assistant) medical practitioners, both ranking in the bottom 15% among all provinces in the PRC, according to Frost & Sullivan. Healthcare services in Guangxi are under pressure to meet the healthcare needs of a population that is rapidly expanding and this signifies growth opportunities in the healthcare services market in Guangxi.

Graded Public and Private Hospitals in Guangxi

Driven by the increase in population, rapidly-growing demand and favorable policies hospitals in Guangxi has indicated a strong growth. However, despite the significant increase in the number of hospitals, there are substantial unmet medical needs in Guangxi. In 2022, among all graded hospitals in Guangxi, Class III hospitals account for approximately 13.2%. Additionally, Class III private hospitals are estimated to only represent approximately 3.0% among all graded private hospitals, indicating the scarcity of private hospitals providing advanced medical care.

Number of Graded Public and Private Hospitals in Guangxi, 2017-2022E



Source: NHFPC, Frost & Sullivan Analysis

Future Trends of Healthcare Service Market in Guangxi

The geographical proximity of Guangxi to several Southeast Asian countries, including Vietnam, Laos, etc., has facilitated collaboration in healthcare services between the neighboring nations. Recognizing the potential benefits of such cooperation, the "Notice of the People's Government of Guangxi Zhuang Autonomous Region on Printing and Issuing the 'Fourteenth Five-Year Plan' for Health and Wellness Development in Guangxi" (《廣西壯族自治區人民政府關於印發廣西衛生健康發展"十四五"規劃的通知》) emphasizes the need to comprehensively advance international cooperation in the field of health and wellness. The plan highlights the aim to contribute to the development of the "Health Silk Road" (健康絲綢之路) and actively promote the China-ASEAN Health Cooperation Forum. This cooperation forum plays a crucial role in supporting the implementation of the Regional Comprehensive Economic Partnership (RCEP) and the "Belt and Road" (一帶一路) Initiative, both of which aim to foster regional economic integration and connectivity. As part of this initiative, Guangxi is actively working towards establishing China-ASEAN cross-border medical service centers and encouraging the collaboration, knowledge-sharing, and the provision of medical services across national boundaries between the province and its neighboring Southeast Asian countries.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare the Frost & Sullivan Report on, the healthcare service market in the PRC. Founded in 1961, Frost & Sullivan has 50 offices with more than 3,000 industry consultants and market research analysts globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, company valuation, client research, competitive intelligence, and corporate strategy. We have agreed to pay a fee of RMB400,000 to Frost & Sullivan for preparing the Frost & Sullivan Report. We have included certain information from the Frost & Sullivan Report in this document because we believe such information can facilitate an understanding of the healthcare service market in the PRC for the [**REDACTED**]. During the preparation of the Frost & Sullivan Report, Frost & Sullivan conducted primary and secondary research and obtained knowledge, statistics, information, and industry insights about the industry. Primary research involves discussing the status of the industry with leading industry participants and industry experts. Secondary research involves reviewing company reports, independent research reports and Frost & Sullivan's own research database. In compiling and preparing the research, Frost & Sullivan assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period.

OVERVIEW

We are a pioneer and leader among private for-profit general hospital groups in mainland China, and have adopted the advanced hospital operation and management experiences from Taiwan. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on January 5, 2009 as the holding company of our Group. Our Company has undergone multiple share capital changes since our establishment. We have also received external equity financing to support our expanding business operations. See "— Major Shareholding Changes of Our Company" and "— Pre-[**REDACTED**] Investments" in this section.

BUSINESS MILESTONES

The following table sets forth certain development milestones of our Group:

Year	Milestones
2003	• The construction of Nanjing BenQ Hospital was commenced
2005	• The construction of Suzhou BenQ Hospital was commenced
2008	• We commenced the operation of Nanjing BenQ Hospital
2013	• We commenced the operation of Suzhou BenQ Hospital
2017	• Nanjing BenQ Hospital was recognized as one of the first certified chest pain centers in 2017 in the PRC and a trauma treatment center in Nanjing
2018	• Nanjing BenQ Hospital was recognized as a "National Health Management Demonstration Base"
2019	• Nanjing BenQ Hospital was rated as AAA under medical institution credit rating and obtained 5-star star-class rating recognized by the Chinese Non-government Medical Institutions Association
2020	• Suzhou BenQ Hospital passed the JCI international certification, and implemented the "Patient Safety Culture-Centered" service principle throughout the entire medical process
2021	• Nanjing BenQ Hospital was recognized as a certified stroke center • We commenced the construction of Phase II of Nanjing BenQ Hospital
2022	• Suzhou BenQ Hospital and Soochow University (蘇州大學) jointly established the "Soochow University BenQ Clinical Medicine Research Institute" • Nanjing BenQ Hospital was approved as a Grade A Class III general hospital
2023	• Suzhou BenQ Hospital was approved as a Class III general hospital
2024	• Nanjing BenQ Hospital and Suzhou BenQ Hospital were rated Grade A Class IV in the national medical and health information interconnection standardization maturity test

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Establishment in 2009

In January 2009, our Company was incorporated in the Cayman Islands as the holding company of our Group. The initial authorized share capital of our Company was US$300,000,000.00 divided into 300,000,000 ordinary Shares with a par value of US$1.00 each Share. Upon incorporation, one Share was allotted and issued to Offshore Incorporations (Cayman) Limited and was subsequently transferred to Qisda Corporation. On the same date, additional 123,700,000 Shares were allotted and issued and our Company was owned as to approximately 89.81% by Qisda Corporation (directly and indirectly through its wholly-owned subsidiaries Darly2 Venture and QISDA SDN. BHD.) and approximately 8.97% and 1.21% by Leader International Biomedicine Limited ("**Leader International**") and Mr. TSAI Chiang-Hai (蔡長海) ("**Mr. Tsai**"), respectively. Leader International is an investment company and it became acquainted with us through Mr. Tsai. For further details, see "— Pre-[**REDACTED**] Investments" in this section.

Share transfers and share capital changes during 2011 — 2013

On July 27, 2011, the par value of the Shares was amended from US$1.00 per Share to US$1.20 per Share. On the same day, our Company allotted and issued a total of 3,166,667 Shares at par value as share incentives to 23 individuals (including 22 then senior officers of the Qisda Group and our Group and the spouse of one of them) ("**2011 Share Incentives**"). Also on the same day, Darly2 Venture and Leader International subscribed for 1,324,036 and 509,297 new Shares, respectively, at par value. The aforementioned transactions were settled by the same day. Upon completion of such transactions, the issued share capital of the Company comprised of 128,700,001 Shares with a par value of US$1.20 per Share.

On July 19, 2013, the par value of the Shares was amended from US$1.20 to US$1.00 per Share. On the same day, our Company issued and allotted 45,000,000 Shares to the Qisda Group at par value. In addition, certain share transfers took place (i) from an individual who was a former president of Nanjing BenQ Hospital and another individual who was a former employee of Qisda Corporation to Darly Venture (L) at par value as the repurchase by Darly Venture (L) of the incentive Shares held by such individuals, (ii) between two individuals who were both employees of Qisda Corporation then at par value for the purpose of adjustment of incentive Shares, and (iii) from Leader International to Darly Venture (L) at par value after arm's length negotiation due to the exits of some shareholders of Leader International. The aforementioned transactions had been settled by July 20, 2013. After such shareholding changes, our Company was owned as to 93.62%, 3.81%, 0.86% and 1.71% by Qisda Corporation and its subsidiaries, Leader International, Mr. Tsai and other 21 individuals, respectively, and the issued share capital of the Company comprised of 173,700,001 Shares at the par value of US$1.00 per Share.

Pre-[REDACTED] investments in 2014 and 2015

In January 2014, CDH Medical Services Limited ("**CDH**") and ShareHope Medical Co., Ltd. (盛弘醫藥股份有限公司) ("**ShareHope**") were introduced as investors of the Company.

On January 29, 2014, CDH entered into a share subscription agreement with our Company and subscribed for 60,585,000 Shares for a total consideration of US$100,000,000. The consideration was determined after arm's length negotiation among the parties taking into consideration the operations and status of our business and operating entities and fully settled on March 31, 2014.

In December 2015, ShareHope purchased 5,258,048 Shares from Leader International at a consideration of US$8,412,876.8. The consideration was determined after arm's length negotiation among the parties and with reference to the appraisal report issued by an independent professional valuer and fully settled on May 12, 2016.

CDH and ShareHope were granted certain special rights. The special rights of CDH were automatically terminated upon its exit as disclosed below. For details of the special rights of ShareHope, see "— Pre-[**REDACTED**] Investments — Rights of the Pre-[**REDACTED**] Investors" in this section.

Shareholding changes during 2015 — 2022

In March 2015, Leader International transferred additional 597,800 Shares it held to Darly Venture (L) at par value due to the exit of some shareholders of Leader International from it.

From May 2016 to August 2018, our Company had further undergone several rounds of issuance of Shares and several transfers of Shares took place among the Shareholders. In March 2017, our Company issued 10,000,000 Shares to Darly Venture (L) at par value. In March 2017 and August 2018, our Company issued 660,000 Shares in aggregate to the then chief executive officer of Nanjing BenQ Hospital and Suzhou BenQ Hospital, at par value, upon the exercise in full of the vested share options granted to him in December 2013 (the "**2013 Share Incentives**"). In addition, several transfers of Shares took place (i) between Qisda Corporation and one of its subsidiaries at nil consideration as its internal shareholding restructuring, (ii) from Leader International to the then chief financial officer of Qisda Corporation, at US$1.60 per Share, after arm's length negotiation among parties and considering the growth and expansion of the Group, and (iii) from an individual, who was a former vice chairman of BenQ Corp., to his son and daughter.

In April 2019, 1,640,000 Shares were transferred from Darly Venture (L) to several employees of the Qisda Group at US$1.50 per Share as share incentives (the "**2019 Share Incentives**"). In February 2021, a retired former employee of the Qisda Group transferred all the Shares he was awarded as incentive Shares under 2011 Share Incentives to an individual who is the spouse of Mr. CHIANG Che-Min (our chief financial officer) at US$1.30 per Share, which was slightly higher than the transferor's initial award price. In November 2021, another retired former employee of the Qisda Group transferred all the Shares she were awarded under 2019 Share Incentives to an individual who is the daughter of another senior officer of the Qisda Group at US$1.50 per Share equivalent to the transferor's initial award price.

In August 2022, several former employees transferred all the Shares they were awarded in 2019 to Qisda Corporation at US$1.50 per Share equivalent to the initial award price. The aforementioned transactions were all settled during the relevant periods.

Exit of CDH in 2023

On August 17, 2023, CDH entered into a Share Sale and Purchase Agreement with Qisda Corporation and our Company, according to which CDH agreed to sell, and Qisda Corporation agreed to purchase 60,585,000 Shares held by CDH, representing approximately 24.73% then equity interests in our Company, with a consideration of US$194,904,895 ("**Repurchase of CDH Shares**"). The consideration was determined after arm's length negotiation among the parties taking into consideration the original subscription price with an annual premium rate as agreed among relevant parties and was fully settled on September 27, 2023.

Qisda Internal Restructuring

As part of the internal restructuring arrangements of the Qisda Group to simplify the shareholding structure, it is proposed that Darly2 Venture and Darly Venture will transfer all the Shares they hold in the Company to Qisda Corporation. According to the relevant laws and regulations of Taiwan, the Qisda Internal Restructuring will be subject to the prior approval of the Department of Investment Review of the Ministry of Economic Affairs of Taiwan ("**DIR**"). As the approval of DIR is beyond the control of the Qisda Group or our Company, the timing that the Qisda Group may proceed with the Qisda Internal Restructuring is uncertain and it is possible that the Qisda Internal Restructuring may be carried out within [**REDACTED**] of the Listing Rules. The completion of relevant transfer procedures is estimated to take approximately two months after receiving such approval from DIR.

As of the Latest Practicable Date, Qisda Corporation is our ultimate Controlling Shareholder interested directly and indirectly (through its wholly-owned subsidiaries, namely Darly2 Venture, Darly Venture, Darly Venture (L) and BenQ Corporation) in 232,736,837 Shares in aggregate, representing approximately 95.02% equity interests in our Company. Upon the completion of the Qisda Internal Restructuring, Qisda Corporation will remain as our ultimate Controlling Shareholder and its interest in our Company will remain unchanged upon completion the Qisda Internal Restructuring.

As the timing of the completion of the Qisda Internal Restructuring is uncertain for the reasons described above, we have applied to the Stock Exchange, and the Stock Exchange [has granted] us [a waiver/waivers] in relation to the Qisda Internal Restructuring. See "Waivers From Strict Compliance With the Listing Rules and Exemption From Strict Compliance With the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver[s] in Relation to the Qisda Internal Restructuring" in this document.

OUR SUBSIDIARIES

As of the Latest Practicable Date, our Company has six wholly-owned subsidiaries, namely BenQ BM, BenQ Healthcare Consulting, Nanjing BenQ Hospital, Suzhou BenQ Hospital, Nanjing BenQ Hospital Management and Suzhou BenQ Investment which are set forth below:

	Place of Incorporation	Date of Incorporation	Principal Business Activities
Nanjing BenQ Hospital	PRC	November 11, 2003	Hospital healthcare service
Suzhou BenQ Hospital.	PRC	July 7, 2004	Hospital healthcare service
BenQ BM	Malaysia	October 30, 2003	Investment holding
BenQ Healthcare Consulting	Taiwan	February 5, 2009	Management Services
Nanjing BenQ Hospital Management	PRC	November 14, 2005	Management Services
Suzhou BenQ Investment	PRC	September 16, 2015	Investment holding

Establishment and Shareholding Changes of Major Subsidiaries

Nanjing BenQ Hospital

Nanjing BenQ Hospital was established on November 11, 2003 with a registered capital of RMB300 million. At the time of its establishment, Nanjing BenQ Hospital was owned as to 70%, 20% and 10% by BenQ L, a wholly-owned subsidiary of Qisda Corporation, Nanjing State-owned Assets Investment Management Holdings (Group) Co., Ltd. (南京市國有資產投資管理控股(集團)有限責任公司) ("**Nanjing State-owned Assets Investment**") and Nanjing Hospital of C.M. (南京市中醫院) ("**Nanjing TCM Hospital**"), respectively. Also in 2003, the construction of Nanjing BenQ Hospital was commenced. Having commenced operations in May 2008, Nanjing BenQ Hospital has been rated as a Grade A Class III hospital since 2022, being the first private hospital so rated in Nanjing, Jiangsu Province.

On February 24, 2005, BenQ L transferred its equity interests in Nanjing BenQ Hospital to BenQ BM, our wholly-owned subsidiary, and Nanjing BenQ Hospital became a non-wholly-owned subsidiary of our Company.

On December 15, 2011, Nanjing TCM Hospital transferred its equity interests in Nanjing BenQ Hospital to Nanjing State-owned Assets Investment at nil consideration as approved by State-Owned Assets Supervision and Administration Commission of Nanjing Municipal Government (南京市人民政府國有資產監督管理委員會) and other relevant government authorities and the registered capital of Nanjing BenQ Hospital was also increased from RMB300 million to RMB600 million with the new share capital subscribed by BenQ BM. Upon completion of the above-mentioned equity transfer and capital increase, Nanjing BenQ Hospital was owned as to 85% by BenQ BM and 15% by Nanjing State-owned Assets Investment, respectively.

On June 8, 2015, Nanjing State-owned Assets Investment transferred its equity interests in Nanjing BenQ Hospital to BenQ BM for a consideration of RMB96.66 million after arm's length negotiation among the parties and with reference to the appraisal report issued by an independent professional valuer and as a result, Nanjing BenQ Hospital became a wholly-owned subsidiary of our Company. The abovementioned consideration was fully settled on May 18, 2015.

After two rounds of capital increases in October 2015 and December 2015, respectively, the registered capital of Nanjing BenQ Hospital was increased to US$156,540,757.93.

On March 6, 2018, for the purpose of specialization of different business segments, a new project company Nanjing Yinxia Healthcare Industry Development Co., Ltd. (南京銀廈健康產業發展有限公司) ("**Nanjing Yinxia Healthcare**") was established through division of Nanjing BenQ Hospital and the registered capital of Nanjing BenQ Hospital was reduced to US$152,014,983.65 accordingly.

After several rounds of further capital increase from June 2020 to October 2023, as of October 19, 2023, the registered capital of Nanjing BenQ Hospital was US$192,014,983.65.

Suzhou BenQ Hospital

Suzhou BenQ Hospital was established on July 7, 2004 with a registered capital of RMB240 million. At the time of its establishment, Suzhou BenQ Hospital was owned as to 70% and 30% by BenQ L, a wholly-owned subsidiary of Qisda Corporation, and Suzhou SND Group Corporation (蘇州蘇高新集團有限公司) (formerly known as Suzhou High-tech Zone Economic Development Group Headquarter (蘇州高新區經濟發展集團總公司)) ("**Suzhou SND**"), respectively. In December 2005, the construction of Suzhou BenQ Hospital was commenced. Having commenced operations in May 2013, Suzhou BenQ Hospital is a private for-profit general hospital that offers multi-disciplinary inpatient and outpatient diagnosis and treatments, similar to those offered by our Nanjing BenQ Hospital, yet with an emphasis on localized medical services.

On October 17, 2006, BenQ L transferred all its equity interests in Suzhou BenQ Hospital, to BenQ BM, our wholly-owned subsidiary, and Suzhou BenQ Hospital became a non-wholly-owned subsidiary of our Company.

On August 20, 2015, Suzhou SND transferred its equity interests in Suzhou BenQ Hospital to BenQ BM for a consideration of RMB77.402 million based on arm's length negotiation between the parties and with reference to the appraisal report issued by an independent professional valuer, and as a result, Suzhou BenQ Hospital became a wholly-owned subsidiary of our Company. The abovementioned consideration was fully settled on August 14, 2015.

After two rounds of capital increases in March 2016 and February 2017, respectively, as of February 20, 2017, the registered capital of Suzhou BenQ Hospital was increased to RMB601,975,000, and it remains as a wholly-owned subsidiary of us owned as to approximately 68.35% by BenQ BM and 31.65% by Suzhou BenQ Investment, respectively.

SHARE INCENTIVES AND SHARE OPTION PLAN

In recognition of the contribution of certain employees of Qisda Corporation and its affiliates, several rounds of share incentives (i.e. 2011 Share Incentives, 2013 Share Incentives and 2019 Share Incentives) were conducted. The awards under these schemes had been fully granted to the relevant employees. For details, see "— Share transfers and share capital changes during 2011 — 2013" and " — Shareholding changes during 2015 — 2022" in this section.

In anticipation of the [**REDACTED**], the Company amended its only existing share option plan which first became effective in November 2018 and such amended share option plan is our Pre-[**REDACTED**] Share Option Plan. The grantees of the Pre-[**REDACTED**] Share Option Plan are all employees of our Group. The purpose of the Pre-[**REDACTED**] Share Option Plan is to enable our Company to incentive and reward eligible participants for their contribution to our Group so as to strengthen their sense of belonging, encourage them to contribute to the long-term growth of the Company and to enhance the value of the Company and the benefit of Shareholders. As of the Latest Practicable Date, we have granted options to 160 grantees to subscribe for 3,293,000 Shares as underlying shares, all of which will be vested after the [**REDACTED**]. Our Company will not grant any further options under the Pre-[**REDACTED**] Share Option Plan on or after the [**REDACTED**].

For details, see "Statutory and General Information — D. Pre-[**REDACTED**] Share Option Plan" in Appendix V to this document.

Our Company has applied for and has been [granted] (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix DIA to the Listing Rules; and (ii) a certificate of an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. For further details, see "Waivers From Strict Compliance With the Listing Rules and Exemption From Strict Compliance With the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in Respect of the Pre-[**REDACTED**] Share Option Plan" in this document.

PRE-[REDACTED] INVESTMENTS

Principal Terms of the Pre-[REDACTED] Investments

The below table summarizes the principal terms of the Pre-[**REDACTED**] Investments[(2)]:

Investor	**Mr. Tsai**	**Leader International**		**ShareHope**
Vendor	N/A	N/A	N/A	Leader International
Date of Settlement	January 5, 2009	January 5, 2009	July 27, 2011	May 12, 2016
Consideration *(US$)*	1,500,000.00	11,100,000.00	611,156.40	8,412,876.80
Cost per Share *(US$)*	1.00	1.00	1.20	1.60
Post-money Valuation of our Company *(US$)*	123.7 million	123.7 million;	154.4 million	374.9 million
[**REDACTED**] **to the** [**REDACTED**][(1)]	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%

Lock-Up Period . . . . . . The Pre-[**REDACTED**] Investors are not subject to any lock-up arrangement pursuant to the relevant investment agreements. Lock-up arrangements may be further negotiated prior to the [**REDACTED**].

Basis of consideration . . The considerations for the Pre-[**REDACTED**] Investments were based on arm's length negotiations between us and the Pre-[**REDACTED**] Investors after taking into consideration the timing of the relevant investments and the status of our business and operations.

Strategic benefits of the Pre-[**REDACTED**] **Investors brought to our Company** . . . . . . At the time of each of the Pre-[**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the additional capital from the Pre-[**REDACTED**] Investments and/or the Pre-[**REDACTED**] Investors' knowledge and experience. Our Pre-[**REDACTED**] Investors include a renowned company in relevant industries which can help us achieve business synergies, and professional industrial investor which can provide us with professional advice on our Group's development and improve our corporate governance. The Pre-[**REDACTED**] Investments also demonstrate the Pre-[**REDACTED**] Investors' confidence in the business and operation of our Company.

Use of proceeds from the Pre-[**REDACTED**] **Investments** . . . . We have utilized all [**REDACTED**] from the Pre-[**REDACTED**] Investments for business expansion including the development of our hospitals and related capital expenditure and as working capital of our Group.

Notes:

(1) Assuming the [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range.

(2) There are three individual shareholders (each holding 100,000, 100,000 and 50,000 Shares, representing approximately 0.22%, 0.22% and 0.11% of our Company's total issued Shares as of the Latest Practicable Date) who are relatives of certain senior officers of Qisda Corporation and its affiliates and received Shares with a cost per Share generally in line with prices for the relevant share incentive award prices. For details, see "— Share transfers and share capital changes during 2011 – 2013" and " — Shareholding changes during 2015 – 2022" in this section.

Rights of the Pre-[REDACTED] Investors

Certain special rights were granted to ShareHope under the relevant agreements between shareholders. In particular, Qisda Corporation agreed to support and vote for the appointment of one director nominated by ShareHope, which is a special right permitted under the Chapter 4.2 of the Guide for New Listing Applicants. The redemption right of ShareHope granted by our Controlling Shareholder, Qisda Corporation, which has been terminated one day before our Company filed its [**REDACTED**] to the Stock Exchange, shall automatically be reinstated if (i) our Company withdraws its [**REDACTED**] or (ii) the [**REDACTED**] is rejected or returned by the Stock Exchange. Saved as disclosed above, ShareHope's other special rights will not survive the [**REDACTED**].

Information about our Pre-[REDACTED] Investors

Information of our Pre-[**REDACTED**] Investors is set out below:

ShareHope

ShareHope Medical Co., Ltd. (盛弘醫藥股份有限公司) ("**ShareHope**") is a joint stock limited company incorporated under the laws of Taiwan in November 2003 and listed on the Taipei Exchange on March 1, 2011 (stock code: 8403.TPEx). ShareHope is an integrated medical services provider in Taiwan specializing in health management and operation, the human resource dispatch of medical professionals, the provision of medical, pharmaceutical and healthcare devices, the rental of medical equipment and long-distance healthcare services.

Mr. Tsai

Mr. TSAI Chiang-Hai (蔡長海) ("**Mr. Tsai**") is an individual shareholder and an early stage investor of our Company. He is the chairman of the board of directors of the China Medical University Hospital (中國醫藥大學附設醫院), a renowned hospital in the central of Taiwan, who has extensive knowledge and expertise in the biomedical field and is an authority in the field of hospital management. Mr. Tsai also serves as a director of Center Laboratories, Inc. (晟德大藥廠股份有限公司), a company listed on the Taipei Exchange (stock code: 4123.TPEx).

Leader International

Leader International Biomedicine Limited ("**Leader International**") is a limited liability company established in Samoa and is held by Ying Chow as to 90% and Lin Chia Chi as to 10%, who are both Independent Third Parties. It principally engages in investment holding.

To the best knowledge and information of our Directors, the Pre-[**REDACTED**] Investors decided to invest in our Company due to their confidence in the prospects of our Company and potentials, and their investment reflects their financial and experiential support for the development of our Group. To the best knowledge of our Directors, our Pre-[**REDACTED**] Investors and their ultimate beneficial owners are all Independent Third Parties.

[**REDACTED**]

Upon completion of the [**REDACTED**], Qisda Corporation will hold [232,736,837] Shares, directly or indirectly, representing approximately [**REDACTED**]% of the total issued Shares; therefore, such Shares will not count towards the [**REDACTED**]. In addition, Mr. HSIAO Tze-Jung, Mr. CHEN Chi-Hong and Ms. HUNG Chiu-Chin, Directors of our Company, and the spouse of Mr. CHIANG Che-Min, our chief financial officer and a director of our certain subsidiaries, will become core connected persons of our Company under the Listing Rules upon [**REDACTED**]. They will hold an aggregate of [770,000] Shares, representing approximately [**REDACTED**]% of our Company's total issued Shares and those Shares will not count towards the [**REDACTED**]. Therefore, the [233,506,837] Shares held by our core connected persons, representing a total of approximately [**REDACTED**]% of our Company's total issued Shares, will not count towards the [**REDACTED**]. Saved as provided above, as of the Latest Practicable Date, no other Shareholder will be a core connected person of the Company upon [**REDACTED**].

Taking into account the above and the Shares to be issued pursuant to the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised), our Company will meet the [**REDACTED**] requirement under the Listing Rules after the completion of the [**REDACTED**]. We will make appropriate disclosure of our [**REDACTED**] and confirm the sufficiency of our [**REDACTED**] in successive annual reports after the [**REDACTED**].

Compliance with the Pre-[REDACTED] Investment Guidance

On the basis that (i) the consideration for the Pre-[**REDACTED**] Investments was irrevocably settled more than 28 clear days before the first filing of the [**REDACTED**] by our Company with the Stock Exchange, and (ii) the special rights granted to the Pre-[**REDACTED**] Investors have been or will be terminated as disclosed in "— Rights of the Pre-[**REDACTED**] Investors" above, the Joint Sponsors confirm that the Pre-[**REDACTED**] Investments are in compliance with the Pre-[**REDACTED**] Investment Guidance in Chapter 4.2 of the Guide for New Listing Applicants.

CAPITALIZATION

The below table is a summary of the capitalization of our Company as of the Latest Practicable Date and immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised):

Shareholders	Ordinary Shares	Ownership percentage as of the Latest Practicable Date	Ownership percentage upon completion of the [REDACTED]
Qisda Entities[(1)]	232,736,837	95.02%	[**REDACTED**]%
Individual Shareholders[(2)]	4,746,667	1.94%	[**REDACTED**]%
Pre-*[REDACTED]** ***Investors			
ShareHope	5,258,048	2.15%	[**REDACTED**]%
Mr. Tsai	1,500,000	0.61%	[**REDACTED**]%
Leader International	703,449	0.29%	[**REDACTED**]%
Subtotal	**244,945,001**	**100%**	**[REDACTED]%**
Other [**REDACTED**] after the [**REDACTED**]	[**REDACTED**]	–	[**REDACTED**]%
Total	**[REDACTED]**	**–**	**100%**

Notes:

(1) Each of such entities is or is deemed to be a Controlling Shareholder. For details, see "Relationship With Our Controlling Shareholders — Our Controlling Shareholders" in this document.

(2) As of the Latest Practicable Date, LEI Huei, LEE Hsi-Hua, YU Ko-Yung, LEE Kuen-Yao, CHEN Hsuan-Bin, LIU Chin-Chih (the spouse of CHEN Hsuan-Bin), CHENG Weishun, PENG Shuang-Lang, HSIANG Fwu-Chyi, LEE Wen-Der, CHANG An-Tso, CHEN Chi-Hong (our chairperson and non-executive Director), CHEN Zhien-Chi, LIN Pi-Chu, LIN Tien-Yu, CHIANG Ming-Chou, HSH Tang-Lung, CHANG Yen-Shu, TSENG Wen-Chi, WANG Deng-Rue, WANG Wei-Lien, WANG Wei-Ping, CHEN Yi-Shan, HUANG Han-Chou, WU Rong-Whua, HUNG Chiu-Chin (our non-executive Director), LIN Hung-Hsiang, WANG Li-Shan, HSIAO Tze-Jung (our executive Director), CHENG Yuh-Wen (the spouse of CHIANG Che-Min) and HUANG Tina Yi-Ting (the daughter of HUANG Han-Chou), being the employees or former employees of Qisda Corporation and its affiliates or their relatives (collectively, the "**Individual Shareholders**"), held 516,667, 200,000, 200,000, 500,000, 100,000, 100,000, 50,000, 100,000, 100,000, 100,000, 100,000, 500,000 100,000, 100,000, 100,000, 100,000, 100,000, 50,000, 200,000, 100,000, 50,000, 50,000, 660,000, 100,000, 50,000, 50,000, 50,000, 50,000, 120,000, 100,000 and 50,000 Shares, representing 0.21%, 0.08%, 0.08%, 0.20%, 0.04%, 0.04%, 0.02%, 0.04%, 0.04%, 0.04%, 0.04%, 0.20%, 0.04%, 0.04%, 0.04%, 0.04%, 0.04%, 0.02%, 0.08%, 0.04%, 0.02%, 0.02%, 0.27%, 0.04%, 0.02%, 0.02%, 0.02%, 0.02%, 0.05%, 0.04% and 0.02% of the total issued Shares of our Company, respectively.

PRC LEGAL COMPLIANCE

Corporate Structure

Our PRC Legal Adviser has confirmed that all applicable regulatory approvals in relation to the equity transfers in respect of the PRC companies in our Group as described above have been obtained, such equity transfers have been legally completed, and the procedures involved have been carried out in accordance with applicable PRC laws and regulations in all material aspects.

M&A Rules

Pursuant to 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》) (the "**M&A Rules**"), which were jointly promulgated by the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAMR, the CSRC and the SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it

(i) acquires equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise;

(ii) subscribes for new equity via an increase in registered 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 assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise.

According to the 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 others, also require that an offshore special purpose vehicle, or a SPV, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

As advised by our PRC Legal Adviser, considering that each of the onshore subsidiaries of our Company (namely, Nanjing BenQ Hospital, Suzhou BenQ Hospital, Nanjing BenQ Hospital Management and Suzhou BenQ Investment) is a foreign-invested enterprise since its incorporation and none of which was converted from a domestic enterprise as defined in the M&A Rules or has purchased and then operated the assets of a domestic enterprise, the establishment and the changes of the onshore subsidiaries of our Company are not subject to the M&A Rules.

SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Round-tripping Investment through Special Purpose Vehicles (《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**") on July 14, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle". SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or swap, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle maybe restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

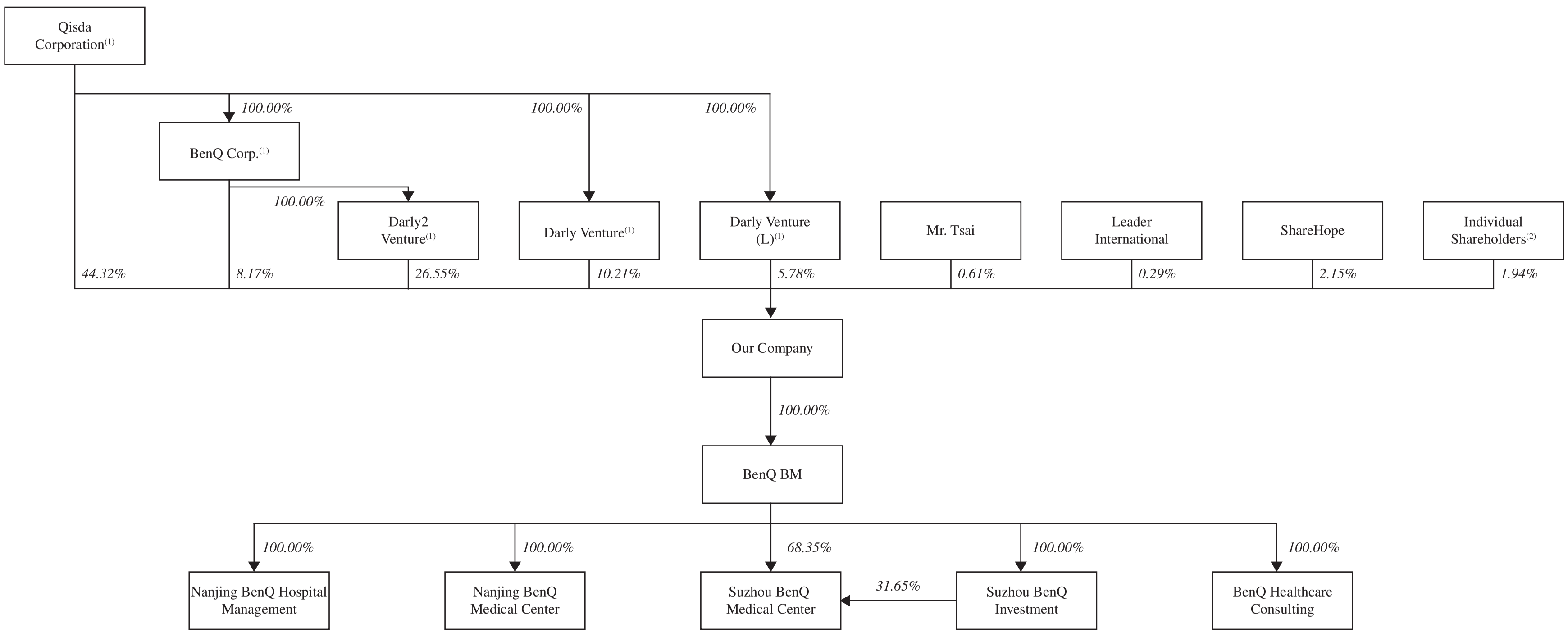
On February 13, 2015, SAFE released the Notice on Further Simplifying the Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which became effective from June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37. However, there exists uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

Our PRC Legal Adviser has further advised that none of our shareholders is subject to the foreign exchange registration under neither SAFE Circular 37 nor SAFE Circular 13.

CORPORATE STRUCTURE

Our Corporate Structure Immediately Prior to the Completion of the [REDACTED]

The following chart sets forth our corporate structure immediately prior to the completion of the [**REDACTED**] (assuming the Qisda Internal Restructuring is not completed).



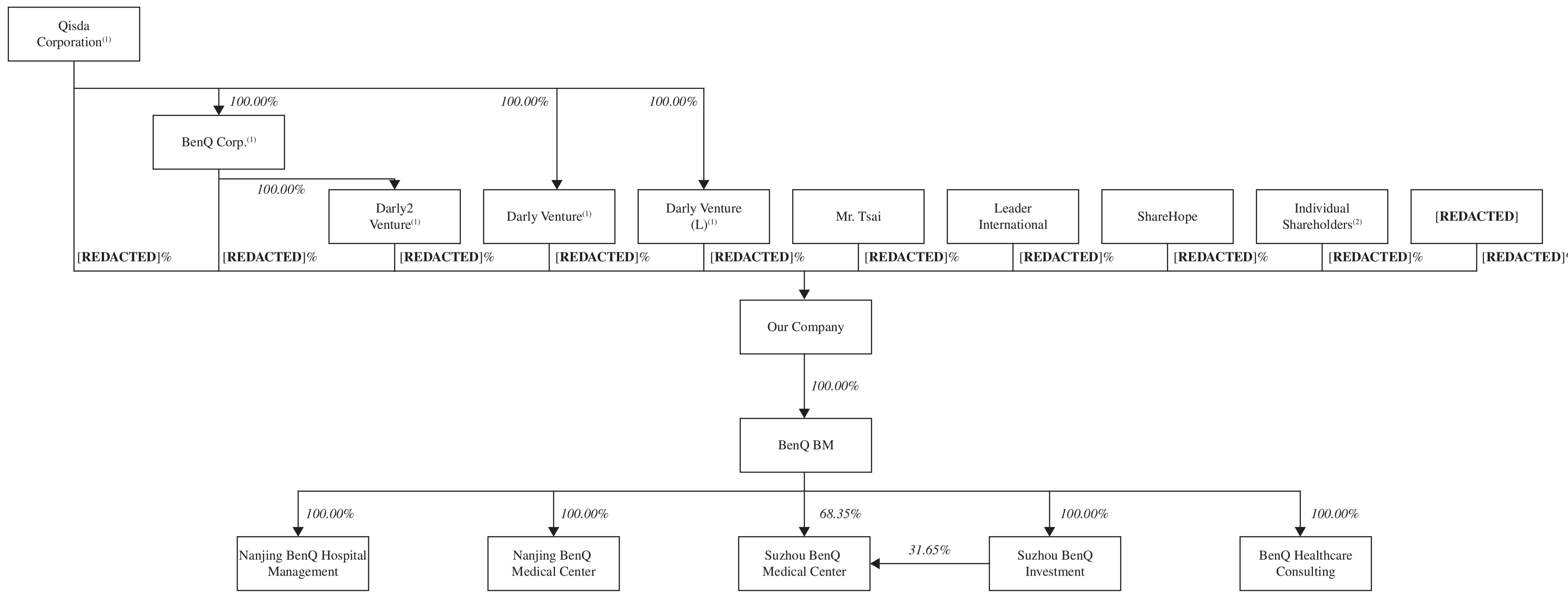
Notes:

(1) Each of such entities is or is deemed to be a Controlling Shareholder. For details, see "Relationship With Our Controlling Shareholders — Our Controlling Shareholders" in this document.

(2) For details of shareholding of the Individual Shareholders, see "— Capitalization" in this section.

Our Corporate Structure Immediately Following Completion of the [REDACTED]

The following chart sets forth our corporate structure immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised and the Qisda Internal Restructuring is not completed).

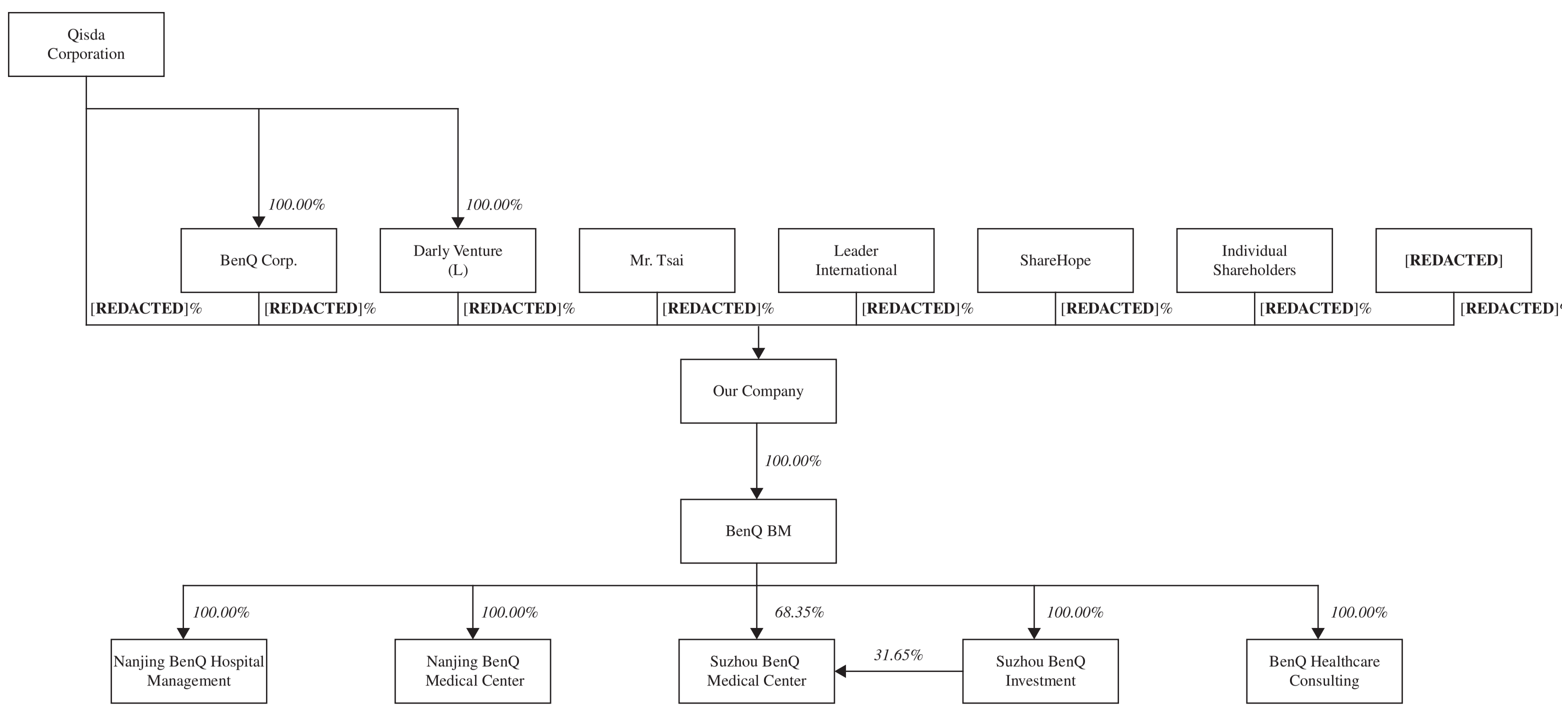


Note:

(1) See the notes to "— Our Corporate Structure Immediately Prior to the Completion of the [**REDACTED**]" in this section.

Our Corporate Structure Immediately Following Completion of the [REDACTED] and assuming the completion of the Qisda Internal Restructuring

The following chart sets forth our corporate structure immediately following the completion of the [**REDACTED**] and Qisda Internal Restructuring (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised).



Note:

(1) See the notes to "— Our Corporate Structure Immediately Prior to the Completion of the [**REDACTED**]" in this section.

OUR MISSION

Guided by an internationalized healthcare philosophy, we strive to "Bring Enjoyment and Quality" ("**BenQ**") to human health care. We seek truth in our healthcare services, goodness in our healthcare management and beauty in our medical ethics.

OUR VISION

We are committed to becoming a leading private hospital group in Asia.

OVERVIEW

We are a pioneer and leader among private for-profit general hospital groups in mainland China, and have adopted the advanced hospital operation and management experiences from Taiwan. We currently own and operate two general hospitals. As measured by revenue generated from healthcare services in 2022, we are the largest private for-profit general hospital group in the East China region, with our revenue exceeding second and third largest groups combined, according to Frost & Sullivan. By the same measure, we are the fifth largest private for-profit general hospital group nationwide, being the only one among the top five each of whose hospitals is Class III-rated, according to the same source. As measured by average revenue per registered bed in 2022, we also rank the first among all private for-profit general hospital groups in mainland China, according to the same source.

As of December 31, 2023, our two hospitals had a total combined GFA of approximately 380,000 sq.m. and 1,850 registered beds, as well as a dedicated team featuring more than 900 doctors, including 35 experts from Taiwan or overseas. In 2023, we recorded over two million outpatient visits and performed over 20,000 inpatient surgeries. We have established two general hospitals, namely Nanjing BenQ Hospital and Suzhou BenQ Hospital:

- **Nanjing BenQ Hospital.** Having commenced operations in 2008, Nanjing BenQ Hospital has been rated as a Grade A Class III hospital since 2022, being the first private hospital so rated in Nanjing, Jiangsu Province. As measured by revenue generated from healthcare services in 2022, Nanjing BenQ Hospital is the fourth largest private for-profit general hospital in the PRC and the largest private for-profit general hospital in Jiangsu Province, according to Frost & Sullivan. In addition, Nanjing BenQ Hospital was recognized as one of the first batch of National Chest Pain Center Accreditation Units and a National Health Management Demonstration Base of the PRC. Nanjing BenQ Hospital has established various national and provincial key disciplines and medical specialties.

- **Suzhou BenQ Hospital.** Having commenced operations in 2013, Suzhou BenQ Hospital is a Class III general hospital. Suzhou BenQ Hospital was accredited by the Joint Commission International (JCI) in 2020 and was, as of the Latest Practicable Date, one of the only few general hospitals that had obtained the JCI accreditation in Jiangsu Province, according to Frost & Sullivan. Suzhou BenQ Hospital was also recognized as a National Chest Pain Center, Certified Atrial Fibrillation Center and National Stroke Prevention and Treatment Center of the PRC. With an acute understanding of market demands, Suzhou BenQ Hospital has pursued a differentiated development strategy and accumulated distinctive strengths in departments such as gynecology, pediatrics, geriatrics and rehabilitation.

Driven by economic growth, favorable policies and expanding yet diversifying public demands for healthcare services in recent years, private hospitals in the PRC have outpaced public hospitals in growth due to their flexibility in management models, service offerings and pricing. According to Frost & Sullivan, the market size of private hospitals in the PRC as measured by revenue is estimated to increase from RMB319.1 billion in 2017 to RMB607.4 billion in 2022, representing a CAGR of 13.7% from 2017 to 2022, whereas that of public hospitals is estimated to be merely 7.8% during the same years. It is estimated that the market size of private hospitals will reach RMB1,094.3 billion in 2026, representing a CAGR of 15.9% from 2022 to 2026, according to the same source. As industry consolidation intensifies in the future, private hospital groups with the greatest growth potential will be those that are capable of providing differentiated quality healthcare services while possessing strong operational capabilities, high brand recognition and robust business expansion abilities. As a pioneer and leader among private for-profit general hospital groups in mainland China, our leading healthcare service capabilities, operational capabilities and highly scalable and standardized management model bestow upon us tremendous competitive advantages. These advantages allow us to capitalize on the significant growth prospects for private hospitals and achieve sustainable and rapid growth in the years ahead.

With nearly two decades of dedication to the healthcare service market in mainland China, we have built "BenQ Medical Center" into an influential, widely recognized and reputable brand for quality healthcare services. We are dedicated to providing patients with world-class and high-standard healthcare services. Our "medical-teaching-research-operation" integrated private healthcare service platform emphasizing both comprehensive healthcare services and medical specialties generates tremendous business synergies, solidifying our leading position while laying a solid foundation for future business expansion. Both of our hospitals are established to the highest national standard as Class III general hospitals, and we also lead the industry in doctor and medical technician staffing and medical equipment, according to Frost & Sullivan. Meanwhile, we have forged close collaborations with various leading hospitals and medical schools in the PRC, with a focus on scientific research and innovation. We have also successfully assembled a team of global top medical experts and cultivated a large pool of leading healthcare talents. Our medical team leads the industry in size, experiences and level of internationalization, according to Frost & Sullivan. For multiple years, we have been ranked among the top ten best private hospital employers nationwide in the PRC. Building upon our strong and integrated healthcare service capabilities, we have been developing a variety of disciplines and medical specialties with broad prospects, effectively addressing market demands and enhancing our hospitals' market influence.

Our success can also be attributed to our advanced healthcare philosophy. We adhere to a patient-centric approach that emphasizes humanistic care. We believe that only by winning over patients can we retain and expand our market presence. By adopting various well-established healthcare systems from Taiwan and overseas and flexibly adapting and tailoring to local patient circumstances, we have institutionalized and put into practice humanistic care principles that are reflected in every aspect of our hospital operations and management. In terms of hospital environment and hardware facilities, we strive to create a humanistic atmosphere centered around respecting, caring for, and fulfilling patients' diverse needs. We also actively participate in and organize various social welfare activities. Our long-standing commitment to humanistic care has given us a unique advantage distinct from other general hospitals, which helps us continuously improve patient experience, attract more patients and strengthen patient loyalty, thus further unlocking our brand potential. Multiple authoritative surveys have shown that our patient satisfaction levels far exceed other comparable healthcare institutions in the same regions. For instance, Nanjing BenQ Hospital has been recognized as an "Advanced Unit for Patient Satisfaction in Nanjing", and the Obstetrics and Gynecology Department of Suzhou BenQ Hospital has become a benchmark for obstetrics and gynecology services in Suzhou, according to Frost & Sullivan. Even amidst the impact of the COVID-19 pandemic, the number of patient visits at our hospitals grew rapidly during the Track Record Period. The total inpatient visits at our two hospitals in aggregate increased from 61.4 thousand in 2021 to 67.1 thousand in 2022, and further to 81.9 thousand in 2023. The total outpatient visits at our two hospitals in aggregate increased from 1,604.1 thousand in 2021 to 1,680.6 thousand in 2022, and further to 2,002.3 thousand in 2023. According to Frost & Sullivan, such growth rate is well above the industry average during the same years.

While ensuring the quality of our healthcare services, we have leveraged our industry-leading operational capabilities and granular management system to effectively control costs and improve operational efficiency. During the Track Record Period, our revenue increased from RMB2,223.6 million in 2021 to RMB2,336.4 million in 2022, and further to RMB2,687.6 million in 2023, and our gross profit margin increased from 15.3% in 2021 to 16.4% in 2022, and further to 18.9% in 2023. In addition, during the Track Record Period, our average bed turnover days were only 9.4 days, 9.2 days and 8.2 days in 2021, 2022 and 2023, respectively. Our granular management system not only allows us to maximize our hospital services' potential through the most cost-effective practices, but also helps us quickly adapt to changes in healthcare reform policies, making us one of the very few hospitals in Jiangsu Province that could maintain and even achieve growth in both revenue and gross profit after the implementation of the diagnosis-related group (DRG) payment system as of the Latest Practicable Date, according to Frost & Sullivan.

Our Controlling Shareholder, Qisda Corporation (2352.TW), is a global technology group with business spanning across IT, healthcare, smart solutions networking and communication. Its brand influence and global presence in the healthcare and technology industries will continue to provide us with synergetic business opportunities. As the sole undertaker and brand of Qisda Corporation healthcare services business, we plan to accelerate the expansion of our hospital network and form regional medical alliances by strengthening cooperation with primary, secondary and community healthcare institutions, thereby continuously identifying new growth drivers. We believe that our industry-leading management model, the support from our Controlling Shareholder and the extensive experiences accumulated from operating two large-size general hospitals over the years will continue to support our business expansion. This will enable us to successfully integrate newly acquired or established healthcare institutions in different regions, so as to swiftly replicate our success and achieve sustainable growth.

During the Track Record Period, we have been experiencing stable financial growth. Our total revenue increased by 5.1% from RMB2,223.6 million in 2021 to RMB2,336.4 million in 2022, and further by 15.0% to RMB2,687.6 million in 2023; our revenue generated from outpatient healthcare services increased by 8.3% from RMB1,019.4 million in 2021 to RMB1,103.9 million in 2022, and further by 14.4% to RMB1,262.9 million in 2023; our revenue generated from inpatient healthcare services increased by 2.2% from RMB1,176.1 million in 2021 to RMB1,201.7 million in 2022, and further by 16.1% to RMB1,395.7 million in 2023; and our net profit increased by 29.7% from RMB69.1 million in 2021 to RMB89.6 million in 2022, and further by 87.0% to RMB167.5 million in 2023.

OUR COMPETITIVE ADVANTAGES

We believe that the following strengths have contributed to our success and differentiated us from our competitors.

A Pioneer and Leader among Private For-Profit General Hospital Groups in Mainland China with Wide Brand Recognition and Influence

We currently own and operate two general hospitals. As measured by revenue generated from healthcare services in 2022, we are the largest private for-profit general hospital group in the East China region, with our revenue exceeding the second and third largest groups, according to Frost & Sullivan. By the same measure, we are the fifth largest private for-profit general hospital group nationwide, being the only one among the top five each of whose hospitals is Class III-rated according to the same source. As measured by average revenue per registered bed in 2022, we also rank the first among all private for-profit general hospital groups in mainland China, according to the same source. As of December 31, 2023, our two hospitals had a total combined GFA of approximately 380,000 sq.m. and 1,850 registered beds, as well as a dedicated team comprising nearly 3,000 healthcare professionals, featuring more than 900 doctors (including 35 experts from Taiwan or overseas). In 2023, we recorded over two million outpatient visits and performed over 20,000 inpatient surgeries.

With nearly two decades of dedication to the healthcare service market in mainland China, we were among the earliest private hospital operators to enter Jiangsu Province. The per capita annual disposable income of residents in Jiangsu Province considerably surpasses the nationwide average, according to Frost & Sullivan. The province also accommodates numerous internationally renowned enterprises, and attracts a large pool of domestic and overseas talents. This has formed a regional healthcare service market with immense potential and strong demands for high-quality and internationalized healthcare services to which we are committed. We have established two general hospitals, namely Nanjing BenQ Hospital and Suzhou BenQ Hospital:

- **Nanjing BenQ Hospital.** Having commenced operations in 2008, Nanjing BenQ Hospital has been rated as a Grade A Class III hospital since 2022, being the first private hospital so rated in Nanjing, Jiangsu Province. As measured by revenue generated from healthcare services in 2022, Nanjing BenQ Hospital is the fourth largest private for-profit general hospital in the PRC and the largest private for-profit general hospital in Jiangsu Province, according to Frost & Sullivan. In addition, Nanjing BenQ Hospital was recognized as one of the first batch of National Chest Pain Center Accreditation Units and a National Health Management Demonstration Base of the PRC.

- **Suzhou BenQ Hospital.** Having commenced operations in 2013, Suzhou BenQ Hospital is a Class III general hospital. Suzhou BenQ Hospital was accredited by the JCI in 2020 and was, as of the Latest Practicable Date, one of the only few general hospitals that had obtained the JCI accreditation in Jiangsu Province according to Frost & Sullivan. The JCI accreditation represents the highest level of certification system recognized by the World Health Organization for evaluating hospital management, healthcare quality and service standards. It is acclaimed as the "gold standard" for healthcare services.

- Besides, we have strategically invested in Donghui Hospital located in Guigang, Guangxi, with an aim to further expand our national footprint.

Our years of outstanding operations have made "BenQ Medical Center" an influential, widely recognized and reputable brand for quality healthcare services. According to Frost & Sullivan, while the private hospital market in the PRC has witnessed rapid growth in recent years driven by encouraging governmental policies, few private general hospitals have been able to produce the level of widespread trust and strong brand recognition among patients comparable to public hospitals. However, adhering to our healthcare philosophy that incorporates technology, humanity and care, we have earned an excellent reputation among patients through years of ethical medical practices and high-quality service delivery. Multiple authoritative surveys have shown that our patient satisfaction levels far exceed other comparable medical institutions in the same regions. For instance, Nanjing BenQ Hospital has been recognized as an "Advanced Unit for Patient Satisfaction in Nanjing", and the Obstetrics and Gynecology Department of Suzhou BenQ Hospital has become a benchmark for obstetrics and gynecology services in Suzhou, according to Frost & Sullivan. Furthermore, we have received numerous prestigious industry awards for our healthcare capabilities, service quality, reputation, credibility and social and corporate responsibility, such as the National Advanced Unit of Hospital Medical Insurance Service Standardization by Chinese Hospital Association Medical Insurance Management Committee and the Best Employer for Non-Public Healthcare Organizations in 2022 by DXY (丁香園), a leading digital healthcare technology platform in mainland China. We passionately believe that by leveraging our established leadership and brand equity, we are well positioned to seize market growth opportunities brought about by favorable policies and increasingly gain a competitive edge in the future.

A "Medical-Teaching-Research-Operation" Integrated Private Healthcare Service Platform Emphasizing Both Comprehensive Healthcare Services and Medical Specialties That Keeps Attracting Talents and Generating Business Synergies

From our establishment, we have strategically navigated ourselves towards the construction of hospitals integrating medical treatment, teaching, research and operation. We have successfully assembled a team of global top medical experts and cultivated a large pool of leading healthcare talents. This has generated tremendous business synergies, solidifying our leading position while laying a solid foundation for future business expansion. Specifically:

- **Medical.** Both of our hospitals are established to the highest national standard as Class III general hospitals. We lead the industry in doctor and medical technician staffing according to Frost & Sullivan, and are dedicated to providing patients with world-class and high-standard healthcare services. We believe that talents are the core of healthcare services, and have built a diverse, internationalized and highly experienced professional medical team. As of December 31, 2023, we had a dedicated team of 930 doctors (consisting of 298 chief doctors and associate chief doctors, 304 attending doctors and 328 resident doctors), as well as 1,722 other healthcare professionals. In addition to a number of reputed experts in their respective fields, we also have doctors from Taiwan or overseas, who keep informing us of internationally advanced healthcare notions. For instance, we have collaborated with Prof. Philip Kuo-Ting CHEN, a renowned expert in cleft lip and palate from Taiwan. We have appointed Prof. Chen to provide outpatient consultations, perform surgeries and conduct follow-up examinations at Suzhou BenQ Hospital. This has significantly enhanced the hospital's reputation in this field, and attracted numerous patients from across the country to seek treatment.

- **Teaching.** we have forged close collaborations with various leading hospitals and medical schools in the PRC. For instance, Nanjing BenQ Hospital is an affiliated hospital of Nanjing Medical University, as well as the Teaching Hospital for Southeast University Medical School and Nanjing University of Chinese Medicine. In addition, Nanjing BenQ Hospital was recognized as the Jiangsu Provincial Postdoctoral Innovation Practice Base and a Provincial Blood Purification Training Base. Every year during the Track Record Period, Nanjing BenQ Hospital accepted nearly 500 students, interns, postgraduates, residents and advanced trainees for training and studying.

Suzhou BenQ Hospital has jointly established a Soochow University — BenQ Clinical Medical Research Institute with Soochow University. Through an innovative development model that integrates medical treatment, education, and research, both parties are committed to establishing a new pathway for healthcare science and technology innovation that meets international standards. Suzhou BenQ Hospital also collaborates with medical universities such as Kaohsiung Medical University to create a cross-strait medical transformation platform that promotes scientific research and technological cooperation. Suzhou BenQ Hospital also serves as a cross-strait clinical teaching base, receiving medical students from Taiwan for internships each year.

- **Research.** We emphasize scientific innovation, striving to facilitate medical advancement and stay at the forefront of modern healthcare services. Our robust medical research capabilities also assist us in attracting, cultivating and retaining healthcare professionals deeply interested in the latest healthcare developments. For instance, Nanjing BenQ Hospital invited Prof. Xiaoyan WANG, a nephrology expert, to establish a central laboratory, and Prof. Yun ZHAO, a clinical specialist in surgical infection and immunology, to establish a surgical laboratory. Under their leadership, Nanjing BenQ Hospital has participated in a variety of projects including project of National Natural Science Foundation, and key project of Jiangsu Commission of Health, with over a hundred Science Citation Index (SCI) papers published in the past five years. Soochow University — BenQ Clinical Medical Research Institute focuses its research on three areas: orthopedics, obstetrics and oncology. In addition, we also attach great importance to communication with hospitals from Taiwan and international cooperations. With a view to deepening scientific research and technological linkages with Taiwan, we have organized a number of academic seminars.

- **Operation.** Our industry-leading operational capabilities enable us to effectively control costs, improve operational efficiency and enhance profitability. We manage our two hospitals through the establishment of our Operational Center at the Group level, achieving a centralized management and group-based operation model. Under this unified group operating system, our two hospitals leverage their respective strengths and form a synergetic dynamic through information sharing. Combining overseas and domestic market experiences, we also emphasize granular management by continuously innovating and optimizing healthcare service processes for patients, performance management systems for medical staff, and business and financial management models for hospitals.

Building upon our strong and integrated healthcare service capabilities, we have been developing a variety of disciplines and medical specialties with broad prospects. Disciplines and medical specialties with competitive advantages and brand effect can effectively address market demands and enhance a hospital's market influence. They are also an important engine for our future business growth, while exerting a strong appeal to leading talents in their respective fields. As of December 31, 2023, Nanjing BenQ Hospital had one National Key Clinical Discipline (國家臨床重點專科), two Jiangsu Provincial Key Clinical Disciplines (江蘇省臨床重點專科), and 16 Nanjing Municipal Key Medical Disciplines (南京市醫學重點專科), with reputed experts acting as the respective discipline leader. With an acute understanding of market demands, Suzhou BenQ Hospital has pursued a differentiated development strategy and accumulated distinctive strengths in departments such as gynecology, pediatrics, geriatrics and rehabilitation. Through its advanced medical technologies and humanistic healthcare services, Suzhou BenQ Hospital has earned a sterling reputation among local residents. Suzhou BenQ Hospital was recognized as an "Elderly-Friendly Medical Institution in Jiangsu Province" in 2023. It was also among the first batch of pilot medical institutions in Suzhou to offer palliative care (安寧緩和療護) services, according to Frost & Sullivan. Additionally, Suzhou BenQ Hospital appointed Prof. Wei-Jei LEE, the President Advisor of the Asia Pacific Bariatric Surgery Society, to establish and develop the hospital's Metabolic & Bariatric Medicine Center, making Suzhou BenQ Hospital a renowned brand in bariatric surgery in the PRC.

High-Quality Services with Profound Humanistic Care through Upholding an Internationally Advanced Healthcare Philosophy and Putting Patients First, Resulting in Better Patient Experience

We are a healthcare service group established by Qisda Corporation with the spirit of giving back to society and serving the public. The pursuit of the true, good, and beautiful in human health and care is deeply rooted in our gene. As the healthcare system reform deepens in mainland China, the public demands service quality and humanistic care continuously increase on top of their basic medical needs being met. We believe that only by winning over patients can we retain and expand our market presence, as well as have better opportunities for growth. However, truly implementing humanistic care in hospital operations is no easy feat, requiring systematic policies and management practices. By adopting various well-established healthcare systems from Taiwan or overseas and flexibly adapting and tailoring to local patient circumstances, we have institutionalized and put into practice humanistic care principles that are reflected in every aspect of our hospital operations and management.

We adhere to a "human-oriented" rather than "disease-oriented" approach to patient treatment. We encourage mutual understanding between doctors and patients, and provide patients with a full-cycle healthcare service experience, which includes, among others: (i) doctor-in-charge full-cycle responsibility system (主診醫師負責制), which requires the doctor-in-charge, i.e., the doctor who admitted the patient into our hospital to keep full-cycle oversight from outpatient admission, surgery, to post-operative rehabilitation, hence ensuring a more comprehensive understanding of patient's conditions; (ii) inpatient nurse-in-charge full-cycle care system (主護護理制), which requires the nurse-in-charge to be responsible for a whole package of care and medication tasks for the same patient so that he or she can directly go to the nurse-in-charge at any time should any issues arise; (iii) pharmacist medication counseling system (藥劑師用藥指導制), which requires clinical pharmacists to provide medication counseling to patients, including discharge medication counseling to guide the patients on the proper use of medication after being discharged; and (iv) outpatient accompanying nurse assistance system (陪診制), which, by considering a patient's privacy and specific needs of services, requires the assigned nursing staff to accompany patients throughout their medical visits, including measuring vital signs, assisting during patient examinations, arranging additional medical tests, and coordinating medication delivery.

In terms of hospital environment and hardware facilities, we strive to create a humanistic atmosphere centered on respecting, caring for, and fulfilling patients' diverse needs. For example, our outpatient buildings are constructed with an open-air design that allows natural light to be channeled into the interior of the hospitals, making the whole space well-lit and well-ventilated, which provide added comfort for patients and reduce their sense of pressure. The corridors in our hospitals' outpatient areas are designed to be as wide as five to six meters, allowing hospital beds and wheelchairs to freely move in and out, as well as the transportation of patients by electric vehicles across different areas of our hospitals. We also adopt child-friendly interior designs for Departments of Pediatrics and Pediatric Dentistry to improve children's experience of being treated at our hospitals. Moreover, there are special waiting areas for patients' family members outside operating rooms and ICUs in our hospitals to provide a comfortable waiting space therefor. Last but not least, we provide patients and their families with a variety of living amenities and dietary choices, which include a designed food court with a number of well-known food and beverage chain operators to be stationed in our hospitals.

We also actively participate in and organize various social welfare activities. For instance, in the past, we have provided community clinics on World Heart Day, World Diabetes Day and other specific holidays. We have also cooperated with social welfare organizations to carry out the "Ding Ai Angel" Cleft Lip and Palate Children's Public Welfare Assistance Program ("鼎愛天使"唇齶裂兒童公益救助項目) and the "Su Shan — Yi Xin Yi Yi" Public Welfare Program ("蘇善•益心醫意"大病醫療救助公益項目) to provide medical assistance for major illnesses. As of December 31, 2023, we have accumulatively provided public-welfare surgical assistance for 404 individuals and health screenings for 1,453 individuals through the "Su Shan — Yi Xin Yi Yi" Public Welfare Program.

We believe that our long-standing commitment to humanistic care has given us a unique advantage distinct from other general hospitals, which helps us continuously improve patient experience, attract more patients and strengthen patient loyalty, thus further unlocking our brand potential and solidifying our leading position. Even amidst the impact of the COVID-19 pandemic, the number of patient visits at our hospitals grew rapidly during the Track Record Period. The total inpatient visits at our two hospitals in aggregate increased from 61.4 thousand in 2021 to 67.1 thousand in 2022, and further to 81.9 thousand in 2023. The total outpatient visits at our two hospitals in aggregate increased from 1,604.1 thousand in 2021 to 1,680.6 thousand in 2022, and further to 2,002.3 thousand in 2023. Our humanistic care is not only manifested in our services to patients, but also in the care and support that we provide for our employees' well-being. For multiple years, we have been ranked among the top ten best private hospital employers nationwide in the PRC, which has helped us continuously attract quality talents and maintain a stable professional team.

Industry-Leading Operational Capabilities and Highly Scalable and Standardized Management Model That Drive Robust and Stable Profitability

Our industry-leading operational capabilities enable us to effectively control costs, improve operational efficiency and enhance profitability, while ensuring the quality of our healthcare services. During the Track Record Period, our revenue increased from RMB2,223.6 million in 2021 to RMB2,336.4 million in 2022, and further to RMB2,687.6 million in 2023, and our gross profit margin increased from 15.3% in 2021 to 16.4% in 2022, and further to 18.9% in 2023. Our net profit increased by 29.7% from RMB69.1 million in 2021 to RMB89.6 million in 2022, and further by 87.0% to RMB167.5 million in 2023. In addition, during the Track Record Period, our average bed turnover days were only 9.4 days, 9.2 days and 8.2 days in 2021, 2022 and 2023, respectively.

We have an efficient group-based management structure. We manage our two hospitals through the establishment of our Operational Center at the Group level, under which the two hospitals leverage their respective strengths and form a reciprocally facilitative and complementary dynamic through information sharing. For example, in procurement, our Group has established the Materials and Procurement Management Department responsible for price negotiations for pharmaceuticals and other supplies, with hospitals providing necessary coordination. Centralized negotiations and procurement enable us to obtain favorable terms from suppliers. Moreover, our business management team and professional medical team interact with each other efficiently while focusing on their respective responsibilities. Specifically, our executive director is responsible for the unified operational management of personnel, procurement, finance, information, construction etc. of our two hospitals to maximize group functionalities, and the presidents of hospitals are committed to medical team building, department development and daily operations. Our executive director and presidents of hospitals lead separate roles in regards of our hospitals' management and report periodically to the Board, analyzing cost structures and input-output dynamics, as well as using financial data to identify areas for further operational optimization to continuously improve efficiency. Since 2010, our hospitals have set up Quality Control Circle (品管圈), through which all departments fully participate to conduct Continuous Improvement Process on two to three specific issues within each department, in order to constantly refine our operational processes. As of December 31, 2023, our hospitals had accomplished over 460 improvement projects, primarily focusing on topics such as improvement of medical service quality, enhancement of patient satisfaction, streamlining of operation processes, and reduction of operational costs.

We also maintain an industry-leading granular management system. Our Controlling Shareholder, Qisda Corporation, has established a well-tested granular management system. By adopting its granular management experiences and continuously adjusting and optimizing the same through years of our hospital operations, we have similarly formed an industry-leading granular management system for healthcare services, which allows us to maximize our hospital services' potential through the most cost-effective practices. We have been leveraging technological empowerment to automate and intelligently transform various processes of our healthcare services, effectively reducing staffing ratios and improving workforce productivity. Meanwhile, we rely on information-driven data analytics to optimize our operations, including enhancing doctors' consultation efficiency and resource utilization rates for equipment and beds. Our granular management permeates every detail of our pharmaceutical and equipment management. For instance, we review the usage status of the top 20 drugs on a bimonthly basis to continuously optimize our drug portfolio. For medical equipment, we also carry out granular cost-benefit analysis, with all equipment over an investment amount of RMB500,000 subject to payback period analysis and continuous follow-up. Our granular management system helps us quickly adapt to changes in healthcare reform policies, making us one of the very few hospitals in Jiangsu Province that could maintain and even achieve growth in both revenue and gross profit after the implementation of the DRG payment system as of the Latest Practicable Date, according to Frost & Sullivan.

Furthermore, our management model is highly scalable and standardized. Large-size general hospitals typically face substantial initial investments and long payback periods, which imposes on the operators challenges of extensive hospital management experiences and a high entry barrier. Our group-based management structure has enabled our hospitals to rapidly establish effective operating systems upon commencement of their operations. We believe that our industry-leading management model and the extensive experiences accumulated from operating two large-size general hospitals over the years will continue to support our business expansion. This will enable us to successfully integrate newly acquired or established healthcare institutions in different regions, so as to swiftly replicate our success and achieve sustainable growth.

A Higher Starting Point Backed by Our World-Renowned Controlling Shareholder, as well as Synergies with Shareholder to Safeguard Our Long-Term Growth

Our Controlling Shareholder, Qisda Corporation, is a global technology group with businesses spanning across IT, healthcare, smart solutions, networking, and communication. It has been selected in the Thomson Reuters Top 100 Global Tech Leaders, Forbes the World's Best Employers, HR Asia Best Companies to Work for in Asia, and a winner of Taiwan Corporate Sustainability Awards. Qisda Corporation's globally leading position means a higher starting point since our establishment, and throughout our development journey, Qisda Corporation has continuously offered us valuable support in capital, talents and technologies. With such capital support, both of our hospitals are established to the highest national standard as Class III general hospitals, and we also lead the industry in doctor and medical technician staffing and medical equipment, according to Frost & Sullivan. Qisda Corporation has also facilitated talent recruitment and development for our key positions, as many of our senior management members have years of management experiences at Qisda Corporation's subsidiaries. As a world-renowned technology group, Qisda Group has empowered us with the level of IT capabilities uncommon among normal medical institutions, such as our self-developed Smart Management system for internal use, and our self-built Smart Service platform realizing online payment, brand reporting, and other functions for external use.

Qisda Group has been involved in the healthcare sector as one of its key future development focuses for many years, into which it will continue to invest more resources. As we are the sole undertaker and brand for Qisda Group's healthcare services business, Qisda Group's global development in the healthcare sector keeps bringing us business opportunities. Leveraging our experiences from successfully operating two general hospitals and shareholder support, we plan to accelerate the expansion of our hospital network, thereby continuously identifying new growth drivers. Besides healthcare services, Qisda Group's healthcare sector presence also covers medical devices, medical consumables, medical imaging and other fields with its various medical products. Through internal resource integration, these businesses will generate tremendous synergies with the operations and development of our hospitals.

Beyond the healthcare sector, Qisda Group has also achieved remarkable success in information technology, intelligent solutions and network communications business. Its multi-industry presence will provide us with diverse resources in talents, capabilities, and management philosophies, etc. For instance, leveraging Qisda Group's strengths in the information technology industry and intelligent solutions, we have developed an innovative "Smart Hospital" operating model and established a "three-in-one" hospital operation and management system integrating Smart Healthcare, Smart Services and Smart Management. Additionally, Qisda Group has already established investment and operating entities in multiple provinces across the PRC, with its subsidiaries operating nearly 200 service locations in nearly 30 countries globally and products being marketed to over 100 countries worldwide. With our shareholder's in-depth understanding of local markets and established brand equity, we will be able to exercise greater autonomy and have greater cost advantages when expanding into new regions.

Visionary Leadership Team

We also owe our success to our visionary and dedicated leadership team who possesses extensive industry experiences. Mr. CHEN Chi-Hong, acting as our chairperson of the Board and a non-executive Director as well as the chairman of Qisda Corporation, provides strategic guidance for our business development while promoting synergistic growth between Qisda Group and us. Our core management team has profound insights and rich experiences in the healthcare sector and general hospital management, as well as complimentary and diverse backgrounds and expertise. Specifically, Mr. HSIAO Tze-Jung, our executive Director and chief executive officer, previously served as the vice president and the general manager of the manufacturing division of Qisda Corporation, boasting over 35 years of experience in corporate management and leading our business operations for years. Mr. Hsiao oversees the operations of our two hospitals, sharing with us Qisda Corporation's granular management expertise in effectively controlling costs, improving operational efficiency and enhancing profitability. YU Zhenkun, M.D., president of Nanjing BenQ Hospital, joined us in June 2019 and is responsible for the hospital's daily operations, discipline building and strategic planning. Dr. Yu has been involved in the hospital management and the field of otorhinolaryngology head and neck surgery as an authoritative expert for over 30 years. Prior to joining us, he previously served as the president of Nanjing Tongren Hospital. Mr. ZHOU Xiaoqing, president of Suzhou BenQ Hospital, joined us in November 2016 and oversees the hospital's daily operations, discipline building and strategic planning. He has substantial and extensive experience in healthcare industry for over 20 years. Prior to joining us, Mr. ZHOU served as the president of a public hospital and the director of a local health bureau. Mr. CHIANG Che-Min, our chief financial officer, joined us in July 2014 and previously served as a treasury manager at Qisda Corporation and worked at PricewaterhouseCoopers, Taiwan, accumulating over 20 years of experience in financial management. For their biographical details, see "Directors and Senior Management" in this document.

Besides, we have greatly benefited from the collective expertise and experiences of our middle-level management team and administrative staff. Over the past decade of development, we have built a substantial talent pool that we believe is crucial for our future business expansion. We are convinced that our management team's expertise and experiences will continue to drive our future growth.

Our Strategies

We are committed to becoming a leading private hospital group in Asia. We plan to implement the following strategies to realize our vision.

Solidify Our Advantage of "Comprehensive Healthcare Services Plus Medical Specialties" and Enhance Medical Expertise through Academic Research to Continuously Improve Healthcare Service Quality and Patient Satisfaction

We will continue to elevate the standards of our multidisciplinary medical expertise and enhance our medical diagnostic and research capabilities. This will strengthen our ability to treat complex and critical illnesses, so as to improve patient satisfaction and hospital reputation, and further expand our brand influence across Jiangsu Province and nationwide. As of the Latest Practicable Date, we planned to proceed with obtaining Grade A Class III accreditation for Suzhou BenQ Hospital within the next five years. At the same time, we will further bolster the development of our disciplines and medical specialties, increasing the number of municipal, provincial and national key clinical specialties.

We will continually improve our healthcare service quality by investing in advanced medical facilities, equipment and technologies, while attracting more talented doctors and healthcare professionals to join us. We will firmly uphold our pursuit of "truth" in our healthcare services through precise diagnostics and effective treatment, "goodness" in our healthcare management by conserving resources and enhancing efficiency, and "beauty" in our medical ethics by treating patients as our own family with empathy. We will also continue to implement ethical patient-centric healthcare services and humanistic human-oriented care to foster greater trust between doctors and patients.

We believe that talents are the key to our success. We plan to strengthen our comprehensive human resource management system to further enhance the recruitment, training, and retention of exceptional healthcare professionals. Complementing our development of disciplines and medical specialties, we will continue to implement a high-level talent strategy by continually recruiting chief doctors and associate chief doctors, as well as other talents nationwide, especially renowned and influential discipline leaders in their respective fields. This will not only help build branded disciplines, but also elevate our brand recognition and reputation to attract more patients. Additionally, we will deepen our collaboration with hospitals and universities across the Taiwan Strait to enhance our teaching and research capabilities and promote the systematic training of young doctors.

Further Scale up Operations of Our Existing Hospitals to Expand Service Capabilities

We have immense self-expansion potential, with our two existing hospitals built upon ample space to nearly double their respective service capacities at their current locations. Specifically:

- Leveraging our successful track record, we aim to expand and enhance the comprehensive operating capacities of Nanjing BenQ Hospital in the near future. The construction and expansion of Nanjing BenQ Hospital has two phases in total. The first phase had been put into operation since May 2008, whereas the second phase was under construction as of the Latest Practicable Date, which was designed into two separate stages. The first stage focuses on the construction of specialty disciplines buildings (專科樓), the main bodies of which had been topped out as of the Latest Practicable Date, and the second stage aims for the construction of a special (high-end) medical service center (特需中心), which was scheduled to be commenced in 2027.

- We aim to expand the operations of Suzhou BenQ Hospital and enhance its competitive advantages in its key disciplines and medical specialties in the near future. The construction and expansion of Suzhou BenQ Hospital has four phases in total. The first and second phases had been put into operation since May 2013 and January 2024, respectively. As of the Latest Practicable Date, the third phase was designed to build a maternity and child center (婦幼中心), and the fourth phase was designed to open a rehabilitation center (康復長照中心), the construction of which was scheduled to commence in 2027 and expected to be completed in 2029, respectively.

For details, see "— Our Hospitals" in this section and "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" in this document. We believe that as our existing hospitals expand in scale, our overall healthcare service capabilities will be further enhanced, enabling us to attract and serve more patients while solidifying our leading position.

Form Regional Medical Alliances that Covers the Full Cycle of Care Needs to Promote Resource Sharing and Patient Transfers

We plan to leverage our leadership of operating Class III hospitals by strengthening cooperation with primary, secondary and community healthcare institutions in the same regions to form regional medical alliances. This will create a collaborative management model facilitating resource sharing and responsibility allocation, and can also promote the establishment of a patient transfer mechanism within the alliance. At the same time, we will collaborate with elderly care service providers in the same regions to provide patients with an integrated and convenient full-cycle service from disease diagnosis, treatment to rehabilitation and long-term care.

The PRC has gradually entered an aging society. Taking Jiangsu Province as an example, it was one of the earliest and highest aging provinces in the PRC, with the second largest elderly population and the sixth highest aging rate nationwide, according to Frost & Sullivan. To address the challenges of an aging population, the Jiangsu provincial government has introduced a series of policies encouraging the establishment of an elderly service system that coordinates between community and institutions, and integrates medical and elderly care services. The goal is to continuously improve the integration of medical and elderly care services by further standardizing cooperation between healthcare institutions and elderly care service providers.

General hospitals as primary providers of healthcare services are an indispensable part of the future elderly care industry chain. We have started to penetrate into the said chain by integrating elderly care services organically into our existing healthcare service system at our hospitals to enable patient referrals, aiming to cover the full-cycle care needs for patients being diagnosed and/or treated. For example, Nanjing BenQ Hospital is located in a key healthcare industry park constructed in the province, which focuses on the elderly care industry and plans to create an elderly care complex introducing brands spanning real estate, health, entertainment and culture centered in a medical and elderly care services integrated manner. We believe that proactively forming regional medical alliances and participating in the elderly care service industry chain will give rise to a new growth driver for us.

Extend Our Healthcare Service Platform through Acquisitions

We intend to accelerate our expansion through selective acquisitions of suitable healthcare institutions, particularly paying attention to those within areas with scarce healthcare resources and unmet healthcare service demands. We will continue to identify attractive acquisition targets nationwide to achieve synergies with our existing two hospitals and expand our operational scale. To further align with Qisda Corporation's global development strategy for the healthcare sector, we also plan to identify acquisition targets in Southeast Asia, including Vietnam, with a view to becoming a leading global healthcare service platform.

In identifying acquisition targets, we will consider a number of factors, including but not limited to the healthcare institution's geographic location, demographic trends, financial and operational performance, operational maturity, acquisition price, license status, past compliance status, healthcare professionals' experiences, post-acquisition growth prospects, synergies with our existing hospitals and feasibility of integration into our group-level operations. We believe that our efficient group-level management structure, industry-leading management model and the extensive experiences accumulated from operating two large-size general hospitals over the years will enable us to successfully integrate newly acquired healthcare institutions in different regions in a cost-efficient manner, so as to swiftly replicate our success and achieve sustainable growth.

Continuously Develop Smart Healthcare Platform and Advanced Diagnosis and Solutions to Improve Operational Efficiency and Service Standardization

Leveraging Qisda Group's strengths in the information technology industry and intelligent solutions, we plan to further reinforce our innovative "Smart Hospital" operating model by upgrading the "three-in-one" hospital operation and management system integrating Smart Healthcare, Smart Services and Smart Management. We have set up the Internet Hospital Office, with specialists responsible for operating and managing the Internet Hospital, and continually developing online healthcare services. We will continue to promote the Internet Hospital's contact with the local communities, homes for the elderly and nursing homes, as well as its online consultation functions, which is expected to expand our online revenue channels while driving patients traffic into our offline hospitals.

Additionally, we will continuously introduce the most advanced service modes and diagnosis and treatment technologies to improve operational efficiency and service standardization. For example, we plan to increase the application of AI technology in providing healthcare services to patients and in the future operation and management of our hospitals. We intend to introduce AI voice-based robots to determine the appropriate department for patients through AI-enabled conversations, as well as use the same to monitor departmental conditions and reduce patient waiting periods. We also plan to apply AI technology in assisted diagnosis to reduce doctors' workloads and enhance efficiency. We believe that with the support of our Controlling Shareholder Qisda Corporation's leading technological capabilities and presence in intelligent solutions, we will consistently remain at the forefront of technological innovation in healthcare services.

OUR BUSINESS MODEL

We focus on providing a continuum of high-quality healthcare services to our patients through our multi-disciplinary private for-profit general hospitals. During the Track Record Period, we derived our revenue primarily from the provision of general healthcare services that comprise inpatient healthcare services and outpatient healthcare services.

We have experienced steady growth during the Track Record Period. The following table sets forth the components of our revenue by segment, in absolute amount and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Inpatient healthcare services	1,176,137	52.9	1,201,678	51.4	1,395,719	51.9
Outpatient healthcare services[(1)]	1,019,404	45.8	1,103,907	47.3	1,262,905	47.0
Others[(2)]	28,106	1.3	30,850	1.3	28,989	1.1
Total	**2,223,647**	**100.0**	**2,336,435**	**100.0**	**2,687,613**	**100.0**

Notes:

(1) Including revenue generated from our provision of physical examination services.

(2) Mainly including revenue generated from our provision of leasing services and car parking services.

We own and operate two private for-profit general hospitals in Jiangsu Province, the PRC, namely Nanjing BenQ Hospital and Suzhou BenQ Hospital. Nanjing BenQ Hospital is a Grade A Class III general hospital located in Nanjing. According to Frost & Sullivan, it is the fourth largest private for-profit general hospital in the PRC and the largest private for-profit general hospital in Jiangsu Province in terms of revenue generated from healthcare services in 2022. Suzhou BenQ Hospital is a Class III general hospital located in Suzhou.

The following table sets forth certain key operating statistics of our hospitals as of the end of or for the years indicated:

	As of/For the Year Ended December 31,		
	2021	**2022**	**2023**
Inpatient healthcare services			
Number of registered beds[(1)]	1,600	1,700	1,850
Effective service capacity[(2)]	584,000	620,500	675,250
Inpatient visits (in thousand)[(3)]	61.4	67.1	81.9
Number of inpatient surgeries[(4)]	17,238	18,451	20,511
Average spending per inpatient visit (RMB)[(5)]	19,142	17,918	17,042
Average bed turnover days[(6)]	9.4	9.2	8.2
Outpatient healthcare services			
Outpatient visits (in thousand)[(7)]	1,604.1	1,680.6	2,002.3
Average spending per outpatient visit (RMB)[(8)]	571	599	584
Number of outpatient surgeries[(9)]	4,677	4,882	5,251

Notes:

(1) Represents the number of beds that were registered in our hospitals' practicing license as of the end of the relevant year.

(2) Represents the estimated inpatient service capacity of our hospitals during the given year, calculated as the number of registered beds as of the end of such year multiplied by the number of days in such year.

(3) Represents the total number of inpatients (with hospital stay) in our hospitals during the given year.

(4) Represents the total number of inpatient surgeries performed in our hospitals during the given year.

(5) Represents the average spending per inpatient visit calculated as the revenue from inpatient healthcare services divided by the number of inpatient visits in our hospitals during the given year.

(6) Represents the average turnover days per registered bed in our hospitals, as an indicator of the efficiency of our delivery of inpatient healthcare services, calculated as the effective service capacity during the given year divided by the total number of discharged patients during such year.

(7) Represents the total number of outpatients (without hospital stay, and excluding the number of patients receiving physical examination services) in our hospitals during the given year.

(8) Represents the average spending per outpatient visit calculated as the revenue from outpatient healthcare services (excluding the revenue from physical examination services) divided by the number of outpatient visits of our hospitals during the given year.

(9) Represents the total number of outpatient surgeries performed in our hospitals during the given year.

OUR HOSPITALS

The table below sets forth certain key information of our in-network hospitals as of December 31, 2023:

	Hospital type	Hospital class	Number of registered beds[1]	Number of doctors[2]	Number of other healthcare professionals[3]	Time of commencement of operation
Nanjing BenQ Hospital . . .	Private for-profit general hospital	Grade A Class III	1,050	566	1,030	May 2008
Suzhou BenQ Hospital . . .	Private for-profit general hospital	Class III	800	364	692	May 2013
Total			**1,850**	**930**	**1,722**	

Notes:

(1) Refers to the number of beds that were registered in the hospital's practicing license.

(2) This number represents the total number of doctors employed by us. It does not include doctors from other healthcare facilities who engage in multi-site practice with us.

(3) Includes nurses, pharmacists and other medical technicians.

The table below sets forth a breakdown of our revenue by hospital, in absolute amount and as a percentage of our total revenue, for the years indicated:

	Year Ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Nanjing BenQ Hospital.	1,441,513	64.8	1,454,259	62.2	1,707,895	63.5
Suzhou BenQ Hospital	782,134	35.2	882,176	37.8	979,718	36.5
Total.	**2,223,647**	**100.0**	**2,336,435**	**100.0**	**2,687,613**	**100.0**

Nanjing BenQ Hospital

Having commenced operations since May 2008, Nanjing BenQ Hospital has been rated as a Grade A Class III hospital since 2022, being the first private hospital so rated in Nanjing, Jiangsu Province. According to Frost & Sullivan, Nanjing BenQ Hospital is the fourth largest private for-profit general hospital in the PRC and the largest private for-profit general hospital in Jiangsu Province as measured by revenue generated from healthcare services in 2022. As a medical university affiliated hospital that engages in medical treatment, teaching, research, and operation, it is a large scale healthcare institution integrating multi-disciplinary clinical care, full range of diagnostic testing and a platform for medical training and research.

As of December 31, 2023, Nanjing BenQ Hospital had over 560 doctors. Nanjing BenQ Hospital is graced with a multitude of esteemed and reputable medical experts. As of December 31, 2023, five experts enjoyed the Special Allowance of the State Council (國務院特殊津貼), two experts were recognized as Jiangsu Provincial Young and Middle-Aged Experts With Outstanding Contributions (江蘇省有突出貢獻中青年專家), two experts were recognized as Jiangsu Provincial Innovative and Entrepreneurial Talents (江蘇省雙創人才), four experts were recognized as Jiangsu Provincial Special Engaged Medical Experts (江蘇省特聘醫學專家), and eight experts were doctoral supervisors (博士生導師).

Geographic Location

Nanjing BenQ Hospital is located in Nanjing, Jiangsu Province. As a part of the East China region which encompasses many economically developed areas and has relatively higher levels of healthcare infrastructure, medical resources, and access to advanced healthcare technologies, Jiangsu Province was recognized as one of the PRC's most developed regions, with a population of approximately 85.2 million at the end of 2022, according to Frost & Sullivan. Revenue of private hospitals in Jiangsu Province is estimated to increase from RMB40.2 billion in 2017 to RMB74.1 billion in 2022 with a CAGR of 13.0% from 2017 to 2022, and is expected to grow to RMB124.9 billion in 2026 with a CAGR of 13.9% from 2022 to 2026, according to Frost & Sullivan. We believe we have benefitted from our geographic location, which provides us with a large potential customer base for our future and continuous growth.

Moreover, Nanjing BenQ Hospital was strategically established with a capacity and an aim to serve a wider area of populations in the East China region. Nanjing BenQ Hospital has been attracting a large population from regions outside Nanjing and even Jiangsu Province. In 2021, 2022 and 2023, approximately 16.9%, 15.6% and 15.1% of Nanjing BenQ Hospital's inpatients, respectively, were patients residing outside Jiangsu Province.

Operational Capacity

As of December 31, 2023, Nanjing BenQ Hospital had 1,050 registered beds, and 2,087 full-time staff (1,646 of which were healthcare professionals), with a GFA of approximately 234,000 sq.m. Nanjing BenQ Hospital provided a full spectrum of general healthcare services across 37 clinical departments and 8 other medical technology departments.

The table below sets forth certain key information of Nanjing BenQ Hospital as of the end of or for the years indicated:

	As of/For the Year Ended December 31,		
	2021	2022	2023
Inpatient healthcare services			
Number of registered beds[1]	900	900	1,050
Effective service capacity[2]	328,500	328,500	383,250
Inpatient visits (in thousand)[3]	37.8	40.1	50.6
Number of inpatient surgeries[4]	11,338	12,055	13,865
Average spending per inpatient visit (RMB)[5]	20,983	18,511	17,967
Average bed turnover days (days)[6]	8.6	8.3	7.5
Outpatient healthcare services			
Outpatient visits (in thousand)[7]	1,048.4	1,114.6	1,327.6
Average spending per outpatient visit (RMB)[8]	545	573	548
Number of outpatient surgeries[9]	1,759	1,980	1,871

Notes:

(1) Represents the number of beds that were registered in the hospital's practicing license as of the end of the relevant year.

(2) Represents the estimated inpatient service capacity of the hospital during the given year, calculated as the number of registered beds as of the end of such year multiplied by the number of days in such year.

(3) Represents the total number of inpatients (with hospital stay) in the hospital during the given year.

(4) Represents the total number of inpatient surgeries performed in the hospital during the given year.

(5) Represents the average spending per inpatient visit calculated as the revenue from inpatient healthcare services divided by the number of inpatient visits in the hospital during the given year.

(6) Represents the average turnover days per registered bed in the hospital, as an indicator of the efficiency of our delivery of inpatient healthcare services, calculated as the effective service capacity during the given year divided by the total number of discharged patients during such year.

(7) Represents the total number of outpatients (without hospital stay, and excluding the number patients receiving physical examination services) in the hospital during the given year.

(8) Represents the average spending per outpatient visit calculated as the revenue from outpatient healthcare services (excluding the revenue from physical examination services) divided by the number of outpatient visits of the hospital during the given year.

(9) Represents the total number of outpatient surgeries performed in the hospital during the given year.

Key Disciplines and Medical Specialties

Nanjing BenQ Hospital has established multiple key disciplines and medical specialties that are highly regarded in the industry. As of December 31, 2023, Nanjing BenQ Hospital had (i) one National Key Clinical Discipline in Thoracic Surgery; (ii) one Jiangsu Provincial Key Clinical Discipline in the Department of Medical Imaging, and one Jiangsu Provincial Key Clinical Discipline Construction Unit in the Department of Urology; and (iii) 16 Nanjing Municipal Key Medical Disciplines. The following table sets forth details of certain key medical disciplines and specialties as well as their service highlights of Nanjing BenQ Hospital:

Key disciplines and medical specialties	Description	Service highlights
Intestinal Fistula Surgery	Since its inception of operation in 2019, the Center for Intestinal Fistula and Abdominal Infections has treated over 5,000 patients from 30 provinces of the PRC, in which patients from outside of Nanjing take up a proportion of more than 90%. In 2023, it treated over 1,700 patients. Since its inception of operation and up to December 31, 2023, it has achieved an improvement rate of higher than 95%. Our Intestinal Fistula Surgery Department combines clinical nutritional support and infection control with comprehensive treatment of abdominal infections, organ dysfunction, intestinal failure, and malnutrition, as well as targeted treatment of different types of fistulas. We have also explored early definitive surgery for intestinal fistulas, self-healing therapies, and open laparotomy for severe abdominal infections. Our research in maintaining the function of the bowel barrier has also successfully solved the problem of secondary infections in many critically ill patients and improved the cure rate thereof. In addition, inflammatory bowel disease, which mainly consists of crohn's disease and ulcerative colitis, is clinically characterized by an unknown etiology, difficulty in diagnosis and cure, and necessity for interdisciplinary treatment. We have changed the traditional treatment model characterized by separation of medical and surgical treatment, and implemented a more standardized diagnosis and treatment through multidisciplinary treatment such as drug therapy, nutritional support therapy, endoscopic therapy and surgery, benefitting patients with significantly enhanced cure effect.	In recognition of the excelling clinical capabilities of our Intestinal Fistula Surgery Department, the Fourth Clinical Medical College of Nanjing Medical University and Southeast University School of Medicine have recognized our Intestinal Fistula Surgery Department as a collaborative department for students' clinical practice and internships. In collaboration with the Fourth Clinical Medical College of Nanjing Medical University, we have established the Nanjing Medical University Surgical Infection and Immunity Clinical Translational Research Center (the "Clinical Translational Center"), which focuses on the pathological mechanisms of infection and immunity in the field of surgery, and carries out basic research on abdominal infections, intestinal mucosal barriers, and inflammatory bowel disease, further solidifying our leading position in scientific research and clinical medical service capabilities in the field of Intestinal Fistula Surgery. The Clinical Translational Center has been certified as a Nanjing Expert Studio, and Jiangsu Postdoctoral Innovative Practice Base. As of the Latest Practicable Date, the Clinical Translational Center had undertaken more than 20 projects from the National Natural Science Foundation and the Natural Science Foundation of Jiangsu Province; members of the Clinical Translational Center have published a number of essays in internationally-renowned journals such as Clinical and Translational Medicine, Cell Reports, Lancet and Cell Death and Disease.

Key disciplines and medical specialties	Description	Service highlights
Pancreatic Surgery	The Pancreatic Surgery Department of Nanjing BenQ Hospital is a one-stop real-time full multidisciplinary pancreatic team in the PRC, comprehensively covering medical units such as surgery, ICU, internal medicine, endoscopy, anesthesia, radiology intervention, pathology, nutrition, pharmacology, clinical database, and biospecimen library. In 2023, it conducted more than 640 pancreatic surgeries and hospitalized approximately 6,000 patients with pancreatic disease.	During the Track Record Period, the Intestinal Fistula Surgery Department of Nanjing BenQ Hospital had successfully organized two provincial-level continuing medical education classes, guided hospitals in regards of clinical treatment of intestinal fistula, and accepted medical professionals from outside hospitals for advanced medical training. The director of the department is a doctoral supervisor and enjoys the special allowance of the State Council. Most of the key experts in the team are PhDs with foreign academic backgrounds.
Nephrology	The Nephrology Department of Nanjing BenQ Hospital had more than 13,000 outpatient visits and admitted more than 1,500 cases of various renal patients in 2023, of which nearly half were difficult and critical renal diseases, with an average annual number of discharges being more than 1,500. Approximately 500 difficult vascular access surgeries were conducted in the Nephrology Department of Nanjing BenQ Hospital in 2023. As of the Latest Practicable Date, the Nephrology Department of Nanjing BenQ Hospital was equipped with more than 130 hemodialysis machines, enabling nearly 70,000 dialysis treatments in 2023. Such scale of hemodialysis treatment is at a leading level in the Jiangsu Province.	The Nephrology Department of Nanjing BenQ Hospital has been recognized as a Nanjing Key Medical Discipline, Blood Purification Standardized Training Base of Jiangsu Province, Geriatric Medicine Clinical Technology Application Research Project Unit of Jiangsu Province. The two leaders of the department are both enjoying the special allowance of the State Council, and both are doctoral supervisors. As of the Latest Practicable Date, the medical professional team of the Nephrology Department of Nanjing BenQ Hospital had nearly 80 doctors, technicians and nurses.

Key disciplines and medical specialties	Description	Service highlights
Otolaryngology Head and Neck Surgery . . .	The Otolaryngology Head and Neck Surgery Department of Nanjing BenQ Hospital has four subspecialty disciplines: otology, rhinology, pharyngology, and head and neck surgery. Since its start of operation in 2019, the number of consultations in the Otolaryngology Head and Neck Surgery Department has risen continuously. As of December 31, 2023, it had 40 registered beds in operation. The Otolaryngology Head and Neck Surgery Department of Nanjing BenQ Hospital has led the innovative research on stereotactic treatment of laryngeal papilloma and cricoarytenoid joint movement unit, and a distinctive specified fishbone clinic at the night time.	The president of Nanjing BenQ Hospital, YU Zhenkun, M.D., is also the director and a chief physician at the Otolaryngology Head and Neck Surgery Department of Nanjing BenQ Hospital. He is a professor and postdoctoral, doctoral and master's supervisor at Nanjing Medical University and a professor and doctoral supervisor at Southeast University, and has been recognized as a Jiangsu Province Innovative and Entrepreneurial Talent. For details of Dr. Yu's biography, see "Directors and Senior Management — Senior Management" in this document. The Otolaryngology Head and Neck Surgery Department of Nanjing BenQ Hospital has been recognized as a Nanjing Key Medical Discipline.
Orthopedic Surgery . . .	The Orthopedic Surgery of Nanjing BenQ Hospital consists of several sub-specialties such as sports medicine and joint surgery, spine surgery, orthopedic traumatology and hand and foot microsurgery. As of December 31, 2023, it had 120 registered beds. In 2023, it had approximately 3,000 patient discharges and performed over 2,500 surgeries.	The Orthopedic Surgery of Nanjing BenQ Hospital has been recognized as a Nanjing Key Medical Discipline The director of Orthopedic Surgery Department of Nanjing BenQ Hospital is a doctoral supervisor, and has been recognized as a Jiangsu Province Innovative and Entrepreneurial Talent. The Orthopedic Surgery of Nanjing BenQ Hospital has undertaken two key projects of Nanjing Medical Science and Technology Development Project, two projects of Nanjing Health Young Talent Project, five common projects of Nanjing Medical Science and Technology Program Development Project, seven projects of Nanjing Medical University School Fund, and two project of Nanjing Medical University Teaching Fund. As of December 31, 2023, members of the department had published 13 research papers on SCI journals and 37 research papers on national core journals.

Construction and Expansion Plan

Leveraging our successful track record, we aim to expand and enhance the comprehensive operating capacities of Nanjing BenQ Hospital in the near future. The construction and expansion of Nanjing BenQ Hospital has two phases in total. The first phase had been put into operation since May 2008, whereas the second phase was under construction as of the Latest Practicable Date. Both phases were designed be built into a smart medical city with a number of clinical medical centers. The second phase comprises two separate stages. The first stage focuses on the construction of specialty disciplines buildings (專科樓), the main bodies of which had been topped out as of the Latest Practicable Date, and the second stage aims for the construction of a special (high-end) medical service center (特需中心), which was scheduled to be commenced in 2027 and expected to be completed in 2030.

The table below sets forth estimated details of our expansion plan for Nanjing BenQ Hospital as of the Latest Practicable Date:

Phase	Construction Plan	Status	Planned Design and Scale	Expected Time of Completion	Total Estimated Capital Expenditure	Source of Fund
Phase II .	Specialty disciplines buildings	In the process of construction	• Additional 600-800 beds	2024	Approximately RMB[REDACTED]	Net [REDACTED] from the [REDACTED] and internal capital resources
	Special (high-end) medical service center	Construction expected to begin in 2027	• Additional 400-600 beds	2030	Approximately RMB[REDACTED]	Net [REDACTED] from the [REDACTED] and internal capital resources

Moreover, we also plan to purchase and install additional medical equipment to facilitate the service offerings in key disciplines of Nanjing BenQ Hospital, such as equipment used in operating rooms, including surgical robots, and equipment for digital subtraction angiography (DSA), and equipment used in tumor center, including linear accelerator and other treatment equipment. We estimate that the total capital expenditure for the purchase of these equipment will be approximately [**REDACTED**], and we plan to fund the investment through both net [**REDACTED**] from the [**REDACTED**] and our internal capital resources.

For details, see "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" in this document.

Infrastructure, Facilities and Equipment

Equipped with advanced medical facilities, we believe Nanjing BenQ Hospital has the capability to diagnose and treat the most complex and critical medical emergencies and conditions. The table below sets forth details of the major medical equipment and infrastructure of Nanjing BenQ Hospital as of December 31, 2023:

Name of Medical Equipment	Description
APEX CT Scanner with a 256-Row X-Ray Structure	Applying a number of widely recognized technologies, it is able to achieve accurate quantification-level diagnosis, discover earlier tiny lesions, and help with early precision diagnosis and treatment of serious diseases.
Medical-Use Air Pressurized Oxygen Chamber Group	Widely appraised in the PRC in regards of scale and technological performance, according to Frost & Sullivan, its chamber allows the beds of the critically ill patients to directly go in and out, facilitating our comprehensive treatment of serious neurological diseases.
Positron Emission Tomography (PET) Imaging System	It functions not only for early screening of tumors, but also as an effective means to accurately evaluate coronary artery microvascular lesions. It is one of the most advanced medical equipment in early screening of tumors within the industry, and one of the few large-scale medical equipment capable of detecting functional and metabolic changes, according to Frost & Sullivan, which represents our competitiveness in tumor diagnosis in the industry.
Gamma ray stereotactic radiotherapy system . . .	Also known as SnipeRay Gamma Knife, it accurately destroys the lesion in one go, achieving non-invasive, non-hemorrhagic, non-infectious, rapid and painless curative effect, satisfying the clinical requirements for the precision treatment of brain tumors.
3.0T Magnetic Resonance Imaging System	Featuring high imaging speed, stability and signal-to-noise ratio, it allows head and whole-body scanning and imaging, magnetic resonance spectral analysis and complex post-processing, facilitating our diagnosis of complex medical conditions.
High-End Cardiac Intelligent Ultrasound Equipment	Integrating the human anatomy data model, it enables ultrasound to get access to the true anatomical structure of human heart and carry out intelligent analysis based thereon, representing our competitiveness in cardiac ultrasound examination.

Name of Medical Equipment	Description
Surgical Microscope and Surgical Navigation System	It digitally analyzes the anatomical structure of the patient as well as the nerves, blood vessels, and functional zones based on image data, facilitating pre-operative planning and intra-operative guiding for doctors, demonstrating our hospital's competitiveness in the minimally invasive and delicate neurosurgical procedures in the Jiangsu Province.
Blood Purification Center	Equipped with more than 130 dialysis equipment as of the Latest Practicable Date, its water treatment could reach the standard of ultra-pure water with conductivity less than 0.1μs/cm, which provides above-standard technical support for our function as a Provincial Blood Purification Training Base.

Suzhou BenQ Hospital

Having commenced operations in May 2013, Suzhou BenQ Hospital is a private for-profit general hospital that offers multi-disciplinary inpatient and outpatient diagnosis and treatments, similar to those offered by our Nanjing BenQ Hospital, yet with an emphasis on localized medical services. In August 2023, Suzhou BenQ Hospital obtained the Class III hospital ranking. Suzhou BenQ Hospital has a notably strong reputation in the Departments of Gynecology and Pediatrics.

Geographic Location

Suzhou BenQ Hospital primarily serves the local communities in Suzhou. It is located in Suzhou High-Tech District, an emerging and rapidly developing district. With the continuous growth of its population and the increasing demand for high-quality healthcare services, coupled with favorable incentives and supportive policies for businesses, we have the capability to serve a significant number of potential patients in this region. Leveraging our advanced medical infrastructure, robust network of healthcare institutions, and skilled healthcare professionals, we are well-positioned to meet the healthcare needs of this thriving community.

Operational Capacity

As of December 31, 2023, Suzhou BenQ Hospital had 800 registered beds, and 1,344 full-time staff (1,056 of which are healthcare professionals), with a GFA of approximately 150,000 sq.m. The table below sets forth certain key information of Suzhou BenQ Hospital as of the end of or for the years indicated:

	As of/For the Year Ended December 31,		
	2021	2022	2023
Inpatient healthcare services			
Number of registered beds(1)	700	800	800
Effective service capacity(2)	255,500	292,000	292,000
Inpatient visits (in thousand)(3)	23.7	26.9	31.3
Number of inpatient surgeries(4)	5,900	6,396	6,646
Average spending per inpatient visit (RMB)(5)	16,201	17,036	15,545
Average bed turnover days (days)(6)	10.5	10.7	9.2
Outpatient healthcare services			
Outpatient visits (in thousand)(7)	555.6	566.0	674.7
Average spending per outpatient visit (RMB)(8)	619	650	654
Number of outpatient surgeries(9)	2,918	2,902	3,380

Notes:

(1) Represents the number of beds that were registered in the hospital's practicing license as of the end of the relevant year.

(2) Represents the estimated inpatient service capacity of the hospital during the given year, calculated as the number of registered beds as of the end of such year multiplied by the number of days in such year.

(3) Represents the total number of inpatients (with hospital stay) in the hospital during the given year.

(4) Represents the total number of inpatient surgeries performed in the hospital during the given year.

(5) Represents the average spending per inpatient visit calculated as the revenue from inpatient healthcare services divided by the number of inpatient visits in the hospital during the given year.

(6) Represents the average turnover days per registered bed in the hospital, as an indicator of the efficiency of our delivery of inpatient healthcare services, calculated as the effective service capacity during the given year divided by the total number of discharged patients during such year.

(7) Represents the total number of outpatients (without hospital stay, and excluding the number of patients receiving physical examination services) in the hospital during the given year.

(8) Represents the average spending per outpatient visit calculated as the revenue from outpatient healthcare services (excluding the revenue from physical examination services) divided by the number of outpatient visits of the hospital during the given year.

(9) Represents the total number of outpatient surgeries performed in the hospital during the given year.

Key Disciplines and Medical Specialties

The following table sets forth details of certain key medical disciplines and specialties as well as their highlights of Suzhou BenQ Hospital:

Key disciplines and medical specialties	Description	Service highlights
Obstetrics and Gynecology	The Obstetrics and Gynecology Department of Suzhou BenQ Hospital has achieved an approximate 27.4% increase in surgery amount in 2023 as compared with 2020. The Obstetrics and Gynecology Department at Suzhou BenQ hospital integrates medical care with an international standard treatment model, providing comprehensive healthcare services, ranging from the prevention and treatment of gynecological cancers to the diagnosis and treatment of infertility and sterility.	The Gynecology Department at Suzhou BenQ Hospital is recognized as a training base for single-port laparoscopic and hysteroscopic surgeries, a training base for transvaginal surgical techniques, a training base for common diseases in gynecological endocrinology, a research center for female pelvic floor and postpartum comprehensive rehabilitation, and a training center for high-intensity focused ultrasound physical therapy. With its technical strength in a leading position within Suzhou, it holds a high reputation in the national gynecological community, according to Frost & Sullivan.
Pediatrics	The Pediatrics Department of Suzhou BenQ Hospital has achieved an approximate 72.1% increase in outpatient visits amount in 2023 as compared with 2020.	The Pediatric Department at Suzhou BenQ Hospital features a well-established team of pediatricians proficient in diagnosing and treating a wide range of childhood diseases, with extensive experience in managing conditions such as pediatric pneumonia, childhood asthma, rotavirus gastroenteritis, and pediatric urinary tract infections. It has introduced lung function tests and pediatric bronchoscopy examinations, and has specially established a Pediatric Respiratory Center.

Key disciplines and medical specialties	Description	Service highlights
	The Pediatrics Department provides comprehensive and well-established pediatric services, covering general pediatrics, pediatric healthcare, pediatric critical care medicine, neonatology, and pediatric surgery.	It offers 24-hour pediatric medical services for the convenience of its patients. Additionally, it is decorated with a warm and child-friendly atmosphere, designed to soothe the anxious feelings of children. According to Frost & Sullivan, the Pediatrics Department has gained recognition from parents in the surrounding regions, leading to a steady increase in outpatient visits in recent years.

Construction and Expansion Plan

We aim to expand the operations of Suzhou BenQ Hospital and enhance its competitive advantages in its key disciplines and medical specialties in the near future. The construction and expansion of Suzhou BenQ Hospital has four phases in total. The first and second phases had been put into operation since May 2013 and January 2024, respectively. As of the Latest Practicable Date, the third phase was designed to build a maternity and child center (婦幼中心), and the fourth phase was designed to build a rehabilitation center (康復長照中心), the construction of which was scheduled to commence in 2027 and expected to be completed in 2029, respectively.

The table below sets forth estimated details of our expansion plan for Suzhou BenQ Hospital as of the Latest Practicable Date:

Phase	Construction Plan	Status	Planned Design and Scale	Expected Time of Completion	Estimated capital expenditure	Source of Fund
Phase III.	Maternity and child center	Construction expected to begin in 2024	• Planned GFA of approximately 90,000 sq.m. • Additional 500 beds	2026	Approximately RMB[REDACTED]	Net [REDACTED] from the [REDACTED] and internal capital resources
Phase IV . . .	Rehabilitation center	Construction expected to begin in 2027	• Additional 300 beds	2029	Approximately RMB[REDACTED]	Net [REDACTED] from the [REDACTED] and internal capital resources

Moreover, we also plan to purchase and install additional medical equipment to facilitate the service offerings of Suzhou BenQ Hospital, such as equipment used in hemodialysis center, laparoscopic systems used in operating rooms, and orthopedic O-arm machine set. We estimate that the total capital expenditure for the purchase of these equipment will be approximately [**REDACTED**], and we plan to fund the investment through both net [**REDACTED**] from the [**REDACTED**] and our internal capital resources.

For details, see "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" in this document.

Infrastructure, Facilities and Equipment

Similar to Nanjing BenQ Hospital, Suzhou BenQ Hospital is equipped with advanced equipment to offer a wide range of medical diagnosis and procedures commonly required by the general public. The table below sets forth details of the major medical equipment and infrastructure of Suzhou BenQ Hospital as of December 31, 2023:

Name of Medical Equipment	Description
6D Fast Blade Radiotherapy	Applied for tumor radiosurgery, it is one of the most advanced radiation therapy technology in the world, according to Frost & Sullivan. It can quickly and accurately treat all kinds of tumors, including some tumors that are difficult to be treated by conventional surgeries, thereby enhancing the clinical therapeutic efficacy of our tumor radiotherapy, while mitigating the acute side effects and complications of patients.
Digital Subtraction Angiograph (DSA) Compound Operating Room	Equipped with a variety of devices at the industry's technological frontier, it breaks the restriction of traditional angiography systems by combining high-definition image quality and the lowest level of radiation, thereby revolutionizing the treatment of strokes. Besides, with unique algorithmic support, it reduces shadow caused by patients' heartbeat or respirational activities, ensuring highly-reliable image quality. At the same time, by applying comprehensive clinical software, it allows highly-efficient and intelligent surgery navigation, thereby boosting surgery efficiency.
Medical-Use Air Pressurized Oxygen Chamber Group	By synthesizing medical science, physics and engineering, it combines advanced technological performance and high safety functions, representing prominent features of its type.

Name of Medical Equipment	Description
Gamma Knife	Integrating modern computer technology, stereotactic technology and radiosurgery technology, gamma knife produces gamma rays as the radiation source and focuses its irradiation on the body lesions in a stereotactic fashion. It achieves surgical resection of the body lesions in lieu of traditional scalpels. Compared with traditional treatment methods, it has the following advantages: (i) special and complex preoperative preparation and medication are not required; (ii) surgeries can be performed when the patient is awake, thus reducing risks brought by anesthesia procedures; (iii) surgeries can be safely and effectively performed regardless of age, physical condition and underlying medical conditions of the patient in question; (iv) after the surgery, there is no need for blood transfusion, restriction on patients' diet and activities, nor side-effects such as hair loss, and the hospitalization stay is short enough to enable patients to return to normal life as soon as possible.
PET-CT Molecular Imaging Center	As a novel type of imaging equipment, it integrates metabolic imaging enabled by Positron Emission Tomography scan (PET scan) and anatomical structure imaging enabled by CT scan, therefore allowing both acute discovery of functional and metabolic changes in lesions supported by PET scan, while accurately locating the lesions with the help of CT scan, thereby greatly improving diagnostic accuracy, and providing guidance to doctors to formulate treatment plans with enhanced precision.
3.0T Magnetic Resonance Imaging System	It is an extensively used examination technology characterized by being multi-dimensional, multi-parameter, radiation-free with a large visual field, guaranteeing patient safety and high image quality. In addition, the application of the Life Matrix System allows the direct reading of the patient's anatomical structure, respiration status, magnetic field and other human body information. Moreover, the use of magnets of industry-leading quality improves patients' comfort with shortened examination time while generating precise medical images, significantly facilitating the examination of more difficult body parts and the detection of micro lesions, empowering the early diagnosis of diseases.

Name of Medical Equipment	Description
Ultra High-End Cardiovascular Ultrasound Diagnostic Instrument	Allowing one-step convenient operation, it helps realize a number of functions from cardiac 4D structural imaging to myocardial function imaging, covering both image acquisition and data management. With advanced ergonomics design, it features clear imaging, accurate diagnostic capability, leading scientific research capability and convenient operation process.
Laminar Flow Wards . . .	Equipped with air purification equipment, it sterilizes more than 99.9% of dust particles above 0.3μm and bacteria, thereby preventing various infections. In addition, the ward is completely segregated from the outside, requiring medical and nursing staff to take a bath, change clothes and get disinfected before entering the laminar flow wards, where the patients' belongings and diets are strictly disinfected, which facilitates the recovery of patients with hematological diseases.

OUR HEALTHCARE SERVICES

Our Humanistic Care and Treatment Processes

Our Treatment Processes

The treatment processes of our healthcare services can be generally divided into two categories: inpatient healthcare services and outpatient healthcare services. Inpatient healthcare services involve treating patients hospitalized overnight or for a prolonged period of time (the duration of which depend on each patient's health needs and recovery process), subject to the patients' conditions and recovery. Outpatient healthcare services refer to the treatment of patients who are hospitalized for less than 24 hours. Outpatient surgeries involving minor to intermediate procedures that are less invasive are sometimes performed without the need for overnight hospitalization. Within the scope of our outpatient healthcare services, we also provide physical examination services where we will examine signs of diseases and provide medical advices on healthcare issues. Individuals may seek such services for a number of reasons, including routine check-ups, pre-employment health check, driver's check-ups, school admission and travels. In addition, corporations and government administrations may also purchase our physical examination packages for their employees.

Our Humanistic Care

Through decades of dedication and commitment to providing patient-centered humanistic care, we have made "BenQ Medical Center" a well-known and highly trusted brand among patients. In our hospitals, we endeavor to create an environment that enables patients to feel cared for and respected during the entire treatment process, which can inculcate a sense of safety and security and help patients achieve physical, spiritual, and sociocultural wellbeing, which can be demonstrated by the following aspects:

- With unique structural design of humanistic atmosphere, our hospitals feature a congenial and hospitable environment, and provide suites, single to four-person wards that cater to the varying needs of different patients;

- Our outpatient buildings are constructed with an open-air design that allows natural light to be channeled into the interior of the hospitals, making the whole space well-lit and well-ventilated, which we believe would provide added comfort for patients and reduce their sense of stress;

- The corridors in our hospitals' outpatient areas are designed to be as wide as five to six meters, able to accommodate counter flow transport of hospital beds and wheelchairs to freely move in and out, as well as the transportation of patients by electric vehicles across different areas of our hospitals;

- We adopt child-friendly interior designs for Departments of Pediatrics and Pediatric Dentistry to enhance children's experience of being treated at our hospitals;

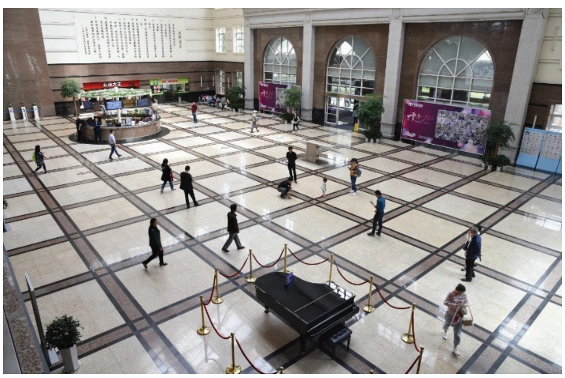
- There are special waiting areas for patients' family members outside operating rooms and ICUs in our hospitals to provide a comfortable waiting space therefor;

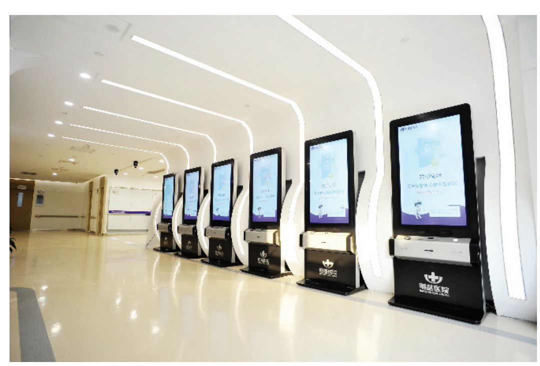
- To provide patients with the information they need in an easily-accessible way and promptly relieve their concerns, our hospital beds are equipped with an advanced smart bedside screen, on which our hospitalized patients can check disease-related scientific education information in the form of text, pictures or videos at any time;

- We provide patients and their families with a variety of dietary choices to enhance their level of comfort. We have constructed a designed food court with nearly 20 food and beverage stores, including a number of well-known and affordable food and beverage chain operators to be stationed in our hospitals; and

- Our volunteer workers are also important contributors in providing patients with enhanced medical experience. With regards to humanistic atmosphere, the outpatient halls of our hospitals are equipped with a grand piano, with volunteers scheduled to play music during outpatient hours, delivering a sense of pleasure to patients and lifting their sense of stress. In addition, volunteer guide desks are set up in each of the outpatient clinic, registration, payment and examination areas, where volunteers readily offer guidance to patients and assist them in going through the relevant procedures. For details of some other major tasks that our volunteer workers take on, see "— Environment, Social and Governance — Charity Work and Social Contribution" in this section.

Below photos showcase our humanistic environment and atmosphere at our hospitals:





With an aim to tackle the fragmentation and low-efficiency in patients' diagnostic and treatment processes commonly seen in the industry, we have adopted various innovative healthcare systems and formally institutionalized them into our day-to-day operations. Featuring efficient utilization of medical personnel resources and requiring a specific medical personnel to take full charge of one aspect of medical service throughout the patients' treatment process, such innovative healthcare systems see to it that our medical services are delivered in a full-cycle and orderly setting which cater to patients' real-time needs in a highly humanistic and reliable manner. Listed below are specifics of our innovative healthcare systems:

- **Doctor-in-charge full-cycle responsibility system (主診醫師負責制):** differing from other hospitals where outpatient and inpatient treatment processes are conducted by different doctors in a segregated manner during the treatment of a particular patient, our hospital's doctor-in-charge full-cycle responsibility system requires the doctor-in-charge, i.e., the doctor who admitted the patient into our hospital to keep full-cycle oversight from outpatient admission, consultation, surgery, to post-operative rehabilitation. Such policy reduces the information asymmetries of different medical departments that arise during the same patient's treatment and provides added guarantee of a more comprehensive understanding of patients' conditions throughout the whole diagnosis and treatment process, so as to ensure that appropriate medical services are delivered in a prompt, dynamic and precise manner.

- **Inpatient nurse-in-charge full-cycle care system (主護護理制):** in contrast with other hospitals which generally assign various nursing tasks to nurses with different functions, thereby leading to a number of nurses attending to different steps in the same patient's treatment process, our hospitals adopt a nurse-in-charge full-cycle care system in our inpatient medical services, where one nursing staff is responsible for a whole package of care and medication tasks for the same patient. Such system provides added convenience and easily accessible nursing support for patients, as they can directly go to the nurse-in-charge at any time should any issues arise, without suffering from any inefficiency caused by ambiguity of nurses' duties.

- **Pharmacist medication counseling system (藥劑師用藥指導制):** Our specialist pharmacists provide professional medication counseling to patients across various scenarios. Our hospitals set up medication counseling desks at pharmacies, where clinical pharmacists provide accurate and detailed medication counseling to patients, seeing to the safety and effectiveness of their medication. In addition, when patients are discharged from our hospitals, such clinical pharmacists will also specifically provide discharge medication counseling to guide the patients on the proper use of medication after being discharged.

- **Outpatient accompanying nurse assistance system (陪診制):** At our special (high-end) medical service center, our nursing staff are assigned to accompany patients throughout their medical visits. The accompanying nurse will walk the patient into the consultation room, measure vital signs according to the patient's condition, and promptly provide assistance during patient examinations as necessary. When an additional test is required, the accompanying nurse will contact the relevant department to arrange the test and pay attention to the timing of the test results, ensuring that the patient is duly informed and explained with the process. When prescribed medication is needed, the accompanying nurse will call the pharmacy for assistance with medication delivery and ensure medicine registration at reception desk.

Smart Hospital

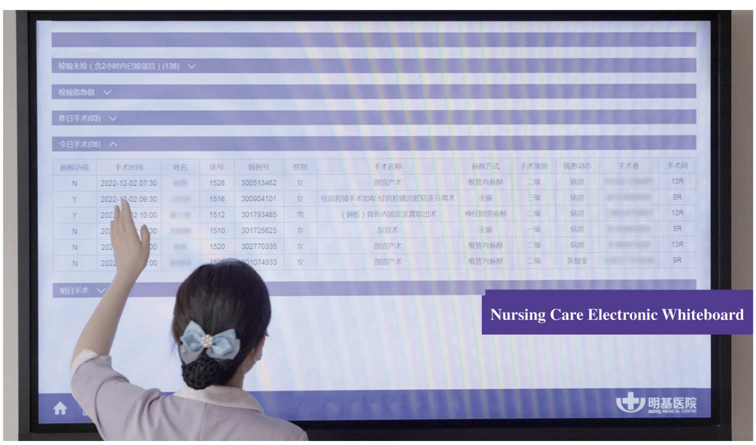
Leveraging Qisda Group's strengths in the information technology industry and intelligent solutions, we have developed an innovative "Smart Hospital" operating model and established a "three-in-one" system integrating Smart Healthcare, Smart Services and Smart Management.

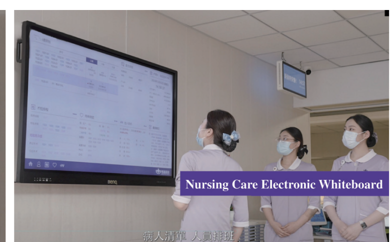
- Smart Healthcare applies visualization and automation technologies throughout the whole diagnosis and treatment processes. Leveraging intelligent IoT, it improves patient satisfaction while enabling us to achieve efficiency improvement and risk reduction. For example, our counter call system efficiently manages patient services such as registration, payment, and medicine collection by directing them to different service windows based on the current flow of people. This dynamic adjustment of service categories speeds up the overall service efficiency, resulting in improved operational effectiveness and a better patient experience at our hospitals. Our outpatient check-in system streamlines the check-in process for patients, automatically assigning numbers based on different appointment types, such as follow-up visits or consultations after tests. This ensures that patients are undisturbed during their visits, as the progress of their appointments is clearly displayed on waiting boards or broadcast screens. Patients can easily track their position in the queue, reducing anxiety and enhancing their overall satisfaction. Furthermore, we have implemented electronic bedside cards that consume minimal power and do not emit light, allowing patients to rest without any disruptions. Through system integration, relevant patient information is promptly delivered by the backend system, eliminating the need for manual updates by nursing staff. This enables nurses to focus on providing care while also reminding family members of their caregiving tasks, ultimately expediting patients' recovery process. In addition, our state-of-the-art Medical Intelligent Robot automates various processes, alleviating the workload of operating room nurses and improving the overall quality of medical care. Equipped with cloud-based systems and remote control capabilities, it enhances hospital scheduling efficiency while minimizing the risk of infections. Moreover, our smart nursing dashboard application provides real-time updates on the status of patients, including injury classifications, ongoing examinations, and consultations. This information is presented visually and color-coded on a single screen, enabling medical staff to proactively manage delays and effectively diagnose and treat patients.

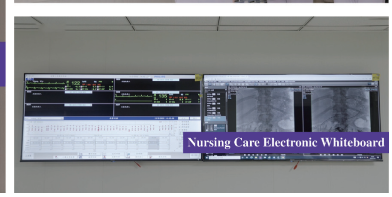
- Smart Services are mainly designed to enhance patients' medical experience. For example, we provide online registration, online bill payment, online consultation, report query, medication consultation and management, and patient cuisine ordering, at-home nursing care as well as nursing care consulting and other services on our WeChat mini program. This will also help to drive online traffic to offline treatment.

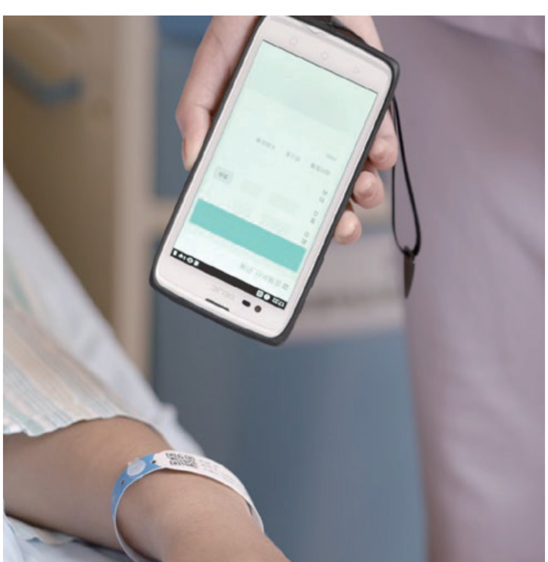
- Smart Management mainly focuses on breaking data silos in hospital management, which is mainly achieved by Enterprise Service Bus platform. By applying the Enterprise Service Bus platform, we can realize the interconnection of basic information of patients within our hospitals, thereby achieving more timely and accurate medical management. Such shared data also supports the medical departments' disciplinary construction and development. In addition, as one of the initiators of a collaborative platform comprising multiple hospitals, we and other hospitals can collectively acknowledge patients' test reports. This significantly streamlines the process of diagnosing and treating patients across different hospitals.

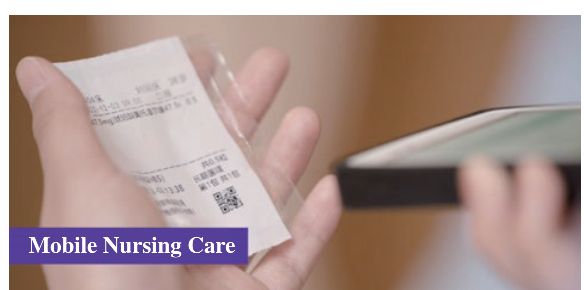
Below set forth pictures showcasing our "Smart Hospital" operating model:

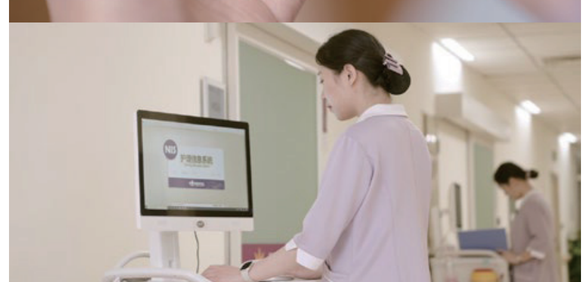












In February 2024, both Nanjing BenQ Hospital and Suzhou BenQ Hospital were rated as a Grade A Class IV Interconnection Hospital (四甲互聯互通醫院). This achievement symbolizes the hospitals' advanced level of integration in terms of intelligent healthcare information systems and their abilities to achieve comprehensive information sharing throughout their respective entire institution. According to Frost & Sullivan, Nanjing BenQ Hospital was the second private hospital in Nanjing to obtain such accreditation, and Suzhou BenQ Hospital was the first in Suzhou to achieve the same.

In the future, we will further upgrade our technological infrastructure, invest in the research and development of advanced technologies, and enhance our data-analytical capability. For details, see "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" in this document.

OUR OTHER ACTIVITIES AND FUNCTIONS

Medical Research

Medical research is an integral part of our institutional practice. We emphasize research and innovation and are committed to advancing medical development and being at the forefront of healthcare. Our strong medical research capabilities also help us to attract, nurture and retain healthcare professionals who have a keen interest in the latest medical developments. We actively encourage our multi-disciplinary teams of healthcare professionals to undertake research initiatives in conjunction with their clinical practice. We also seek to establish collaboration with internationally-leading academic institutions or experts with a view to expediting our research accumulations in the respective areas.

We have established the Central Laboratory of Nanjing Medical University Affiliated Nanjing BenQ Hospital ("**Central Laboratory**") in 2010, headed by Prof. WANG Xiaoyan, a nephrology specialist, who has joined the Nanjing BenQ Hospital in October 2019 as the Central Laboratory director. Prof. WANG Xiaoyan is a Professor and Doctoral Supervisor at

Nanjing Medical University. Her research conducted in the areas of kidney and hypertension has been recognized with awards and grants from the National Kidney Foundation and the Diabetes Action Research and Education Foundation. As of December 31, 2023, the Central Laboratory had participated in one common project of the National Natural Science Foundation and three projects under the administration of the Nanjing Municipal Commission of Health.

In addition, we have established the Surgical Laboratory of Nanjing Medical University Affiliated Nanjing BenQ Hospital (the "**Surgical Laboratory**") in 2019, which has been led by Prof. ZHAO Yun, a clinical specialist in surgical infection and immunology, who joined the Nanjing BenQ Hospital in September 2019 and was later appointed as the Surgical Laboratory director. He has won a number of national scientific and technological progress awards, and now also serves as an expert of the National Natural Science Foundation. As of December 31, 2023, the Surgical Laboratory had participated in three common projects of the National Natural Science Foundation, two projects of the Natural Science Foundation of Jiangsu Province, one key project of Jiangsu Commission of Health and one Postdoctoral Supported Project in Jiangsu Province.

From time to time, our healthcare professionals publish research findings on peer-reviewed scientific journals. As of December 31, 2023, Nanjing BenQ Hospital had an aggregate of more than 240 projects under research and more than 140 Science Citation Index (SCI) papers having been published.

As a recognition of our outstanding medical research abilities, Nanjing BenQ Hospital has been funded by National Natural Science Foundation in eight projects and Natural Science Foundation of Jiangsu Province in seven projects, respectively. Suzhou BenQ Hospital had been funded by National Natural Science Foundation in one project and Natural Science Foundation of Jiangsu Province in three projects, respectively, as of December 31, 2023.

In a collaborative manner, Nanjing BenQ Hospital and the Fourth Clinical Medical College of Nanjing Medical University has established the Translational Research Center for Surgical Infection and Immunology of the Nanjing Medical University, which has been recognized as a Key Disciplinary Laboratory of Nanjing Municipal Health Commission.

In search of the best treatments and cure for patients, Suzhou BenQ Hospital also collaborated with renowned institutions, such as Soochow University. For example, Suzhou BenQ Hospital has jointly established a Soochow University — BenQ Clinical Medical Research Institute with Soochow University in 2021, focusing on three areas, including orthopedics, obstetrics and oncology. with a view to comprehensively enhancing the clinical research level through a collaborative manner.

In addition, we also attach great importance to communication with Taiwan hospitals. With a view to deepening scientific research and technological linkages with Taiwan, we have organized a number of academic seminars.

Medical Education

In addition to medical research, we commit substantial clinical resources to teaching and training activities. Nanjing BenQ Hospital, being under the management of the Fourth Clinical Medical College of Nanjing Medical University and as the Teaching Hospital for Southeast University Medical School, has established a teaching function covering the whole stage of medical education, including institutional education, post-graduation medical education and continuing education, providing full-cycle, lifelong quality medical education which combines theoretical knowledge and the practice of specific medical skills, forming a continuous and unified process of medical education.

Every year during the Track Record Period, Nanjing BenQ Hospital accepted an average of about 450 students, interns, postgraduates, residents and advanced trainees for training and studying. While offering high-quality medical training to the prospective medical talents, such training and teaching activities enhance the reputation of Nanjing BenQ Hospital within the industry and provide added attraction to hospital graduates, which further enhance Nanjing BenQ Hospital's competitiveness in regards of talent recruitment.

Suzhou BenQ Hospital also serves as the teaching and internship base for a number of renowned academic institutions in Taiwan, such as Kaohsiung Medical University.

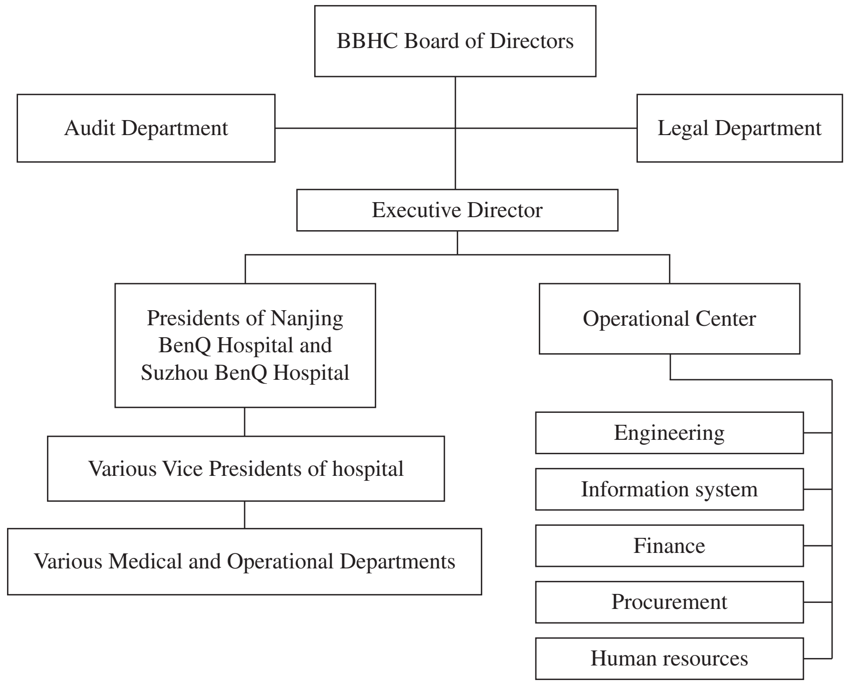
OUR OPERATION AND MANAGEMENT

Our Operational Structure

We consolidate the operations of our hospitals at the Group level and implement a centralized and standardized management approach. Diverging from the conventional management systems prevalent in the industry (where hospital president is in charge of both management and operations), we adopt a corporate management structure that clearly separates the responsibilities of corporate management and hospital operations. Our executive director at the Group level and the Presidents of our hospitals have distinct roles in managing our hospitals, and both of them report directly to the BBHC Board of Directors. Our BBHC Board of Directors serves as the highest decision-making body within our Group. They are responsible for appointing the executive director and the Presidents of the hospitals. Investments and major operational decisions that exceed a specified threshold require the approval of our BBHC Board of Directors. To ensure efficient operations, we have established an Operational Center at the Group level. The executive director oversees unified operational management encompassing human resources, procurement, finance, information systems, and engineering projects across our hospitals. Additionally, the executive director directly manages the Presidents of the two hospitals. The Presidents focus on building medical teams, departmental development, and day-to-day operations. They are supported by several vice presidents, each responsible for managing specific departments within our hospitals.

Under such operational structure, substantial expenditures such as procurement and engineering projects are managed by our executive director instead of directly under the Presidents of the hospitals, thereby enhancing decision-making efficiency and transparency.

The following picture illustrates the organizational structure of our hospitals:



Our Granular Management

We have established a granular management system to manage our hospitals in a highly-efficient and cost-effective manner. While ensuring the quality of our medical services, we have leveraged our industry-leading operational capabilities to effectively control costs and improve operational efficiency. During the Track Record Period, our revenue increased from RMB2,223.6 million in 2021 to RMB2,336.4 million in 2022, and further to RMB2,687.6 million in 2023, and our gross profit margin increased from 15.3% in 2021 to 16.4% in 2022, and further to 18.9% in 2023. Our net profit increased by 29.7% from RMB69.1 million in 2021 to RMB89.6 million in 2022, and further by 87.0% to RMB167.5 million in 2023. In addition, during the Track Record Period, our average bed turnover days were only 9.4 days, 9.2 days and 8.2 days in 2021, 2022 and 2023, respectively. According to Frost & Sullivan, we rank the first among all private for-profit general hospital groups in the PRC in terms of average revenue per registered bed in 2022. Our granular management system not only allows us to maximize our hospital services delivery potential in the most cost-effective manner, but also helps us quickly adjust in response to changes in healthcare reform policies, such as the DRG payment system, making us one of the very few hospitals in Jiangsu Province that could maintain and even achieve growth in both revenue and gross profit after the implementation of the DRG payment system as of the Latest Practicable Date, according to Frost & Sullivan.

Our mature and granular management comprises of a wide array of fine-grained policies and measures. Since 2010, our hospitals have set up Quality Control Circle to conduct Continuous Improvement Process of our internal operations. Such systematic approach aims at achieving greater efficiency, quality, and effectiveness, enabling us to make continuous changes and refinements to our internal operation systems and processes as well as improvements to our services incrementally over time. As of December 31, 2023, our hospitals had accomplished over 460 improvement projects, primarily focusing on topics such as improvement of medical service quality, enhancement of patient satisfaction, streamlining of operation processes, and reduction of operational costs. In addition, under the DRG payment system, most hospitals' profits are negatively impacted to a certain extent due to the reduction in the total amount of health insurance payments; however, leveraging advanced intelligent healthcare system, such as the Firesoon system (火樹系統), we are able to realize accurate prediction of DRG grouping and the amount of payment of a specific patient based on the real-time diagnosis and treatment measures applied therefor, thus realizing a more efficient allocation of our healthcare resources. Our granular management also contributes to a more cost-effective drug and equipment management. For instance, we adjust our pharmaceuticals usage in a dynamic manner by periodically reviewing the use of drugs in our hospitals, with a view to both ensuring the quality of medical care and providing patients with a greater variety of pharmaceutical options. For medical equipment, we also carry out granular cost-benefit analysis, with all equipment over an investment amount of RMB500,000 subject to payback period analysis and continuous follow-up.

OUR STAFF

As of December 31, 2023, we had a total of 3,431 employees, all of whom were based in mainland China. The following table shows a breakdown of our staff by general function as of December 31, 2023:

	Number	As a percentage of total number
		%
Doctors*	930	27.1
Nurses	1,394	40.6
Medical technicians	270	7.9
Pharmacists	108	3.1
Administrative	714	20.8
Research	15	0.4
Total	**3,431**	**100.0**

Note:

* This number represents the total number of doctors employed by us. It does not include the number of doctors from other healthcare facilities who engage in multi-site practice with us.

Our Doctors

The success and competitiveness of our hospitals depend on our ability to recruit and retain qualified and experienced doctors. Our reputation plays a crucial role in recruiting highly qualified and experienced doctors. Our resources and commitment in medical research and education provide a valuable personal development platform for our doctors and are instrumental for us in attracting talent. As of December 31, 2023, we had 35 doctors from Taiwan or overseas, as important contributors in our multi-disciplinary medical team. Prior to joining our hospitals, many of our doctors practiced at similar tier hospitals or were highly regarded experts or leaders in their respective medical fields.

In the PRC, licensed doctors 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. In the PRC, there are three professional qualification ranks for doctors, which are, from the lowest to the highest rank: (i) junior qualification for resident doctors (住院醫師) who must have a medical degree, and typically undertake entry-level tasks such as patients' medical records preparation and practice under the supervision of attending doctors or other superiors; (ii) mid-end qualification for attending doctors (主治醫師) who may supervise resident doctors and typically undertake routine clinical treatments, teaching, research and diseases prevention tasks; and (iii) senior qualification for associate chief doctors (副主任醫師) and chief doctors (主任醫師) who typically command the highest level of medical capability in a specific discipline and are generally the head of a clinical practice, and may supervise attending and resident doctors, direct research work of a specific discipline, as well as undertake complex and rare clinical treatments.

The table below sets forth, as of the dates indicated, the number of each rank of doctors employed by us:

	As of December 31,		
	2021	**2022**	**2023**
Chief doctors and associate chief doctors	283	293	298
Attending doctors	216	219	304
Resident doctors	348	340	328
Total	**847**	**852**	**930**

The above table does not include the number of doctors from other healthcare facilities who engage in multi-site practice with us.

We have various channels to recruit doctors and other medical professionals, such as through college recruitment, referrals, professional recruitment agencies, recruitment meetings and advertisements. We conduct background searches on the candidates to be recruited to ensure they have the required working experience and qualifications for the designated positions. We believe we provide our medical professionals with competitive compensation packages, continued medical education opportunities and a respectful and professional working environment. With reference to laws and regulations such as the Employment Contract Law, the *Labor Law*, and the *Regulations on Work-Related Injury Insurance*, we have formulated a Work Rules Handbook for our human resources department and our employees, which lays out the restrictions and conditions for hiring employees, as well as the necessary procedures and must-know work rules for new hires after they join our hospitals.

The Human Resources Department in each of our hospitals regularly reviews the profile of our doctors and reminds them to apply for their next professional rank when they become eligible. We closely monitor the qualification registration and licensing records on a continuing basis to ensure that all our doctors comply with all applicable requirements under PRC laws and regulations, in particular, each doctor's practice is within the scope of his or her qualification and license. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material complaints or penalties in relation to our doctors practicing beyond the scope of their respective licenses.

Additionally, from time to time, we invite visiting specialist doctors, such as multi-site practicing doctors, doctors from Taiwan or overseas, who do not have a direct employment relationship with us to consult on difficult, highly unusual or complicated conditions on an regular or ad-hoc basis. They may also be invited from other third-party hospitals or medical institutions at the request of our doctors or patients. The remuneration of visiting specialist doctors who provide services on an ad-hoc basis is usually paid per consultation, procedure or treatment performed. The remuneration of visiting specialist doctors who provide consultancy services on a regular basis is usually a fixed sum. The rate of remuneration of visiting specialist doctors is determined by their seniority, relevant experience and industry reputation.

Training and Development

We are committed to keeping our staff abreast of the latest developments in the healthcare industry by providing them with continuous education and assessments. We also identify and sponsor our staff with high talent and potential to undertake further studies and professional training in prestigious academic institutions. We also provide periodic training to our doctors and other medical professionals on topics in their relevant fields and send them to other well-established medical institutions for training. From time to time, we have visits by medical professionals from various medical institutions for consultation sessions at our hospitals, and such visits provide continuous learning and collaboration opportunities for our medical professionals. We also occasionally host in-hospital training sessions for medical professionals from external medical institutions, and send over our medical professionals to attend external training sessions at other medical institutions to enhance their clinical skills and knowledge.

Employee Benefits and Code of Conduct

In compliance with the relevant PRC labor laws, we enter into standard employment contracts with our employees covering matters such as terms, wages and bonuses, employee benefits, confidentiality obligations and grounds for termination. We are required under applicable PRC laws and regulations to contribute to employee social insurance and housing provident funds at specified percentages of the salaries, bonuses and certain allowances of our employees up to a maximum amount specified by the local governments from time to time.

In addition, we adopt various internal control policies to make sure that our doctors practice in a compliant manner, without engaging in illegal or corruptive profitable misconduct. Specifically, our healthcare personnel are not allowed to, among others, link their income with revenue generated from prescription of pharmaceuticals and ordering of medical examinations, conduct commission-based billing and unauthorized charges, accept improper donations and financial assistance from the public, participate in promotional activities and unauthorized dissemination of medical advertisements, formulate prescriptions for commercial purposes, procure and use medical products in an illegal way, and accepting "red envelopes" or any form of gifts from their patients. These guidelines are in place to ensure that we maintain the highest standards of integrity, professionalism, and ethical conduct among our healthcare personnel. By adhering to these guidelines, we aim to ensure that patient care and treatment decisions are made solely based on the best interests of the patients, free from any undue financial influences.

As of the Latest Practicable Date, we had a labor union for our employees at Nanjing BenQ Hospital. We believe that we maintain a good working relationship with our employees, and, during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disputes with our employees.

SALES AND MARKETING

We primarily rely on our reputation as a general hospital with strong multi-disciplinary medical expertise and word-of-mouth recommendation to attract customers. Leveraging the synergistic effect among our business segments, we further broaden our patient base. The organic development of Nanjing BenQ Hospital and Suzhou BenQ Hospital attract potential patients into seeking our medical services, the high-quality delivery of which in turn increases the awareness of our "BenQ Medical Center" brand and strengthens our patient acquisition capabilities. We have also set up our WeChat subscription account through which patients can have easy access to information about our healthcare network and our services, various guides on appointment, patient visits and insurance related matters. Our WeChat subscription account also contributes to our brand building of a trustworthy medical services provider through the multi-dimensional demonstration of our recognitions and accreditations, exemplary case studies, charitable activities, high-caliber medical professional teams, and medical science popularization.

In addition, we endeavor to apply intelligent and other technologies in our daily operations which provide added convenience and an expedited consultation process to both patients and doctors, intelligently transforming a wide array of procedures during medical services, include online registration, online bill payment and online consultation, enabling us to improve patients' satisfaction level and increase our brand awareness among patients. We also provide short science popularization videos on our WeChat subscription account and WeChat mini program to promote our team of specialists and departments.

Moreover, our outstanding delivery of medical services have attracted mainstream media of national, provincial and municipal tiers to publicize our brand, further facilitating our brand image of a reliable and high-quality medical service provider.

Our relationship with commercial insurance providers is also conducive to attracting patients and providing accessible medical services in a cost-effective manner. Commercial insurance providers usually maintain a list of designated hospitals that they have approved to be appropriate providers of medical services. Generally, their clients will only be reimbursed for treatments from hospitals included on such list. Our hospitals are included on the list of designated hospitals of a number of commercial insurance providers.

OUR CUSTOMERS

Our hospitals have a broad patient base, with no individual patient accounting for more than 1.0% of our revenue during the Track Record Period. Our five largest customers in each year during the Track Record Period also included business corporations who purchased our group physical examination services (to which we typically grant a credit term of 60 to 90 days), and lessees of our owned properties. Our five largest customers in each year during the Track Record Period in aggregate contributed to less than 1.0% of our revenue in the respective year.

We receive payments primarily from (i) public medical insurance programs; (ii) commercial insurance providers who entered into direct settlement protocols with us; (iii) patients who finance their medical treatments themselves and/or are funded by commercial insurance providers; and (iv) business corporations or government administrations who purchase our physical examination services for their employees. We derive a considerable portion of our revenue from healthcare services and products provided to patients covered under public medical insurance programs. Both Nanjing BenQ Hospital and Suzhou BenQ Hospital are Medical Insurance Designated Medical Institutions. In 2021, 2022 and 2023, our revenue derived from settlement through public medical insurance programs was RMB915.6 million, RMB968.9 million and RMB1,373.6 million, respectively, accounted for 41.2%, 41.5% and 51.1% of our total revenue in the same years.

Except for Qisda Group, being our Controlling Shareholder and the largest customer in each year during the Track Record Period, as of the Latest Practicable Date, none of our Directors or any Shareholder, who to the knowledge of our Directors, owns more than 5% of our issued share capital immediately following completion of the [**REDACTED**] (but without taking into account the exercise of the [**REDACTED**] or the options granted under the Pre-[**REDACTED**] Share Option Plan) nor any of their respective associates had any interest in any of our five largest customers. For more details of our arrangements with Qisda Group, see "— Overlapping Customers and Suppliers" below in this section, and "Connected Transactions — Partially Exempt Continuing Connected Transactions — 2. Property Leasing Framework Agreement" and "Financial Information — Related Party Transactions" in this document.

Management of Patient Complaints

The subjective nature of the healthcare industry means that we occasionally receive complaints from our patients. We have implemented a standardized customer complaint management system with a view to promptly, accurately and comprehensively collecting feedback from our patients, addressing our patients' concerns, continuously improving our clinical processes and ultimately delivering service of the highest standard to our patients.

Patients may lodge a complaint in person or by telephone and other ways convenient for them and we have a service center in place to handle those complaints on an everyday basis. We aim to be highly responsive to patients' complaints and resolve them in the shortest time frame, or on the spot if possible. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material patient complaints that were material to our hospital operations.

OUR SUPPLIERS

Our suppliers primarily consist of agents and distributors of pharmaceuticals, medical consumables and medical equipment that are either obtained from reputable local manufacturers or imported from international manufacturers. For some medical products, such as vaccines, we are required to obtain supplies directly from the Chinese Center for Disease Control and Prevention. Our suppliers also include construction companies who are engaged by us for the construction and expansion of our hospitals, as well as collaborative healthcare service providers who provide management and patient consulting services to certain of our departments.

Our suppliers are cautiously selected for quality, reputation, price, product and service offerings and delivery capability. We routinely assess our suppliers' performance, credit-worthiness, re-confirm their qualifications and ensure the compliance status and quality of our supplies.

For the principal pharmaceuticals, medical consumables and medical equipment involved in our provision of healthcare services, we generally enter into an agreement with each supplier. The table below sets forth the salient terms of our typical procurement agreements:

Relationship with Supplier	Independent Third Parties and not that of a principal and an agent.
Duration and option to renew	The term of the agreement is generally 12 months starting from the effective date, subject to a one-year automatic renewal in absence of written notice of termination by either party.
Purchasing Amount and Pricing	The purchasing amount of each type of products is specified in the agreement or our procurement orders issued to the supplier thereunder, and pricing for each type of products to be procured is also stipulated in the agreement.
Transportation and Delivery	The supplier shall deliver the products to the location designated by us at its own expenses, subject to our acceptance of the delivered products.
Payment	We normally settle with the supplier on a payment upon delivery basis, with credit terms granted thereby.
Price Protection	During the term of the agreement, if the supplier implements any price reductions for the products, it shall promptly notify us and the new reduced prices will apply to existing undelivered procurement orders and all future orders from us.
Warranty	The supplier warrants that the products are free from defects and the quality shall meet the applicable regulatory standards, industry standards, and/or that specified in the procurement orders or similar documents, where applicable.

Top Suppliers

In 2021, 2022 and 2023, our five largest suppliers together accounted for 39.1%, 39.4% and 47.6% of our total purchases, respectively, and our single largest supplier accounted for 18.4%, 17.1% and 20.1% of our total purchases during the same years, respectively. The following table sets forth certain information of our five largest suppliers for each year during the Track Record Period:

Five Largest Suppliers for 2021	Company Background	Products/Services Purchased	Relationship Since	Credit Term	Purchase Amount	Percentage of Total Purchase
					RMB'000	%
Supplier A . . .	A PRC pharmaceutical company and its affiliates, principally engaging in the distribution of pharmaceuticals, medical consumables, and medical devices	Pharmaceuticals, medical consumables, medical equipment, and maintenance services	2008	60 days	269,539	18.4
Supplier B . . .	A PRC pharmaceutical company and its affiliates, principally engaging in the distribution of pharmaceutical, medical consumables and devices, and healthcare products	Pharmaceuticals and medical consumables	2011	120 days	97,489	6.6
Supplier C . . .	A PRC state-owned enterprise and its affiliates, principally engaging in the distribution of pharmaceuticals related products	Pharmaceuticals and medical consumables	2012	120 days	82,714	5.6

Five Largest Suppliers for 2021	Company Background	Products/Services Purchased	Relationship Since	Credit Term	Purchase Amount	Percentage of Total Purchase
					RMB'000	*%*
Supplier D . . .	A PRC state-owned enterprise and its affiliates, principally engaging in the distribution of pharmaceuticals related products	Pharmaceuticals and medical consumables	2008	90 days	75,942	5.2
Supplier E . . .	A PRC state-owned enterprise, principally engaging in the distribution of pharmaceuticals and medical devices	Pharmaceuticals	2008	90 days	48,070	3.3
Total					**573,754**	**39.1**

Five Largest Suppliers for 2022	Company Background	Products/Services Purchased	Relationship Since	Credit Term	Purchase Amount	Percentage of Total Purchase
					RMB'000	*%*
Supplier A	A PRC pharmaceutical company and its affiliates, principally engaging in the distribution of pharmaceuticals, medical consumables, and medical devices	Pharmaceuticals, medical consumables, medical equipment, and maintenance services	2008	60 days	259,715	17.1
Supplier D	A PRC state-owned enterprise and its affiliates, principally engaging in the distribution of pharmaceuticals	Pharmaceuticals and medical consumables	2008	90 days	142,567	9.4

Five Largest Suppliers for 2022	Company Background	Products/Services Purchased	Relationship Since	Credit Term	Purchase Amount	Percentage of Total Purchase
					RMB'000	*%*
Supplier F	A PRC state-owned enterprise, principally engaging in the provision of construction contracting services	Construction services	2021	Monthly payment per construction progress and settlement payments upon completion and inspection approvals	84,555	5.6
Supplier B	A PRC pharmaceutical company and its affiliates, principally engaging in the distribution of pharmaceutical, medical consumables and devices, and healthcare products	Pharmaceuticals and medical consumables	2011	120 days	66,155	4.4
Supplier C	A PRC state-owned enterprise and its affiliates, principally engaging in the distribution of pharmaceuticals related products	Pharmaceuticals, medical consumables, medical equipment, and maintenance services	2012	120 days	45,507	3.0
Total					**598,499**	**39.4**

Five Largest Suppliers for 2023	Company Background	Products/Services Purchased	Relationship Since	Credit Term	Purchase Amount	Percentage of Total Purchase
					RMB'000	*%*
Supplier A	A PRC pharmaceutical company and its affiliates, principally engaging in the distribution of pharmaceuticals and medical devices	Pharmaceuticals, medical consumables, medical equipment, and maintenance services	2008	60 days	340,511	20.1
Supplier D	A PRC state-owned enterprise and its affiliates, principally engaging in the distribution of pharmaceuticals	Pharmaceuticals and medical consumables	2008	90 days	232,453	13.7

Five Largest Suppliers for 2023	Company Background	Products/Services Purchased	Relationship Since	Credit Term	Purchase Amount	Percentage of Total Purchase
					RMB'000	*%*
Supplier F	A PRC state-owned enterprise, principally engaging in the provision of construction contracting services	Construction services	2021	Monthly payment per construction progress and settlement payments upon completion and inspection approvals	146,158	8.6
Supplier E	A PRC state-owned enterprise, principally engaging in the distribution of pharmaceuticals and medical devices	Pharmaceuticals	2008	90 days	52,802	3.1
Supplier G . . .	A PRC company, principally engaging in the distribution of medical devices and provision of consulting services in medical device sector	Management and patient consulting services	2016	30 days	35,046	2.1
Total					**806,970**	**47.6**

Our five largest suppliers in each year during the Track Record Period were Independent Third Parties. We typically make payments under a credit term of around 30 to 120 days to, our five largest suppliers in each year during the Track Record Period through bank transfer. As of the Latest Practicable Date, none of our Directors or any Shareholder, who to the knowledge of our Directors, owns more than 5% of our issued share capital immediately following completion of the [**REDACTED**] (but without taking into account the exercise of the [**REDACTED**] or the options granted under the Pre-[**REDACTED**] Share Option Plan) nor any of their respective associates had any interest in any of our five largest suppliers.

Our Directors confirm that, during the Track Record Period, we did not encounter any business disruption due to shortage of medical supplies and other consumables. We believe that any shortage or delay in the supply of materials will not have any material impact on us as we can quickly shift to other suppliers with comparable quality and price.

Procurement and Inventory

We have established the Materials and Procurement Management Department under our Operational Center at the Group level, which centralizes the procurement of pharmaceuticals, medical consumables, medical equipment and other non-medical supplies and services of all departments in the hospital. Our Materials and Procurement Management Department is further divided into two departments, namely, Procurement Department which specialized in the procurement of IT infrastructure, medical devices and other basic facilities and infrastructure, and Materials Department which mainly takes charge of procurement of pharmaceuticals and medical consumables.

The Materials and Procurement Management Department aggregates the needs of both hospitals and collectively negotiate with competitive suppliers for volume discounts for several rounds, to achieve procurement prices at a favorable level, usually lower than the prevailing market prices.

When selecting prospective suppliers, our Materials and Procurement Management Department takes a comprehensive set of factors into account, including their qualifications and certifications, supply capacity, product quality, financial capacity, subsequent maintenance and support capacity, as well as patient demand, etc. In addition, to maintain the integrity of our procurement and mitigating the risks of misconduct of our suppliers, we sign a Good Faith Trading Pact (誠信交易約定書) with each supplier that enters into commercial cooperation with us. Moreover, our Audit Office conduct regular audits of our procurement process. During the Track Record Period, we were not aware of any breaches of internal controls or corporate governance procedures during our procurement process.

Pursuant to the aforementioned procurement method, our Operational Center at the Group level is responsible for the price of pharmaceuticals, medical consumables, medical equipment, while the hospitals are responsible for defining the volume of such procured materials, thereby formulating a benign interaction between the Group level and hospital level, and such separation of different aspects of procurement also enhances our internal control.

In order to maintain close oversight, we have established a systematic approval process involving various departments, dedicated governance committees and management for different categories of procurement. For example, new drugs or medical consumables that are not in the hospital's formulary require specific approval by medical professionals and our specialized committee who comprehensively considers a wide array of factors, such as patients' demand, whether the drug has been included in the National Reimbursement Drug List, subsequent management difficulty and whether the procured item is supported by published and authoritative scientific essays, to be admitted as a new procurement category, thereby preventing the procurement and use of promotional drugs or medical consumables with quality deficiencies.

Our general procurement process involves the following: (i) requisition; (ii) inventory redundancy and clinical need check; (iii) feasibility study and approval by a governance committee (if applicable for medical equipment, pharmaceuticals or medical consumables procurement); (iv) approval by the procurement department; (v) approval by the vice president in charge of procurement; and (vi) execution of purchase by the procurement department. Such procurement process involves segregated approvals ensuring that no particular individual or department has excessive authority, control or influence.

To sufficiently guarantee the stability in price and supply of our various kinds of procured medical materials, in addition to one major supplier of a certain procured item, we generally have two to three back-up suppliers so that to resort to alternative channels should we suffer interruptions in supply from our major supplier. Therefore, we have low risk supplier concentration in our operations.

In addition, as advised by our PRC Legal Adviser, the storage of certain pharmaceuticals, such as narcotics, psychotropic substances and radioactive drugs are regulated. For further details, see "Regulatory Overview — Regulations on Pharmaceuticals and Medical Devices in Medical Institutions" in this document. We have various internal measures and policies to manage the acceptance, storage and maintenance of our pharmaceuticals. Our Committee of Pharmaceutical Administration and Pharmacotherapy provides comprehensive supervision and guidance on matters related to pharmaceuticals. This includes the standardized management of narcotics, psychotropic substances, medical toxic drugs, and radioactive drugs. Our internal system sets strict requirements for the acceptance and storage of pharmaceuticals. For instance, for the acceptance of special drugs, we implement a dual-person acceptance system, which requires a thorough verification of drug information, and unpacking and inspection down to the smallest packaging unit. In terms of storage and maintenance of pharmaceuticals, especially for narcotics, class I psychotropic substances, and medical toxic drugs that require special management, we adopt a dedicated personnel and locked storage/cabinet mechanism (專人專庫/櫃), with specialized accounts to ensure accurate inventory records. We also have stringent requirements in place regarding temperature and humidity control in the storage environment. As confirmed by our Directors, during the Track Record Period, we were in full compliance with the applicable laws and regulations in relation to the storage of medical supplies in all material aspects.

Our inventories are strictly organized in terms of admission and expiry dates. Pharmaceutical expiry dates are closely monitored to ensure expired items are not administered and are safely disposed in accordance with applicable laws and regulations. We regularly carry out physical inventory stock-takes and assessments to reconcile our internal records.

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, Qisda Group, our Controlling Shareholder group and the largest customer in each year during the Track Record Period, was also a supplier of us. During the Track Record Period, we provided group physical examination services and property rental services to Qisda Group. We also purchased (i) medical consumables and equipment, as well as (ii) legal and consulting services from it. The following table sets out our revenue from and our purchases amount from Qisda Group during the Track Record Period:

	Year Ended December 31,		
	2021	2022	2023
Provision of services to			
Revenue *(RMB'000)*	7,957	8,289	6,826
As a percentage of total revenue *(%)*	0.4	0.4	0.3
Purchases from			
Purchase amount *(RMB'000)*	12,768	13,890	14,183
As a percentage of total purchase (%)	0.9	0.9	0.8

For more details, see "Connected Transactions — Partially Exempt Continuing Connected Transactions — 2. Property Leasing Framework Agreement" and "Financial Information — Related Party Transactions" in this document.

During the Track Record Period, Supplier F, one of our five largest suppliers in 2023 principally engaging in construction contracting services, was also a customer of us. Supplier F purchased our group physical examination services for its employees in each of 2021 and 2022. By the end of 2021, we engaged Supplier F to undertake the construction of the second phase of our Nanjing BenQ Hospital. The following table sets out our revenue from and our purchases amount from Supplier F during the Track Record Period:

	Year Ended December 31,		
	2021	2022	2023
Provision of services to			
Revenue *(RMB'000)*	40	62	–
As a percentage of total revenue *(%)*	0.0	0.0	–
Purchases from			
Purchase amount *(RMB'000)*	–	84,555	146,158
As a percentage of total purchase *(%)*	–	5.6	8.5

Our Directors confirm that our purchases from and provision of services to the each of Qisda Group and Supplier F were entered into after due consideration taking into account the prevailing market prices at the relevant times, conducted on an arm's length basis, and in line with our commercial interest. To the best knowledge of our Directors, we did not have any other overlap between our other major customers and major suppliers during the Track Record Period and up to Latest Practicable Date.

PRICING

Pricing for Pharmaceuticals and Medical Consumables

As private hospitals, we are not subject to the Pharmaceutical Zero Mark-Up 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. However, as all of our hospitals are Medical Insurance Designated Medical Institutions (醫保定點醫療機構), we voluntarily follow the pharmaceutical zero-markup policy, and price these pharmaceuticals at a tariff similar to public hospitals in the same region.

Pricing for Healthcare Services

In terms of healthcare service pricing, private for-profit hospitals are generally entitled to set the prices of healthcare services at their discretion. However, if a medical institution is a Medical Insurance Designated Medical Institution, it may only charge fees for provision of healthcare services in accordance with the pricing guidelines set by the relevant local healthcare administrative authorities and public medical insurance providers. Such pricing guidelines stipulate the range of healthcare service fees that can be charged for patients covered by public medical insurance programs. Medical institutions without such designation are not subject to such pricing restrictions and are entitled to set healthcare service fees based on their cost structures, market demand and other factors.

Our hospitals are private for-profit general hospitals and Medical Insurance Designated Medical Institutions. Part of our patients pay for their treatment primarily through public medical insurance programs. We typically follow pricing guidelines stipulated by relevant authorities. Jiangsu Province has adopted the DRG payment system. The DRG payment system considers hundreds of disease groups and determines the optimal amount to be paid by the public medical insurance fund for each disease group, based on a variety of factors such as patient age, disease diagnosis, comorbidity, complication, treatment, disease severity, outcome and resource consumption. We have introduced in our self-operated hospitals a smart DRG system that helps us better manage our costs, and will continue to optimize our healthcare cost management.

For high-end and tailored medical services that are not covered by the pricing guidelines, we take into account the market price for similar healthcare services in the region and price our medical services based on certain factors, including complexity of the treatment, operating costs, local market conditions and competitors' pricing of similar services. During the Track Record Period, revenue generated from our provision of such high-end and tailored medical services took up only a tiny portion of our revenue.

CLINICAL GOVERNANCE AND RISK MANAGEMENT

Clinical Governance

We believe sound clinical governance is fundamental to the delivery of high quality healthcare services in our hospitals. We maintain strong clinical governance oversight over our hospitals. We have adopted a standardized and comprehensive risk management policy and supporting procedures covering the assessment of risks throughout our hospitals, identifying, analyzing and learning from medical disputes or near-miss situations, and the relevant arrangements in case of emergencies.

The application of root cause analysis, a systemic process for identifying the initiating causes of a problem, is fundamental to our clinical governance. For every patient death, surgical failure, patient complaint, patient complication and medical dispute, we are committed to identifying the root cause, learning from these incidents and making the necessary changes promptly to prevent future occurrences.

Our Medical Quality and Safety Management Committee work in conjunction to oversee clinical governance and seek assurance that clinical governance arrangements are working effectively to safeguard patients and improve the quality of clinical care. One of the key functions of our clinical governance is the comprehensive review of material medical disputes and any associated fatal accident inquiries relating to clinical services and patient safety independent from the hospital staff or department involved and making appropriate recommendations. Every material medical dispute will be reviewed and analyzed in-depth by the appropriate governance committees.

Clinical Risk

Modern healthcare is a complex business with inherent risks. With the increasing advancement of medical technology, treatment procedures, particularly those offered at our highly specialized clinical departments, have become more sophisticated. The emergence of complications, the side-effects of drugs, as well as the changes in patients' conditions may also increase the risks involved in treatment procedures.

We have formulated a special "Risk Management System", which stipulates the responsibilities of each department in risk management, as well as categorizes various types of risks, assessment methods, response methods, and classification of risk levels. We try to involve all staff in risk identification, prevention and control. Our Medical Quality and Safety Management Committee is responsible for reviewing the overall risk assessment of our hospitals, formulating risk management action plan and supervising follow-up implementation. In addition, other specialty committees are responsible for guiding and supervising the risk management of each specific area, reviewing the risk investigation, assessment and improvement action plan, and coordinating and supervising follow-up implementation. Various medical departments are responsible for detailed risk management tasks, including conducting emergency preparedness drills. We also proactively provide trainings to our employees on risk management procedures and relevant polices.

We will designate each year "the annual Group-level significant risks" as the focus of risk monitoring and prevention for the upcoming year. We prepare an annual report on risk management after the end of a specific year, including the areas of risk distribution, major unacceptable risks, and the occurrence of major accidents. We assess multi-dimensional risks on an annual basis in finance, human resources, information technology systems, procurement, and anti-corruption. The specific indicators for assessment include negative consequences of the risks, initiatives to reduce the risks, the responsible unit, the current year's actual occurrences, the degree of negative impact, and an assessment of current risk level. In this way, we can see the specific risks of our entire operations in a clear, quantitative and comprehensive way, and take the initiatives to prevent, control and deal with them in a prompt manner. We have formulated specific risk plans for various emergencies, including violence incidents, outbreaks of infectious diseases, leakage of medical waste, hazardous chemical accidents, information technology system and network failures, radiology accidents, admission of congregate food poisoning cases, and shortages of medicines, sanitary materials and general supplies.

We seek to minimize the frequency and degree of instances of patient harm through clinical risk management, as part of our overall clinical governance and quality framework focusing on clinical quality and patient outcomes. In the event that an adverse medical event occurs, it is of paramount importance to conduct a detailed analysis to find out whether it is caused by known risks, complications, clinical conditions of the patient or human factors.

We foster a culture of open communication and actively encourage our staff to promptly report all potential or suspected patient safety incidents through our reporting systems on a prudent basis. This provides us with an opportunity to learn from the issues raised by our staff so that we can continue to improve the quality of patient care.

We have formulated standard operating procedures (SOP) regarding medical disputes, and we abide by such SOP in all aspects of medical disputes including *ex ante* prevention and *ex post* remedy. After receiving a specific complaint from a patient, we distinguish whether the cause of the dispute is in relation to medical techniques or medical services, and transfer the dispute to a corresponding department for subsequent disposal. We also engage our Medical Dispute Mediation Committee to mediate the dispute, where applicable.

Workspace Health and Safety Risk

We maintain an internal audit and inspection program to ensure the safety of our hospital premises for patients, the public and staff. The aim of the audit process is to ensure that our workplace is continuously monitored and that deficiencies in relation to set standards are remedied. We ensure that each of our hospital departments is periodically inspected and audited for safety issues, such as medical treatment safety, environment safety and occupational safety. We actively encourage staff to report health and safety incidents and risks on a no-repercussion basis, and the learning from proactive monitoring and findings from incident reviews is used to improve further and refine training programs, policies and working practices.

We have also adopted various measures to maintain a safe and sustainable environment. For instance, we conduct regular sanitization to contain the potential spread of infectious diseases at our hospitals. We have established surveillance systems to closely monitor the prevalence of nosocomial infections at our hospitals and ensure that they are maintained at very low levels in compliance with national standards. We have also established a team that oversees infectious disease prevention and reporting. Besides, each of our departments has an occupational exposure protection measure that provides guidance for safety operation to all doctors, technicians, nurses and other medical supporting personnel.

We also provide periodical occupational safety education and training to augment our staff's awareness of safety issues. We provide our staff with regular health assessment to monitor their overall health. In particular, we adopt stringent assessment protocols for our staff that are regularly exposed to high-risk environments such as radiation and clinical wastes to ensure their exposure is within acceptable safety limits.

Our Directors confirm that during the Track Record Period, no material work place 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. We believe our safety record has contributed towards creating a trusted brand that signifies both safety and quality of our medical care.

Government Regulations and Inspections

We are subject to numerous rules and regulations that regulate the qualifications and conduct of healthcare professionals and standards for healthcare services in the PRC. See "Regulatory Overview — Regulations on Medical Practitioners of Medical Institutions" in this document. As part of our clinical governance framework, we are committed to complying with the relevant rules and regulations in the PRC. For example, our clinical governance procedures comply with the core procedures promulgated by the National Health Commission to ensure healthcare safety, which include proper procedures for initial diagnosis, ward inspection, consultation, medical disputes handling, discussions of fatality cases, medical records keeping, pre-operation discussions, care of critically ill patients and shift relief system. Additionally, our hospitals are subject to unscheduled inspections by relevant government authorities, including the Nanjing Health Commission and Suzhou Health Commission that review healthcare services provided by us, inspect the implementation of the relevant rules and procedures, and determine areas that can be further improved. Our Directors confirm that during the Track Record Period, we had not been notified of any material non-compliance of the relevant rules and procedures promulgated by the relevant government authorities that could materially and adversely affect our results of operations and prospects. None of our hospitals has been found to be in any material violations during the inspections conducted by the Nanjing Health Commission and Suzhou Health Commission, the clearance of which is a prerequisite for our hospitals to pass the annual inspection requirement of their Medical Institution Practicing Licenses.

Anti-Bribery and Corruption Risk Management

The PRC government has recently enhanced its anti-bribery efforts to prevent improper payments and other benefits received by doctors, staff and hospital administrators in connection with the procurement of pharmaceutical and medical supplies and the provision of healthcare services.

In addition, Grade A Class III hospitals in the PRC, such as our Nanjing BenQ Hospital, are subject to particularly stringent requirements, including as part of the criteria for such ratings, requiring all such hospitals to (i) implement internal controls and risk management measures addressing bribery and corruption risks; and (ii) undergo annual inspections from relevant regulatory authorities as to their anti-bribery and corruption status.

We have implemented the following policies and procedures to address potential bribery and corruption incidents:

- we adhere to the anti-bribery guidelines outline in the Code of Conduct of Qisda Corporation, and our anti-bribery function is led by our human resources department. This function is in charge of developing the overall framework of anti-bribery and corruption policies and procedures and providing guidance and supervision towards implementing them across our hospitals. Each of our hospitals will immediately report any suspected incidents of bribery and corruption to our human resources department, who will then carry out any further investigations if necessary and determine the appropriate course of action;

- from time to time, we provide training to our staff and updates on recent anti-bribery and corruption issues and practices as they arise;

- we have in place a robust whistle blower program accessible by our staff and business partners, led by our human resources department, in the form of hotline, email, letter or face-to-face report, to receive reports of alleged corruption on a no-repercussion basis, with the option of anonymity, and conducted with strict confidentiality so as to avoid harm to the whistle blower's personal interest. We have established a zero-tolerance policy towards our staff accepting any form of bribes. Such policy is included in our staff handbook and code of conduct. Any of our staff found in breach of our anti-bribery and corruption policy will be dismissed. We also take appropriate measures to discourage our patients from offering any form of payment or gift to our staff for better or priority services, including displaying the relevant policies and laws in prominent places;

- we have close oversight over our procurement processes. We have established a systematic multi-tier approval process involving various departments, dedicated governance committees and management for different categories of procurement. Our procurement processes are segregated and no particular individual or department has excessive authority, control or influence, thereby minimizing the risk of corruption or abuse. Before engaging in any business relationship with a new supplier, we will conduct due diligence to ensure we have a reasonable understanding of its background and its connection with us, including how such supplier was referred to us in the first place. We require our suppliers to agree to anti-bribery and corruption provisions in our supply agreements. In particular, our suppliers are prohibited from soliciting business with our staff directly. Any violation will result in our immediate business termination with such suppliers; and

- as part of our key clinical governance, our prescription review group at each of our hospitals regularly reviews drug prescription patterns. Any unreasonable or inexplicable irregularities or red flags indicative of a deliberate attempt to substantially increase the prescription of certain drugs will be promptly reported and investigated.

PATIENT INFORMATION PROTECTION/PATIENT DATA PROTECTION

The PRC laws and regulations require medical institutions to protect the privacy of their patients and prohibit unauthorized disclosure of personal information. Patient information protection is our long-held commitment, to which we attach the greatest importance. We have taken various measures to maintain the confidentiality of our patients' medical information, including installing the advanced information technology systems to properly manage our patients' information, adopting firewalls to deter any hacking or other illegal data infringement activities, and encrypting such information in our information technology systems so that it cannot be accessed without authorization. In addition, each hospital operates independently with its own system, through which it stores the personal information of users and patient diagnosis and treatment information collected during its business operations. The systems used by each hospital are not interconnected, so there is no data interaction regarding the aforementioned information. At the group level, the operation center of the group only has access to the operational and financial data of each hospital, and does not have access to the user and patient information of each hospital.

In addition, we have implemented a confidential information security policy which requires, among others, we designated a cybersecurity officer to monitor our ongoing compliance with the relevant PRC laws and regulations, oversee the implementation of necessary safeguarding measures, and promote continuous improvement of cybersecurity protection capabilities. Specifically, (i) any collection of data and subsequent usage shall be clearly informed to the patient in question and can only proceed with the prior consent of patients or as permitted by laws and regulations; (ii) we implement strict and clear internal authentication and authorization mechanisms to ensure that the data we process can only be accessed by authorized personnel, with visit records documented via system logs; (iii) all of our employees to keep all patients data confidential and to receive mandatory training on our information security policies; and (iv) to adopt security measures in the transmission, storage and disposal of patient data.

Our core business information technology system has passed the National Information Security Grade Protection Level 3 Certification. During the Track Record Period, we did not 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.

COMPETITION

The largest providers of healthcare services in the PRC are hospitals. According to Frost & Sullivan, there were 36,976 hospitals in the PRC by the end of 2022. In recent years, the private hospital sector has emerged as the rapidly expanding segment in the PRC's healthcare service industry. According to Frost & Sullivan, revenue of private hospitals is estimated to increase from RMB319.1 billion in 2017 to RMB607.4 billion in 2022, representing a CAGR of 13.7% from 2017 to 2022, and is estimated to reach RMB1,094.3 billion in 2026, representing a CAGR of 15.9% from 2022 to 2026. The private hospital industry in the PRC is highly competitive and fragmented. We believe the key competitive factors include, among others, high-quality medical capability, price and quality of services, designated status under social and/or commercial insurance programs, relationship with commercial insurance providers, comprehensive array of service offerings, convenience and location in proximity to residential or business areas, brand recognition and reputation and customized healthcare services. According to Frost & Sullivan, in terms of revenue generated from healthcare services in 2022, we rank the fifth among all private for-profit general hospital groups in the PRC. In terms of revenue generated from healthcare services in 2022, our Nanjing BenQ Hospital ranks the fourth among all private for-profit general hospitals in the PRC. In terms of average revenue per registered bed in 2022, we rank the first among all private for-profit general hospital groups in the PRC. For more details on the competitive landscape and our market position, see "Industry Overview — Competitive Landscape of Private General Hospitals in the PRC" in this document. We believe that we are well positioned to attract revenue opportunities presented by the expected growth in the private hospital industry in the PRC.

MAJOR AWARDS AND RECOGNITIONS

We believe our high-quality and patient-oriented services have earned us a strong reputation among the customers and industry peers alike. The following table sets forth the major awards and achievements won by our Nanjing BenQ Hospital and Suzhou BenQ Hospital as of the Latest Practicable Date:

Year	Awards and Achievements	Award Issuing Body
Nanjing BenQ Hospital		
2019-2023 . . .	Among the Top 20 hospitals in Ailibi Top 100 Socially-Run Independent Hospitals in the PRC (艾力彼全國社會辦醫•單體醫院100強)	Institute of Asclepius Hospital Management (艾力彼醫院管理研究中心)
2022	ISO15189 — "Medical laboratories — Requirements for quality and competence" (醫學實驗室品質和能力的專用要求)	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)
2022	The Best Employer for Non-Public Healthcare Organizations in 2022 (2022年度非公立醫療機構最佳僱主)	DXY (丁香園)
2021	Nanjing Stroke Center Accreditation Unit (南京市卒中中心認證單位)	China Stroke Center (中國卒中中心)
2019	Provincial Blood Purification Training Base (江蘇省血液淨化技術培訓基地)	Jiangsu Commission of Health (江蘇省衛生健康委員會)
2018	Nanjing Trauma Rescue & Treatment Center (南京市創傷救治中心)	China Trauma Rescue & Treatment Association (中國創傷救治聯盟)
2017	Among the first batch of National Chest Pain Center Accreditation Units (國家胸痛中心認證單位)	China Chest Pain Center (中國胸痛中心)
Suzhou BenQ Hospital		
2023	Elderly Friendly Hospital (江蘇省老年友善醫療機構)	Jiangsu Commission of Health (江蘇省衛生健康委員會)
2022	Ailibi Top 100 Socially-Run Independent Hospitals in the PRC (艾力彼全國社會辦醫•單體醫院100強)	Institute of Asclepius Hospital Management (艾力彼醫院管理研究中心)
2022	Winner in Intelligent Hospital HIC Case Competition (智慧醫院HIC案例大賽)	Institute of Asclepius Hospital Management (艾力彼醫院管理研究中心)

INFORMATION TECHNOLOGY SYSTEMS

Each of our hospitals maintains a robust clinical information technology system to ensure the operational efficiency of hospital management involving patient registration, medical records, treatment history, medical history, laboratory tests, radiology requests and drugs prescribed.

Such information technology system integrates the following:

- Picture Archiving and Communications System (PACS): the PACS manages radiology requests (such as CT and MRI scans) and results and issues reports and bills for our radiology services.

- Laboratory Information System (LIS): the LIS manages laboratory requests and results, and issues reports and bills for our laboratory services.

- Hospital Information System (HIS): the HIS streamlines daily operations in our hospitals, including the management of patient records and billing history, outpatient registrations and inpatient admissions.

In addition, we endeavor to establish a "Smart Hospital" by applying AI and other technologies in our daily operations which provide added convenience and an expedited consultation process to both patients and doctors, intelligently transforming a wide array of procedures during medical services, including online registration, online bill payment and online consultation, enabling us to improve patients' satisfaction level and increase our brand awareness among patients.

In addition, we have implemented measures to provide multi-tier protection for the data stored on our system and minimize system failures. We have implemented backup systems to protect our data against catastrophic events and disaster recovery/business continuity plans. We have established policies for protecting user data and maintaining network stability in each of our hospitals.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any disruption or failure in our information technology systems that would have a material adverse impact on our business operations.

However, we are exposed to risks in relation to system and data security in our operations. We may be targeted by cyberattacks, distributed denial of service attacks, hacking and phishing attacks, security breaches, computer malware, and other malicious internet-based activity that may compromise the security of our information technology systems and adversely affect our reputation. For details of risks with respect to information technology system and data security that we may encounter, see "Risk Factors — Risks Relating to Our General Operations — Our operations could be impaired if our information technology systems fail or if our databases are destroyed or damaged" in this document.

INTELLECTUAL PROPERTY

We have registered or applied for registration of certain trademarks and patents in the PRC relating to the names and logos of our hospitals. As of the Latest Practical Date, we had 84 registered patents, one registered trademark, two registered copyrights, and six registered and filed domain names in mainland China. See also "Statutory and General Information — B. Further Information About Our Business — 2. Intellectual property rights" in Appendix V to this document.

We recognize the importance of our intellectual property rights and will protect and enforce our intellectual property rights if we become aware of any potential infringement. As of the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and we believe that we have taken reasonable measures to prevent infringement of our own intellectual property rights. Our Directors confirm that we were not involved in any claims on our infringement of other third parties' intellectual property rights during the Track Record Period that would have a material adverse impact on our operations and financial position and, as at the Latest Practicable Date, we did not have any pending or threatened claims against us or any of our subsidiaries relating to the infringement of any intellectual property rights owned by third parties.

PROPERTIES

Owned Properties

We own certain properties in mainland China in connection with our business operations. We do not directly or indirectly hold or develop properties for letting or retention as investments, nor do we purchase or develop properties for subsequent sales or for retention as investments. We have engaged an Independent Valuer to value our property interests as of January 31, 2024, whose report is included in Appendix III to this document.

As of the Latest Practicable Date, we owned two parcels of land with a site area of 382,925.9 sq.m. in the PRC. We had building ownership rights to two properties with an aggregate GFA of 406,838.9 sq.m.. We have obtained the land use right with respect to the aforesaid land, which will expire in 2054, and the building ownership certificates for the aforesaid buildings. As of the Latest Practicable Date, we also had one construction project under development.

The following table summarizes the properties we owned as of the Latest Practicable Date:

No.	Property Right	Use of Property	Location	Site Area/GFA (sq.m.)
1 . .	Land use right	Hospital premises	Nanjing, Jiangsu Province	257,375.8
2 . .	Building ownership right	Hospital premises	Nanjing, Jiangsu Province	234,394.9
3 . .	Land use right	Hospital premises	Suzhou, Jiangsu Province	125,550.1
4 . .	Building ownership right	Hospital premises, office and dormitory	Suzhou, Jiangsu Province	172,444.0

Leased Properties

As of the Latest Practicable Date, we had one leased property in Taiwan. The property was leased by the lessor to a Qisda Connected Person for a term of ten years until July 2027, who then subleased the property to us for a term of one year, which is automatically renewable unless any party objects. The leased property is used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and is principally for office use. For more details, see "Connected Transactions — Partially Exempt Continuing Connected Transactions — 2. Property Leasing Framework Agreement" in this document. As of the Latest Practicable Date, we did not have any leased property in mainland China.

INSURANCE

As of the Latest Practicable Date, Nanjing BenQ Hospital and Suzhou BenQ Hospital were insured with property insurance, employee fidelity insurance, cash insurance, medical facility liability insurance, physician's practice insurance and group comprehensive accident insurance. As we continue to expand in scale and complexity of service offerings, we believe it would be prudent from a risk management perspective to maintain such insurance going forward.

However, our current insurance coverage may still be insufficient to cover our overall risks during our business operations. For example, we do not maintain business interruption insurance for our operations or key employee insurance for our management. See "Risk Factors — Risks Relating to Our Business and Industry — We and our hospitals may not be adequately insured against professional and other liabilities which may arise in our business" in this document.

ENVIRONMENT, SOCIAL AND GOVERNANCE

We are subject to various PRC laws, rules and regulations with respect to health, safety and environmental matters, including hospital sanitation, reduction of occupational hazards in hospitals, prevention of medical accidents, disease control, disposal of medical waste, and discharge of pollutants. For details, see "Regulatory Overview — Regulations on Environmental Protection and Fire Prevention" in this document.

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.

Safety Management for Patients and Employees

To mitigate health, safety and environmental risks and reduce potential medical disputes, we have established a Medical Quality Management Committee responsible for coordinating with other relevant departments to supervise and examine safety issues and quality control, such as medical treatment safety, environment safety and occupational safety within our hospital. For details of our measures to ensure workspace health and manage safety risk, see "— Clinical Governance and Risk Management — Workspace Health and Safety Risk" in this section.

Environment Protection

We give high regard for environment protection, and are committed to promoting corporate social responsibility and sustainable development. Therefore, we seek to integrate these core values into our business operation by the adoption of a comprehensive policy on environmental, social and corporate governance responsibilities (the "**ESG**") in accordance with the Listing Rules.

To ensure that our business is in line with the requirements and standards of environmental protection, we have implemented internal policies and procedures in this regard and require our hospitals to engage qualified service providers to dispose of medical waste. For example, for medical waste (other than disposable infusion container and hazardous waste), our hospitals have engaged qualified recycling service providers, who are independent third-parties, to dispose of medical waste. Our hospitals do not produce radioactive medical waste.

We have also implemented the following measures, including, among others, (a) using energy-saving light bulbs and encouraging staff to switch off unused office equipment, such as computers and lights; (b) imposing temperature control for air conditioning and keeping indoor air-conditioning temperature at 26°C in summers; (c) educating employees of the importance of saving water and turning off the tap after use; (d) encouraging the use of low emissions vehicles; and (e) reducing the use of paper documents and promoting printing on both sides.

In addition, in respect of our construction-in-progress, i.e., the construction of specialty disciplines buildings of Nanjing BenQ Hospital, we specifically use energy-saving windows, prefabricated panels and other building materials with an eco-friendly nature. In terms of water and electricity use, we constructed filtration tanks in the construction site to apply filtration to sewage water. We also apply the solid waste in recycling scenarios such as temporary road repair. We apply on-site tower crane sprinkler system, high bar sprinkler system and other automated equipment, to reduce the dust in our construction sites. Our endeavors have won us the "Civilized Construction Site Award" (文明工地獎).

During the Track Record Period, we did not encounter any non-compliance or complaints in relation to the environmental protection that would materially affect our business operations.

Resources Consumption at Our Hospitals

We are committed to conserving energy and water and reducing our carbon footprint. We primarily consume electricity and water in our operational activities, which are the main sources of our greenhouse gas emissions.

The following table sets forth a breakdown of our resource consumption in 2021, 2022 and 2023:

	Year Ended December 31,		
	2021	2022	2023
Total energy consumption (MWh)	38,421	41,100	42,254
Total water consumption (ton)	581,456	590,469	737,625

We set targets and measures to reduce our greenhouse gas emissions and conserve energy and water. We evaluate our energy consumption using the metric of average annual power usage per sq.m and water consumption using the metric of average annual water usage per sq.m at our office premises and warehouses. In 2021, 2022 and 2023, our estimated average power usage per sq.m was 99.8 kwh, 106.8 kwh and 109.8 kwh, and average water usage per sq.m was 1,511.0 liters, 1,534.4 liters and 1,916.8 liters, respectively. We will seek to reduce the level of our average annual energy and water consumption by 5% over the next three years.

Charity Work and Social Contribution

Since its inception of operation in 2008, Nanjing BenQ Hospital has been forming volunteer teams to assist in treatment processes such as patient admission, as well as recreational activities such as piano playing. As of December 31, 2023, such volunteer team had a total of more than 2,000 registered volunteers, and achieved an average of 8,000 hours of volunteer service per year. Among members of the volunteer team, a number of volunteers have shown long-term commitment and have been serving for more than 10 years. Nanjing BenQ Hospital also calls on medical interns, hospital staff and their family members to participate in volunteer activities, and has cooperated with the local Home for the Disabled to provide volunteering opportunities for the mentally challenged population, so as to enhance their contact with the society and their sense of self-worth.

Nanjing BenQ Hospital provides three levels of training for volunteers on a regular basis, including (i) basic hospital culture, volunteer service skills, and firefighting training; (ii) service training, which includes training in service etiquette, service skills, and knowledge of the overall layout of the hospital, as well as (iii) other value-added training, such as event photography skills, press release writing, hospice visiting skills, and other trainings based on the specific needs of the volunteers.

In addition, we have established a medical social worker team since 2020. For terminal patients, social workers accompany doctors during ward check-in, observe their psycho-social status and improve their well-being at the end of life, and intervene in a timely manner by using methods such as life review (生命回顧) and grief counseling (悲傷輔導) if needed. Medical social workers also identify patients with financial difficulties and organize fund-raising, apply for financial assistance, provide psychological counselling to them and their families, as well as contact community social workers to provide supportive services to their families.

During the COVID-19 pandemic, our volunteer services also included helping medical workers by organizing recreational activities to boost their morale and improve their mental health. We also provide psychology-related popularization to medical professionals from time to time to improve their mental well-being. For instance, in the past, we have provided community clinics on World Heart Day, World Diabetes Day and other specific holidays.

We have also cooperated with social welfare organizations to carry out the "Ding Ai Angel" Cleft Lip and Palate Children's Public Welfare Assistance Program ("鼎愛天使"唇齶裂兒童公益救助項目) and the "Su Shan — Yi Xin Yi Yi" Public Welfare Program ("蘇善•益心醫意"大病醫療救助公益項目) to provide medical assistance for major illnesses. As of December 31, 2023, we have accumulatively provided public-welfare surgical assistance for 404 individuals and health screenings for 1,453 individuals through the "Su Shan — Yi Xin Yi Yi" Public Welfare Program.

LICENSES, PERMITS AND CERTIFICATES

We operate in a heavily regulated industry in the PRC. As a result, we are required to obtain various licenses, permits, approvals and certificates for our operations. For more information, see "Regulatory Overview" in this document. As advised by our PRC Legal Adviser, we have obtained all material licenses, approvals, certificates and permits for our business operations and we were not in violation of any relevant PRC laws and regulations in relation to our business operations that could materially and adversely affect our business operations and prospects during the Track Record Period and up to the Latest Practicable Date.

The following table sets forth the major licenses, certificates and permits that are necessary for the operation of our hospitals as at the Latest Practicable Date:

License	Hospital	Effective Date	Expiration Date
Medical Institution Practicing License (醫療機構執業許可證)	Nanjing BenQ Hospital	July 14, 2023	December 27, 2027
Medical Institution Practicing License (醫療機構執業許可證)	Suzhou BenQ Hospital	November 15, 2022	November 14, 2027

In addition to the above licenses, we have also obtained other licenses relevant to our business operations, such as Narcotic Drugs, Psychotropic Substances of Class I Purchase Seal Card, License for Providing Technical Healthcare Services to Mothers and Infants, License for Radiotherapy, Radiopharmaceutical Use License and Radiation Safety License.

We intend to apply for renewal of our key licenses and permits, the procedures for which is expected to be initiated timely prior to their respective expiration date. The successful renewal of our existing licenses, permits and approvals will be subject to our fulfillment of relevant requirements. As of the Latest Practicable Date, our Directors were not aware of any reason that would cause or lead to the non-renewal of our existing licenses, permits and approvals. Our PRC Legal Adviser confirmed that, as of the Latest Practicable Date, there was no substantial legal impediment for us to renew our existing licenses, permits and certificates as long as we would comply with the relevant legal and regulatory requirements.

LEGAL PROCEEDINGS AND COMPLIANCE

Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not experience any non-compliance that, in the opinion of our Directors, is likely to have a material adverse effect on our business, financial condition or results of operations. As confirmed by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we were not in violation of any applicable PRC laws and regulations that would have a material adverse effect on our business, financial condition or result of operations.

Legal Proceedings

We are subject to legal proceedings, disputes and claims that arise in the ordinary course of business, which primarily included medical disputes brought by patients and/or their families against our in-network hospitals. These medical disputes are primarily related to complications and physical injuries that the patients claim to have suffered during or after receiving healthcare services at our in-network hospitals. Due to the nature of the healthcare industry and the inherent risks in treating patients, especially patients with complex medical conditions requiring intensive care or high-risk clinical procedures, we are exposed to risks of medical disputes that we cannot entirely eliminate. See "Risk Factors — Risks Relating to Our Business and Industry — We are exposed to inherent risks of medical disputes and legal proceedings arising from our operations, and resolving such disputes and proceedings could result in significant costs and harm to our reputation, and materially and adversely affect our results of operations and prospects" in this document.

Our clinical protocols mandate our healthcare professionals to fully inform our patients of any known inherent risks and obtain their signed consents before conducting the relevant treatments and procedures. One of the key objectives of our clinical governance is the early identification, analysis and learning of all medical disputes. See "— Clinical Governance and Risk Management" for further details. Medical disputes may generally be resolved through judicial, administrative or mediation proceedings or through private negotiation and settlement. We maintain records of all medical disputes, procedures taken, findings, and resolution proceedings.

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. The aggregate amount of monetary compensation and waived treatment fees for settling medical disputes with patients and/or their families during the Track Record Period totalled RMB12.5 million.

As advised by our PRC Legal Adviser, (i) none of our medical disputes settled during the Track Record Period involved any determination by professional medical association supervised by relevant health administrative authorities that any of these medical disputes was a medical malpractice of any grade; and (ii) none of our on-going medical disputes involved any determination that we were liable for medical malpractice as of the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, none of our doctors or medical staff were involved in any disciplinary proceedings or otherwise determined to be liable for medical malpractice. As of the Latest Practicable Date, we were subject to 61 unresolved medical disputes which were likely to result in monetary compensation to be paid by us, 18 of which were undergoing litigations initiated by our patients and/or their families. Among these 18 litigations, eight cases involved patient fatalities. We believe these are isolated cases and reflect the inherent risks related to our business and operations.

As of the Latest Practicable Date, both of our Nanjing BenQ Hospital and Suzhou BenQ Hospital had enrolled in medical liability insurance programs. For more details on our medical liability insurance programs, see "— Insurance" in this section.

REGULATIONS ON THE REFORM OF MEDICAL INSTITUTIONS

Opinions of the Central Committee of the Communist Party (the "CPC Central Committee") and the State Council on Deepening the Reform of the Medical and Healthcare System

The Opinions of the CPC Central Committee and the State Council on Deepening the Reform of the Medicine and Healthcare Systems (《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 were promulgated by the CPC Central Committee and the State Council on March 17, 2009, advocate a range of measures to reform medical institutions in the PRC 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.

Several Opinions on Promoting the Development of Healthcare Service Industry

Several Opinions on Promoting the Development of Healthcare Service Industry (《國務院關於促進健康服務業發展的若干意見》) (the "**2013 Opinions**") was promulgated by the State Council on September 28, 2013. The 2013 Opinions encourages the private sector to invest in the healthcare service industry by various means including new establishment of the non-profit medical institutions (the "**NMIs**") and provision of basic medicine and health services with social capitals. The 2013 Opinions proposes to take measures to further relax the limitations for establishing hospitals based on Sino-foreign joint venture and cooperation, and gradually expand the pilot project for qualified foreign capital to set up wholly foreign-owned medical institutions.

Decision on Several Important Issues relating to Promoting Overall Reform

The Decision on Several Important Issues relating to Promoting Overall Reform (《中共中央關於全面深化改革若干重大問題的決定》), which was promulgated by the Central Committee of the Communist Party of China on November 12, 2013, encourages private investors to invest in ill-funded and diversification-required service industries and also permits physicians to practice in multiple locations, and allows private invested medical institutions to be included in the medical insurance system.

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals

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 NHFPC and the Nation Administration of Traditional Chinese Medicine (the "**NATCM**") on December 30, 2013, stipulate the policies to support the development of private-invested healthcare institutions, including but not limited to the (1) gradual relaxation of investment in healthcare institutions by foreign capital; (2) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; and (3) relaxation of requirements for the deployment and use of large-scale medical equipment in private hospitals; (4) improvement of supporting policies for the development of private hospitals in aspects such as medical insurance and price control; (5) acceleration of the approval procedures regarding the establishment and operation of private hospitals.

Opinions on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services

Opinions on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services (《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. Several competitive branded service agencies will be formed at a rapid pace for such specialties including but not limited to oncology.

Opinion on Promoting the Sustainable, Healthy and Regulated Development of Private Medical Institutions

The Opinion on Promoting the Sustainable, Healthy and Regulated Development of Private Medical Institutions (《關於促進社會辦醫持續健康規範發展的意見》), which was promulgated by the NHC and other departments on June 10, 2019, provides that the PRC government aims to increase support to private medical institutions, including but not limited to expanding the development space and land supply, promoting the government procurement of services, implementing preferential tax policies, improving the efficiency of access approval, as well as further relaxing planning restrictions.

Opinions on Deepening the Reform of the Medical Insurance System

In order to solve the problem of unbalanced and insufficient growth of medical insurance, the CPC Central Committee and the State Council promulgated the Opinions on Deepening the Reform of the Medical Insurance System (《中共中央、國務院關於深化醫療保障制度改革的意見》) (the "**Medical Insurance System Opinions**") on February 25, 2020, the main opinions of which are as follows: (1) improve the treatment guarantee mechanism; (2) establish the robust and sustainable financing operation mechanism; (3) establish the feasible and efficient medical insurance payment mechanism; and (4) build the rigorous fund supervision mechanism. Based on the main opinions, the Medical Insurance System Opinions mainly target on providing better guarantee for universal medical services.

Opinion on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Social Investment

The Opinion on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Social Investment (《國務院關於創新重點領域投融資機制鼓勵社會投資的指導意見》) (the "**2014 Opinion**"), which was promulgated on November 16, 2014 by the State Council, encourages the investment of social capital in certain key sectors. The 2014 Opinion stipulates that the PRC government will continue to (i) promote the restructuring of eligible public medical institutions with the participation of social capital; (ii) encourage social capital's participation in healthcare sector by means such as sole proprietorship, joint ventures, cooperative ventures, joint operation and leasing; (iii) improve the implementation of preferential tax policies on not-for-profit medical institutions and the exemption policies of administrative and institutional fees on the constructions of not-for-profit, and half exemption policies for for-profit medical institutions; and (iv) implement the same price policy with regard to the utilization of electricity, water, gas and heat by both public and private medical institutions, and relax the price control over the services provided by the private medical institutions.

The Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2021-2025)

The Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2021-2025) (《醫療機構設置規劃指導原則(2021-2025年)》), which was promulgated by the NHC on January 12, 2022, 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.

Notice on Printing and Distributing the Outline of the National Medical and Healthcare Service System Plan (2015-2020)

The Outline of the National Medical and Healthcare Service System Plan (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020年)》), which was promulgated by the General Office of the State Council on March 6, 2015, stipulates that private medical institutions are significant and integral parts of the medical and healthcare service system as well as an effective approach to fulfilling people's multi-level and diversified medical and healthcare service needs. Private medical institutions may provide high-end services to fulfil extra needs which are beyond basic needs. The pilot scheme of establishment of medical institutions solely invested by qualified overseas capitals shall be expanded step by step. The restrictions on service scope shall also be reduced and the social capitals shall be allowed to invest in areas not explicitly prohibited by the laws and regulations.

The Notice on Printing "14th Five-Year Plan" of the Jiangsu Provincial Medical and Health Service System

The "14th Five-Year Plan" of the Jiangsu Provincial Medical and Health Service System (江蘇省「十四五」醫療衛生服務體系規劃), which was promulgated by the Jiangsu Provincial Development and Reform Commission and Health Commission of Jiangsu Province on December 31, 2021, encourage high-level private hospitals that meet the conditions to create a group of competitive brand service institutions across regions, and orderly carry out cutting-edge medical services. The cooperation between social medical institutions and public medical institutions in various forms such as medical services, subject construction, and talent cultivation would be supported and further standardized. Private hospitals can voluntarily join urban medical groups and county-level medical communities led by public hospitals, and private hospitals with strong comprehensive or specialized capabilities can also take the lead in forming. Private hospitals are supported in strengthening the construction of key specialties, public and private hospitals are supported to form specialty alliances based on the principle of equality and voluntariness, and encouraged to participate in public health construction, play a role in responding to infectious disease pandemics and sudden public health events, and be included in the infectious disease prevention and control and medical treatment system in accordance with the law.

REGULATIONS OF HEMATOPOIETIC STEM CELL TRANSPLANTATION

Regulations of Non-Blood Hematopoietic Stem Cell Transplantation

According to the Technical Management Standards for Non-Blood Hematopoietic Stem Cell Transplantation (《非血緣造血幹細胞移植技術管理規範》) promulgated by the Ministry of Health of the PRC (the "MOH") on July 7, 2006, the administrative department of health at the provincial level is responsible for organizing the clinical application ability evaluation of the application of hematopoietic stem cell transplantation technology; if the medical institutions have passed the ability evaluation, the health administration department that has issued the Practicing License of Medical Institution shall register the professional medical service items corresponding the hematopoietic stem cell transplantation. On March 30, 2022, the NHC promulgated Notice on the Issuance of Management Standards for the National Restricted Technology Catalogue and Clinical Application (2022 Edition) (《國家衛生健康委辦公廳關於印發國家限制類技術目錄和臨床應用管理規範(2022年版)的通知》), including Management Standards for the Allogeneic Hematopoietic Stem Cell Transplantation Technology Clinical Application (《異基因造血幹細胞移植技術臨床應用管理規範》) (the "Standards") and Allogeneic Hematopoietic Stem Cell Transplantation Technology Clinical Application Quality Control Index (《異基因造血幹細胞移植技術臨床應用質量控制指標》), and Management Standards for the Hematopoietic Stem Cell Transplantation Technology (《造血幹細胞移植技術管理規範》) was abolished on the same day. The Standards provide the minimum standards of the medical institutions and the medical staff to implement allogeneic hematopoietic stem cell transplantation technology, apply to the treatment of allogeneic hematopoietic stem cell transplantation blood system disease technology, the hematopoietic stem cell source including bone marrow, peripheral blood or umbilical cord blood from blood

(HLA or haplotype) and non-blood donor. The Standards clearly reiterate that hematopoietic stem cell source must be legal and relaxation the number of cases of sibbing total-compatriots allogeneic hematopoietic stem cell transplantation.

REGULATIONS OF CLINICAL RESEARCH AND APPLICATION OF MEDICAL TECHNOLOGIES

Administrative Measures for the Clinical Application of Medical Technologies and relevant notice

Administrative Measures for the Clinical Application of Medical Technologies (《醫療技術臨床應用管理辦法》) was revised by NHC on August 13, 2018 and came into effect on November 1, 2018. The Measures are hereby formulated to strengthen the clinical application management of medical technologies. The State has established a negative list management system for clinical application of medical technologies. Prior to this 2018 revision, autologous stem cell, immune cell therapy technology and gene therapy technology are classified as the third category of medical technology. The Notice of the NHFPC on the Cancellation of the Approval for Access of the Clinical Application of the Third Category of Medical Technology (《國家衛生計生委關於取消第三類醫療技術臨床應用准入審批有關工作的通知》), which came into effect on June 29, 2015, cancels the approval procedure of the clinical application of the third category of medical technologies, and implements the record management of the medical technology that restricts the clinical application.

The Administrative Measures on the Clinical Researches Conducted by Medical and Health Institutions

The Administrative Measures on the Clinical Researches Conducted by Medical and Health Institutions (《醫療衛生機構開展臨床研究項目管理辦法》), which was promulgated by the NHFPC, the State Food and Drug Administration (the "**SFDA**") and the NATCM on October 16, 2014, stipulates that the clinical research implements the project approval system of medical institutions. The clinical research approved by the medical institution shall be filed with the administrative department of health that issued the Practicing License of Medical Institution within 30 days.

Administration of Drug Clinical Trial Institutions

On November 29, 2019, the National Medical Products Administration (the "NMPA") and the NHC published the Regulations on the Administration of Drug Clinical Trial Institutions (《藥物臨床試驗機構管理規定》), which came into effect on December 1, 2019 and replaced the Measures for Certification of Drug Clinical Practice (Trial) (《藥物臨床試驗機構資格認定辦法(試行)》). The new regulations stipulate that, instead of certification, clinical trial institutions shall file on the Drug Clinical Trial Institution Filing Management Information Platform (藥物臨床試驗機構備案管理信息平台).

REGULATIONS OF BIOSECURITY

Biosecurity Law of the PRC

The Biosecurity Law of the PRC (《中華人民共和國生物安全法》) (the "Biosecurity Law") was promulgated on October 17, 2020, by the Standing Committee of the National People's Congress (the "**SCNPC**") and became effective from April 15, 2021. As per the Biosecurity Law, the research and development activities of high-risk and medium-risk biotechnology shall be carried out by a legal person established within the territory of China, upon obtaining the approval or record-filing; the establishment of a pathogenic microorganism laboratory shall be subject to approval or record-filing requirements in accordance with the law. In addition, (i) collecting human genetic resources of important genetic families or specific areas in China, or collecting human genetic resources of which the types and quantities are subject to provisions of the competent department of science and technology under the State Council, (ii) preserving China's human genetic resources, (iii) using China's human genetic resources to carry out international scientific research cooperation, or (iv) transporting, mailing, and carrying China's human genetic resource materials out of the country shall subject to approval of the competent department of science and technology under the State Council.

REGULATIONS ON THE CLASSIFICATION AND THE ADMINISTRATION OF MEDICAL INSTITUTIONS

Opinions on Implementing Classification Administration of Urban Medical Institutions

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》) was jointly promulgated by the MOH, NATCM, the Ministry of Finance of the PRC (the "**MOF**"), and the NDRC on July 18, 2000 and came into effect on September 1, 2000, provide that NMIs and for-profit medical institutions (the "**PMIs**") shall be classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. The pricing guidance stipulated by governments from time to time for medical service in NMIs is not subject to PMIs. Also, PMIs may distribute their profit to their investors as economic returns. Medical institutions shall file written statements of their not-for-profit/for-profit status with relevant authorities of health when they go through application, registration, and re-examination procedures in accordance with relevant laws, and the handling authority of health shall, jointly with other relevant authorities, decide the not-for-profit/for-profit status for such healthcare institution based on its source.

The Grading of Healthcare Institutions

The Basic Standard for Medical Institutions (For Trial Implementation) (《醫療機構基本標準(試行)》), the Measures for the Assessment of Healthcare Institutions (《醫療機構評審辦法》) and the Interim Measures for the Assessment of Hospitals (《醫院評審暫行辦法》), which was promulgated by the MOH on September 2, 1994, July 21, 1995 and September 21, 2011 respectively, stipulates that healthcare institutions in the PRC are graded into three levels (Class I, II and III) and three sub-levels (A, B, C) based on the assessment of competent authorities. The assessment itself is not a requisite for a healthcare institution to carry out its business. The highest standard is Grade A Class III (三級甲等). Under the relevant regulations, each hospital will be assessed once every four years. The NHC and its Hospital Assessment Committee are responsible for conducting all hospital assessments in the PRC. Health administrative departments at the provincial level shall set up Hospital Assessment Leading Groups, which are responsible for hospitals assessment at the provincial level. The Guidelines for Hospital Management Evaluation (《醫院管理評價指南》) promulgated by the MOH on May 13, 2008, aims to strengthen hospital management, scientifically, objectively and accurately evaluate hospital management, guide hospitals to strengthen connotation construction, adhere to patient-centered principal, improve management level, continuously improve medical quality, ensure medical safety, improve medical services, control medical expenses, and provide people with safe, effective, convenient and inexpensive medical and health services.

The Administrative Regulations on Medical Institutions and its Implementation Rules

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, came into effect on September 1, 1994 and amended on February 6, 2016 and March 29, 2022, and it's Implementation Measures (《醫療機構管理條例實施細則》), 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 the establishment of a medical institution by an entity or individual that is required by the provisions of the State Council to obtain an approval letter for the setup of a medical institution shall go through the examination and approval procedures with the health administrative department of the local people's government at the county level or above and obtain the approval letter for the setup of a medical institution. Medical institutions must be registered for practice and obtain the Medical Institution Practicing License (醫療機構執業許可證) and clinics may practice after filing a record with the health administrative department of the people's government at the county level in the places where they are located in accordance with the provisions of the health administrative department of the State Council. The Medical Institution Practicing License shall not be forged, altered, sold, transferred or lent. Where a medical institution violates the provisions hereof, and sells, transfers or lends the Medical Institution Practicing License, the competent health department of the people's government at the county level or above shall order it to make corrections, confiscate its illegal gains, and impose a fine of not less than five times but not more than 15 times the illegal gains; if the illegal gains are less than RMB10,000, the amount shall be taken as RMB10,000 for calculation; if the circumstance is serious, the Medical Institution Practicing License shall be revoked.

The Measures for the Administration of Self-inspection of Medical Institutions' Practice by Law (《醫療機構依法執業自查管理辦法》) promulgated by the NHC and the NATCM on September 8, 2020, comprehensively promote the comprehensive regulatory system of the medical and health industry, implement the main responsibility of self-management of medical institutions in accordance with laws, standardize the practice behavior of medical institutions, and formulate these measures in accordance with relevant laws and regulations on health.

Law on the Promotion of Basic Medical Care, Hygiene and Health

Pursuant to the Law of the PRC on the Promotion of Basic Medical Care, Hygiene and Health (《中華人民共和國基本醫療衛生與健康促進法》), which was released by the SCNPC on December 28, 2019 and came into effect on June 1, 2020, stipulates that lawful registration and classified management for not-for-profit and for-profit medical institutions shall be implemented. Government-run medical institution shall not set up non-independent legal person medical institution with other organizations or cooperate with social capital to establish for-profit medical institutions. It also provides that the government will take measures to encourage and guide social resources to set up medical institution, and such institution will enjoy similar benefits as government-run institution, in certain areas including basic medical insurance coverage, research and teaching, access to specific medical technologies, and title assessment of medical staff, etc.

The Administrative Measures for the Verification of Medical Institutions (for Trial Implementation)

The Administrative Measures for the Verification of Medical Institutions (for Trial Implementation) (《醫療機構校驗管理辦法(試行)》), which were promulgated by the MOH and came into effect on June 15, 2009, stipulate that the Medical Institution Practicing License (醫療機構執業許可證) is subject to periodic examinations and verification by registration authorities. Verification period shall be three years for general hospitals, hospitals of TCM, hospitals of western medicine and TCM, 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 one year for other medical institutions (including Sino-foreign joint venture medical institutions). Pursuant to the Interim Measures for the Management of Sole Proprietorship Hospitals Established by Taiwanese Service Providers in Mainland China (《台灣服務提供者在大陸設立獨資醫院管理暫行辦法》), the verification period of the Medical Institution Practicing License for the Taiwan funded wholly owned hospitals is three years. 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 License.

Administrative Measures on Radiodiagnosis and Radiotherapy

According to Administrative Measures on Radiodiagnosis and 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 radiodiagnosis and radiotherapy shall be equipped with conditions suitable for the radiodiagnosis and radiotherapy services. Prior to carrying out radiodiagnosis and radiotherapy, medical institutions shall submit relevant materials, including but not limited to the Medical Institution Practicing License 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 departments. After obtaining the License for Radiotherapy, medical institutions shall undertake registration of the relevant diagnosis and treatment subjects with health administrative practice registration departments, which issued the Medical Institution Practicing License. The License for Radiotherapy and the Medical Institution Practicing License shall be verified at the same time. Medical institutions shall formulate contingency plans for the prevention and disposition of radiation events and shall conduct investigation and disposition in a timely manner where certain radiation events occurs. Where a medical institution violates the provisions hereof, and works on radiodiagnosis and radiotherapy without getting the License for Radiotherapy, or fails to handle the registration of diagnosis and treatment subjects, or fails to conduct the verification according to the relevant provisions, the health administrative department of the people's government at the county level or above shall give a warning and impose a fine of not more than RMB3,000; where the circumstance is serious, the Medical Institution Practicing License shall be revoked.

Regulation on the Safety and Protection of Radioisotopes and Radiation-emitting Devices and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment

According to Regulation 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, 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》), which was promulgated by the State Environment Protection Administration on January 18, 2006, last amended on January 4, 2021, 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).

Administrative Measures for Food Operation Licensing

According to the Administrative Measures for Food Distribution Licensing (《食品經營許可管理辦法》) promulgated by the China Food and Drug Administration (the "**CFDA**", predecessor of NMPA) on August 31, 2015 and amended on November 17, 2017, a Food Distribution Licensing (食品經營許可證) shall be obtained in accordance with the law to engage in food selling and catering services within the territory of PRC.

REGULATIONS ON THE PRICE OF HEALTHCARE SERVICES AND MEDICINE

Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions

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 NDRC, the NHFPC and the MOHRSS, 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 providers 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.

Notice on the Pilot Scheme for Deepening the Reform of Medical Service Price

The Pilot Scheme for Deepening the Reform of Medical Service Price (《深化醫療服務價格改革試點方案》), which was promulgated by the NHC, the NDRC and other relevant departments on August 25, 2021, stipulates that the medical services provided by non-public medical institutions shall implement the market price adjustment policy, and those included in the payment of medical insurance fund shall be managed according to the medical insurance agreement.

Opinions on Promoting Drug Pricing Reform

The Opinions on Promoting Drug Pricing Reform (《推進藥品價格改革的意見》), which was promulgated by the NDRC, the NHFPC, the SFDA, the Ministry of Commerce of the PRC (the "**MOC**") and other three departments 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 will 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. Regarding 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 based on production or operation costs and market supply and demand. The Multiple Policy Measures for Further Deepening the Reform of the Medicine and Healthcare Systems through the Centralized Procurement and the Use of Drugs as a Breakthrough Point (《關於以藥品集中採購和使用為突破口進一步深化醫藥衛生體制改革的若干政策措施》), which was promulgated by the Leading Group of the State Council on November 29, 2019, requires to comprehensively deepen the reform of centralized procurement and the use of medicines organized by the State, build a national public procurement market for medicines and a multi-party linked procurement pattern, improve the quality level of medicines, ensure the stable supply of medicines, improve the efficiency of payment for medicines, promote the construction of a unified and open market pattern for the production and circulation of medicines across the country, promote the dynamic adjustment of the price of medical services and other linkage reforms, vigorously promote the reform of the remuneration system, enhance the standardized management of medicines use, promote the implementation of medicines payment standards for medical insurance, deepen the reform of the payment method for medical insurance, improve the regulatory mechanism of the medicine insurance funds, promote the fine-tuned supervision of medical services, sound the national medicine price monitoring system, and accelerate the construction of information technology.

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 NATCM 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 MOHRSS on Improving the Management of Designated Medical Institutions and Pharmacies of Basic Medical Insurance through Agreements (《人力資源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 MOHRSS 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 canceled. 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.

Diagnosis Related Group (DRG) Payment Classification System

On 2017, the MOHRSS and NHFPC, in conjunction with the MOF and the NATCM, established a pilot working group for payment based on DRG, and in 2017, selected some regions to carry out pilot payment based on DRG and strengthened the technical guidance. Pursuant to Notice on Applying for National Pilot Program of Payment by Diagnosis Related Groups (《關於申報按疾病診斷相關分組付費國家試點的通知》) promulgated by the National Healthcare Security Administration (the "**NHSA**") on December 10, 2018, the NHSA is researching and formulating diagnosis-related group (DRG) standards suitable for China's medical service system and medical insurance management capabilities, and has launched a pilot program of paying by DRGs in certain cities.

The NHSA officially released Technical Specification for National Health Insurance DRG Grouping and Payment (《國家醫療保障DRG分組與付費技術規範》) and National Health Insurance DRG (CHS-DRG) Grouping Scheme (《國家醫療保障DRG(CHS-DRG)分組方案》) on October 16, 2019. The data requirements for DRG grouping, data quality control, standardized upload specifications, grouping strategies and principles, and methods for determining weights and rates are regulated, and it is clear that the national health insurance disease DRG is a unified standard for the national health insurance sector to carry out DRG payment work.

The Notice on the Issuance of the Subdivision Grouping Scheme (Version 1.0) of Healthcare Diagnosis-Related Grouping (CHS-DRG) (《關於印發醫療保障疾病診斷相關分組(CHS-DRG)細分組方案(1.0版)的通知》), which was promulgated by the Office of the NHSA on June 12, 2020, explains that each pilot city should refer to the grouping results, comorbidity complication/serious comorbidity complication table, grouping rules, and naming format of the CHS-DRG subdivision group to develop local DRG subdivision group.

According to the Notice on the Issuance of A Three-year Action Plan for the Reform of the DRG/DIP Payment Methods (《關於印發DRG/DIP支付方式改革三年行動計劃的通知》) promulgated by the NHSA on November 19, 2021, from 2022-2024, the reform of DRG/DIP payment methods shall be comprehensively completed and medical insurance shall be promoted with high-quality. By the end of 2024, all coordinated regions across the country will carry out the reform of DRG/DIP payment methods, and pilot areas will be launched to continuously consolidate the achievements of the reform. By the end of 2025, the DRG/DIP payment method will cover all eligible medical institutions providing inpatient services, basically achieving full coverage of disease types and medical insurance funds.

Regulation of the Receival of Medical Treatment Covered by the Basic Medical Insurance Away from Home

According to Notice on Further Strengthening the Regulation of the Receival of Medical Treatment Covered by the Basic Medical Insurance Away From Home (《關於進一步加強基本醫療保險異地就醫監管的通知》), which was promulgated by the General Office of the MOHRSS on December 19, 2016 and became effective on the same day, handling agencies in all the regions under the overall planning shall include the receival of medical treatment away from home into the agreement-based administration of medical institutions, making it an indicator for the assessment of medical institutions, detailing and improving the clauses of the agreements, specifying that the services and management regarding, among others, the selection of medical institutions, the recording of medical information, the monitoring of medical practices and the examination and the auditing of medical expenses which are offered to the persons receiving medical treatment away from home are the same as the one to the local insured, and protect the rights and interests of the persons receiving medical treatment away from home.

REGULATIONS RELATING TO THE ONLINE MEDICAL SERVICES

The Guiding Opinions of the State Council on Vigorously Advancing the "Internet Plus" Action

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

The Opinions on Promoting the Development of "Internet Plus Health Care"

In April 2018, the Opinions on Promoting the Development of "Internet Plus Health Care" (《國務院辦公廳關於促進「互聯網+醫療健康」發展的意見》) issued by the General Office of the State Council encouraged medical institutions to apply the internet and other information technologies to expand the space and content of health care services, build an online and offline integrated health care service model that covers the whole process of health care. Internet hospitals depending on medical institutions shall be allowed. Medical institutions may use internet hospitals as their secondary name and, based on the physical hospitals, use Internet technology to provide safe and appropriate health care services, allowing follow-up online subsequent visits for some common diseases and chronic diseases. After acquiring documents on the medical records of patients, physicians shall be allowed to write prescriptions online for some common diseases and chronic diseases. Medical institutions and qualified third-party institutions shall be supported in setting up Internet information platforms to provide telemedicine, health consultation, and health management services so as to promote the effective communication among hospitals, medical personnel, and patients.

The Measures for the Administration of Internet Hospitals (for Trial Implementation) (《互聯網醫院管理辦法(試行)》)

On July 17, 2018, the NHC and the NATCM jointly promulgated the Measures for the Administration of Internet Hospitals (for Trial Implementation) (《互聯網醫院管理辦法(試行)》). Pursuant to the Measures for the Administration of Internet Hospitals (for Trial Implementation), "internet hospitals" include: (a) internet hospitals as the second name of physical medical institutions, and (b) internet hospitals that are independently established by relying on the physical medical institutions. NHC at the local level is responsible for the supervision of the internet hospitals and internet hospitals shall strictly comply with relevant laws and regulations on information security and medical data privacy.

The Notice on Printing Jiangsu Province Internet Medical Service Approval Procedure

The Company's internet hospitals business mainly practices in Jiangsu. On April 4, 2019, Health Commission of Jiangsu Province issued the Notice on Printing Jiangsu Province Internet Medical Service Approval Procedure (《關於印發<江蘇省互聯網醫療服務審批程序>的通知》), provide guideline for setting up internet hospitals, using internet hospitals as the second name for physical medical institutions, and for medical institutions planning to carry out internet diagnosis and treatment activities.

REGULATIONS ON PHARMACEUTICALS AND MEDICAL DEVICES IN MEDICAL INSTITUTIONS

Medical Product Administration Law of the PRC and its Implementing Rules and Measures for Supervision and Administration of Drugs of Medical Institutions (for Trial Implementation)

According to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), which was promulgated by the SCNPC on September 20, 1984 and amended on February 28, 2001, December 28, 2013, April 24, 2015 and August 26, 2019, and took effect on December 1, 2019, the Regulations for the Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》), which was promulgated by State Council on August 4, 2002 and amended on February 6, 2016, March 2, 2019 and the Measures for Supervision and Administration of Drugs of Medical Institutions (for Trial Implementation) (《醫療機構藥品監督管理辦法(試行)》), which was promulgated by the CFDA and came into effect on October 11, 2011, medical institutions must purchase medical products from marketing authorization holders or enterprises qualified for the manufacture or distribution of medicinal products. For import drugs, the drug importer shall file a record with the local drug regulatory department in the place where the port is located with the Import Drug License or Pharmaceutical Product License and other documents. The NMPA publicly solicited opinions on the Regulations for the Implementation of the Drug Administration Law of the PRC (Revised Draft for Comment) (《中華人民共和國藥品管理法實施條例(徵求意見稿)》) on May 9, 2022, which further strengthens drug supervision and regulation. This draft regulation has not yet come into effect, and the relevant provisions of such regulation is subject to the officially final version to be promulgated upon effective.

Opinions of the General Office of the State Council on Promoting the Centralized Volume-based Procurement of Drugs in a Normalized and Institutionalized Manner

The Opinions of the General Office of the State Council on Promoting the Centralized Volume-based Procurement of Drugs in a Normalized and Institutionalized Manner (《國務院辦公廳關於推動藥品集中帶量採購工作常態化制度化開展的意見》), which was promulgated by General Office of the State Council on January 22, 2021, sets forth the following basic principles for the centralized volume-based procurement of drugs: (1) adhere to demand orientation and give priority to quality. Based on the clinical demand of drugs and in light of the medical insurance fund and patients' affordability, reasonably determine the scope of drugs to include in centralized volume-based procurement regime, ensure drug quality and supply, and meet the people's basic needs for drugs; (2) adhere to market leadership and promote competition, establish an open and transparent market competition mechanism, guide enterprises to conduct fair competition based on cost and quality, and improve the market price discovery mechanism; (3) adhere to the combination of bidding and procurement and the connection between quantity and price, specify procurement quantity, cut price based on quantity, ensure usage, smooth the process of procurement, use, settlement and other procedures, and effectively control drug rebates; and (4) adhere to policy convergence and departmental coordination, refine the supporting policies for drug quality supervision and administration, production and supply, circulation and distribution, medical services, medical insurance payment, market regulation, etc., strengthen departmental coordination, pay attention to the integration, collaboration and efficiency of systematical reform to support and promote the system of centralized volume- based procurement of drugs.

The Measures for the Administration of Radioactive Pharmaceuticals

The Measures for the Administration of Radioactive Pharmaceuticals (《放射性藥品管理辦法》), which were promulgated by the State Council and came into effect on January 13, 1989 and revised on January 8, 2011, March 1, 2017 and March 29, 2022, require healthcare institutions to comply with relevant national regulations and rules when engaging in research work, production, business, transportation, consumption, examination, supervision and administration work related to radioactive drugs. Any healthcare institution that wants to use radioactive pharmaceuticals must obtain the Permit for the Use of Radiopharmaceuticals (放射性藥物使用許可證) from the drug supervision administrative departments at the provincial, regional or municipal levels. The Permit for the Use of Radioactive Pharmaceuticals is valid for five years and is of varying grades based on the competence of the nuclear medicine technicians and the equipment conditions of the healthcare institution.

Regulations on the Administration of Narcotic Drugs and Psychotropic Drugs

According to the Regulations on the Administration 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 competent department of health, 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). If a medical institution which holds the License of Preparations of Medical Institution (醫療機構製劑許可證) and a Seal Card needs to dispense for clinical use any narcotic pharmaceutical or psychotropic substance which is not available on the market, the preparation shall be subject to approval by the competent provincial, regional or municipal drug supervision and administration department. Entities using narcotic drugs and the psychotropic drugs of category I shall set up special warehouses or special cabinets to store narcotic drugs and the psychotropic drugs of category I. The special warehouses shall set up security facilities and install alarm device; the special cabinets shall use safes. The management of double key with two persons in charge shall be applied to the special warehouses and the special cabinets. The pharmaceutical preparations of a narcotic pharmaceutical or psychotropic substance dispensed by the medical institution may only be used in the institution itself and may not be marketed.

The Law of the PRC on Maternal and Infant Healthcare and its Implementation Measures, the Management Measures of Special Technology Services Licensing and Personnel Qualification of Maternal and Infant Care

According to the Law of PRC on Maternal and Infant Healthcare (《中華人民共和國母嬰保健法》), which was promulgated by the SCNPC on October 27, 1994 and revised on November 4, 2017 and its Implementation Measures (《中華人民共和國母嬰保健法實施辦法》), which was promulgated by the State Council on June 20, 2001, and revised on July 20, 2023 and the Management Measures of Special Technology Services Licensing and Personnel Qualification of Maternal and Infant Care (《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 NHC on August 7, 1995 and revised on January 8, 2021, medical institutions carry out pre-marital medical examination, genetic disease diagnosis and pre-natal diagnosis, ligation operations and operations for termination of gestation must be approved by health administrative authorities at various levels in accordance with regulations and obtain relevant qualification certificates.

Regulations on Supervision and Administration of Medical Devices

Pursuant to the Measures on Business Operations of Medical Devices, in the PRC, medical devices are classified into three different categories, Class I, Class II and Class III, based on the risk levels associated with each medical device. According to the Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) promulgated by the State Council on January 4, 2000, amended on March 7, 2014, May 4, 2017 and February 9, 2021, for Class I medical devices, the record-filing administration shall be implemented, while for Class II and Class III devices, the registration administration shall be implemented. To engage in the operation of Class II medical devices, an operating enterprise shall make a record-filing with the medical products administration. To engage in the operation of Class III medical devices, an operating enterprise shall apply for the Medical Device Distribution License (醫療器械經營許可證). Meanwhile, medical institutions that purchase and use large-scale medical equipment are required to obtain the License for Deployment of Large-scale Medical Equipment (大型醫用設備配置許可證) issued by the health departments at province level or above. Any entity that purchases or uses large-scale medical equipment without permission shall be ordered by the health department at the county level or above to stop the use, given a warning, and its illegal income be confiscated; and if the illegal income is less than RMB10,000, a fine of not less than RMB50,000 but not more than RMB100,000 shall be imposed; and if the illegal gains are more than RMB10,000, a fine of not less than ten times but not more than 30 times the illegal income shall be imposed; where the circumstances are serious, the application for purchase license for large-sized medical equipment filed by the relevant liable persons and entities shall not be accepted within five years, the income of the legal representative, the primary person in charge, the directly responsible person in charge, and other liable persons of the illegal entity obtained from the entity during the period when the violation of laws occurs shall be confiscated, and a fine of not less than 30% of nor more than three times the income obtained shall be imposed.

Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (for Trial Implementation)

Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (for Trial Implementation) (《大型醫用設備配置與使用管理辦法(試行)》) jointly promulgated by the NHC and NMPA on May 22, 2018 and came into effect on the same day, stipulates that the large-scale medical equipment refers to the large-scale medical devices that adopt complex technology, require large capital investment, have high operation costs, have significant impact on medical expenses, and have been included in the large-scale medical equipment catalogue management. The catalogue of large-scale medical equipment shall be proposed by the NHC in consultation with the relevant department under the State Council, reported to the State Council for approval, and issued for implementation. The State administrates large-scale medical equipment through the classified and hierarchical allocation plan and through the issue of License for Deployment of Large-scale Medical Equipment (大型醫用設備配置許可證) according to the catalogue. The large-scale medical equipment allocation management catalogue is divided into Category A and Category B. The large-scale medical equipment of Category A shall be allocated and managed by the NHC and issued with License for Deployment of Large- scale Medical Equipment by it; the large-scale medical equipment of Category B shall be allocated and managed by provincial health administrative departments and issued with License for Deployment of Large-scale Medical Equipment by them. The NHC and provincial health administrative departments shall respectively formulate the implementing rules for the allocation licensing management of Category A and Category B large-scale medical equipment.

The Notice of the Issuance of Large-scale Medical Equipment Allocation and Management Catalogue (2023)

The Notice of the Issuance of Large-scale Medical Equipment Allocation and Management Catalogue (2023) (《關於發佈大型醫用設備配置許可管理目錄)(2023年)的通知》) promulgated by the NHC on March 3, 2023, stipulates the Category A and Category B of large-scale medical equipment.

REGULATIONS ON MEDICAL PRACTITIONERS OF MEDICAL INSTITUTIONS

Physicians Law of PRC

Pursuant to the PRC Physicians Law (《中華人民共和國醫師法》) promulgated by the SCNPC on August 20, 2021 and came into effect from March 1, 2022, physicians shall adhere to the safe, effective, economical, and reasonable drug use principles, use drugs rationally by following the guiding principles, for the clinical application of drugs, guidelines for clinical diagnosis and treatment, and drug instructions. In the absence of effective or better treatment methods or under other special circumstances, after obtaining patients' clear and informed consent, physicians may adopt drug usage not expressly specified in the drug instructions if there is an evidence-based practice of implementing such treatment.

Administrative Measures for the Registration of Practicing Physicians

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 fails to obtain the Physician Practicing Certificate upon registration are not allowed to engage in medical, preventive and healthcare services. The contents of the registration of a practicing physicians include place of practice, category of registered specialty and scope of practice. The place of practice refers to the provincial administrative division of the location of the medical, preventive and healthcare institutions where the physician is practicing. For practicing physician who wants to practice in multiple institutions at the same place of practice, he/she shall determine one 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.

Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from Ministry of Health

The Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from the MOH (《關於推進和規範醫師多點執業的若干意見》) jointly promulgated by 5 departments, on November 5, 2014, and became effective on the same date, stipulates clinical physicians, dentists and Chinese medicine physicians are permitted for practicing at multiple sites. Physicians practicing in multiple sites shall have intermediary or above technical skills and has been in the same profession for more than five years. Practicing physicians practicing outside of their first practice site shall practice the same registered specialty as their first practice site and the scope of practice shall be the same as Class II diagnosis and treatment of the first practice site.

Interim Administrative Measures on Foreign physicians' Short-term Medical Practice in China

According to the Interim Administrative Measures on Foreign physicians' Short-term Medical Practice in China (《外國醫師來華短期行醫暫行管理辦法》), promulgated by the MOH on October 7, 1992, became effective on January 1, 1993 and amended on November 28, 2003 and revised by the NHFPC on January 19, 2016, foreign doctors practicing medicine in China must be registered and obtain the Temporary License for Foreign Physician to Practice Medicine in PRC (外國醫師短期行醫許可證).

Regulations on Nurses

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 go through the practice registration and obtain the Nurse Practicing Certificate (護士執業證書), which is valid for five years. A medical institution shall be equipped with at least enough number of nurses as prescribed by the health administration department of the State Council, otherwise the medical institution shall be ordered to make a correction within a time limit and given a warning by the health department of the local people's government at or above the county level. If it fails to make a correction within the time limit, its diagnosis and treatment subjects shall be checked and reduced as well as the number of lawful practicing nurses in the medical and health institution, or its practices shall be suspended for not less than 6 months but not more than one year.

Administrative Measures for the Registration of Practicing Nurses

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 and became effective on May 12, 2008 and amended by NHFPC on January 8, 2021, nurses must register and obtain the Nurse Practicing Certificate before they practice nursing at the registered practicing place. The Nurse Practicing Certificate shall indicate the nurse's name, gender, date of birth and other personal information, as well as the certificate serial number, registration date and place of practice.

REGULATIONS ON MEDICAL MALPRACTICE

Tort Liability Law of PRC and the Civil Code of the PRC

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, which became effective on January 1, 2021 and simultaneously replace the Tort Liability Law of the PRC. The Civil Code of the PRC provides that if a medical institution or its medical personnel is at fault for damage inflicted on a patient during diagnosis and treatment, the medical institution shall assume the compensatory liability, which further clarifies that either the medical institution or its medical personnel is at fault, the medical institution should bear the relevant responsibilities.

The Regulations on the Handling of Medical Malpractice

The Regulations on the Handling of Medical Malpractice (《醫療事故處理條例》), which was issued 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, authentication, 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 Prevention and Handling of Medical Disputes

Regulations on Prevention and Handling of Medical Disputes (《醫療糾紛預防和處理條例》), which was promulgated by the State Council on July 31, 2018 and came into effect on October 1, 2018, provides a legal mechanism formulated in a bid to prevent and properly handle medical disputes.

REGULATIONS ON MEDICAL ADVERTISEMENT

Advertising Law of the PRC

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, amended on April 24, 2015, October 26, 2018 and April 29, 2021, advertisements shall not contain any false or misleading content or defraud or mislead consumers. Advertisements on medical service, drug and medical instrument are subject to censorship 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.

Administrative Measures on Medical Advertisement

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 the Examination Certificate for Medical Advertisements (醫療廣告審查證明). The Examination Certificate for Medical Advertisements shall be valid for one year.

Circular of the MOH on Strengthening the Medical Advertisement Administration

According to the Circular of the MOH 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 Examination Certificate for Medical Advertisements 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.

Measures for the Administration of Internet Advertising

Pursuant to the Measures for the Administration of Internet Advertising (《互聯網廣告管理辦法》) promulgated by the SAMR on February 25, 2023 and became effective on May 1, 2023, no advertisement of any medical services, drugs, formula food for special medical purpose, medical instrument, pesticides, veterinary drugs, 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.

Interim Administrative Measures for the Administration of Censorship of Advertisements on Drugs, Medical Devices, Dietary Supplements and Formula Food for Special Medical Purposes

Pursuant to the Interim Administrative Measures for the Administration of Censorship of Advertisements for Drugs, Medical Devices, Dietary Supplements and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》), which were promulgated by the SAMR on December 24, 2019 and came into effect on March 1, 2020, an enterprise seeking to advertise its drugs, medical devices, dietary supplement or food for special medical purpose must apply for an advertisement approval number. The validity period of the advertisement approval number concerning a drug, medical device, dietary supplement or food for special medical purpose shall be consistent with the minimum validity period of the product's registration certificate, filing certificate or production license. Where no validity period is set forth in the registration certificate, record-filing certificate or the production license of the product, the advertisement approval number shall be valid for two years. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the advertisement is needed, a new advertisement approval shall be obtained.

REGULATIONS ON MOBILE INTERNET APPLICATION INFORMATION SERVICES

Mobile internet applications are specifically regulated by the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》) (the "**Mobile Application Administrative Provisions**"), which was promulgated by the CAC on June 28, 2016 and revised on June 14, 2022 and took effect on August 1, 2022. Pursuant to the Mobile Application Administrative Provisions, to provide information services through mobile internet apps, application providers shall, in accordance with laws, regulations and the relevant provisions of the PRC, formulate and disclose management rules, and sign service agreements with registered users to specify the relevant rights and obligations of both parties, and shall process personal information by following the principles of legitimacy, rightfulness, necessity and good faith, have clear and reasonable purposes, disclose processing rules, comply with the relevant provisions on the scope of necessary personal information, regulate personal information processing activities, and take necessary measures to ensure the security of personal information. Application providers shall not, for any reason, force users to consent to personal information processing, or refuse users to use their basic functions and services on the ground that users do not agree to provide unnecessary personal information. Furthermore, on December 16, 2016, the Ministry of Industry and Information Technology of the PRC ("**MIIT**") promulgated the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Smart Mobile Terminals (《移動智能終端應用軟件預置和分發管理暫行規定》) (the "**Mobile Application Interim Measures**"), which came into force on July 1, 2017. The Mobile Application Interim Measures require that the internet information service providers must ensure that the content of the application are legal, users' rights are protected, and relevant information of the application are expressed clearly, and the mobile application, as well as its ancillary resource files, configuration files and user data, among others, can be uninstalled by the users on a convenient basis, unless it is a basic function software, which refers to a software that ensures the normal operation of hardware and operating system of a mobile smart device.

On July 21, 2023, the MIIT issued the Notice on the Filing of Mobile Internet Applications by the Ministry of Industry and Information Technology (《工業和信息化部開展移動互聯應用程序備案工作的通知》). The stock APP filing stage was from September 2023 to March 2024. APPs that have conducted business before the release of this notice shall, in accordance with the requirements of this notice, complete the filing procedures with the provincial communication management bureau where they reside through their network access service providers and distribution platforms. Among them, for those who have completed the website registration procedures, only the relevant information of their APP needs to be supplemented and improved, and there is no need to repeatedly fill in the true identity information of the organizer. For those without website registration information, the registration procedures shall be completed in accordance with the provisions of this notice.

REGULATIONS ON CYBERSECURITY

Cybersecurity Law

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) ("**Cybersecurity Law**"), which became effective on June 1, 2017. The Cybersecurity Law requires network operators to comply with laws and regulations and fulfill their obligations to safeguard security of the network when conducting business and providing services. The Cybersecurity Law further requires network operators to take all necessary measures in accordance with applicable laws, regulations and compulsory national standards to safeguard the safe and stable operation of the networks, respond to cybersecurity incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data.

Cybersecurity Review Measures

On December 28, 2021, the CAC and other related authorities promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. The Cybersecurity Review Measures proposes the following key matters: (1) the network platform operators who are engaged in data processing are subject to the regulatory scope; (2) the CSRC is included as one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review working mechanism; (3) the network platform operators holding personal information of more than one million users and seeking a listing in foreign countries shall file for cybersecurity review with the Cybersecurity Review Office; and (4) the purchase of network products and services by critical information infrastructure operator, which affects or may affect national security, shall be subject to cybersecurity review in accordance with the present Measures.

Regulations on the Administration of Cyber Data Security (Draft for Comments)

On November 14, 2021, 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)》) was proposed by the CAC for public comments until December 13, 2021. The draft measures reiterate that data processors which process the personal information of more than one million people must apply for a cybersecurity review if they plan to be listed in foreign countries, and the draft measures further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (1) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (2) the data processor intends to be listed in Hong Kong, which affects or may affect the national security; and (3) other data processing activities that affect or may affect national security.

Administration Measures on the Security Protection of Computer Information Network with International Connections

In December 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which was further revised on January 8, 2011 and prohibits using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content.

Several Provisions on Regulating the Market Order of Internet Information Services

Under the 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》) issued by the MIIT in December 12, 2011, an internet information service provider may not collect any personal information of a user or provide any such information to third parties without the user's consent. It must expressly inform the user of the method, content and purpose of the collection and processing of such user's personal information and may only collect information to the extent necessary to provide its services. An internet information service provider is also required to properly maintain users' personal information, and in case of any leak or likely leak of such information, it must take immediate remedial measures and, in the event of a serious outcome, report to the telecommunication regulatory authority immediately.

Provisions on Technological Measures for Internet Security Protection

According to the Provisions on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) promulgated by the Ministry of Public Security and came into effect on March 1, 2006, internet service providers and networking entities should implement the following internet security protection technical measures: (a) the technical measures for preventing computer viruses, network intrusion and attack damage and other matters or acts that endanger network security; (b) important databases and systems of major equipment redundant backup measures; (c) technical measures for recording and retaining the users' login and exit time, caller ID, account number, internet address or domain name, log files of system maintenance; (d) any other technical measures for internet security protection to be implemented as prescribed by any law, regulation or rule. Furthermore, the technical measures for record retention implemented by internet service providers and networking entities in accordance with the Provisions on Technological Measures for Internet Security Protection shall have the function of keeping records as a backup for at least 60 days.

Provisions on the Administrative of Account Information of Internet Users

On June 27, 2022, the CAC promulgated the Provisions on the Administrative of Account Information of Internet Users (《互聯網用戶賬號信息管理規定》), which took effect on August 1, 2022. These provisions apply to the registration, use, and management of internet users' account information by internet information service providers. These provisions stipulate that internet information service providers must, among other things, equip themselves with professional and technical capabilities appropriate to the scale of services, establish, improve and strictly implement the authentication of real identity information, verification of account information, security of information content, ecological governance, emergency responses, protection of personal information and other management systems. These provisions also require that the internet information service providers should protect and handle internet users' account information in accordance with law, and take measures to prevent unauthorized access, as well as leakage, tampering, and loss of personal information. The internet information service providers shall set up a convenient portal for complaints and whistleblowing at an eye-catching position, release the ways of complaints and whistleblowing, improve the acceptance, screening, disposal and feedback mechanisms, specify the handling process and feedback time limit and timely handle the complaints and whistleblowing of users and the public.

REGULATIONS ON PERSONAL INFORMATION OR DATA PROTECTION

The Data Security Law of the PRC

The Data Security Law of the PRC (《中華人民共和國數據安全法》), promulgated by the SCNPC on June 10, 2021, which came into effective on September 1, 2021. The Data Security Law clarifies the scope of data to cover a wide range of information records generated from all aspects of production, operation and management of government affairs and enterprises in the process of the gradual transformation of digitalization, and requires that data collection shall be conducted in a legitimate and proper manner, and the theft or illegal collection of data is not permitted. Data processors shall establish and improve whole-process data security management rules, organize, and implement data security training and take appropriate technical measures and other necessary measures to protect data security. In addition, data processing activities shall be conducted based on the graded protection system for cybersecurity. Monitoring of data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responsive measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner. In addition, the Cybersecurity Law provides that: (1) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of collecting and using personal information, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the persons whose data is gathered; (2) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the persons whose data is gathered; and shall dispose of personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; (3) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the persons whose data is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific persons, such circumstance is an exception. Furthermore, under the Cybersecurity Law, network operators of critical information infrastructure generally shall, during their operations in the PRC, store the personal information and important data collected and produced within the territory of the PRC.

Personal Information Protection Law of the PRC

On May 28, 2020, the NPC adopted the Civil Code of the PRC (《中華人民共和國民法典》), which came into effect on January 1, 2021. Pursuant to the Civil Code of the PRC, the personal information of a natural person shall be protected by the law. Any organisation or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, store, use, process or transmit personal information of others, or illegally buy or sell, provide or make public personal information of others.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "Personal Information Protection Law"), which came into effect on November 1, 2021. The law aims to protect the rights and interests of personal information and regulate the processing of personal information. The Personal Information Protection Law stipulates certain important concepts with respect to personal information processing: (1) "personal information" refers to all kinds of information related to identified or identifiable natural persons recorded by electronic or other means, excluding the information processed anonymously; (2) "processing of personal information" includes the collection, storage, use, processing, transmission, provision, disclosure and deletion, etc. of personal information; and (3) "personal information processor" refers to an organization or individual that independently determines the purpose and method of the processing in the processing of personal information. Except as otherwise provided in the Personal Information Protection Law, a personal information processor may only process personal information under the circumstances where the relevant individuals' consents have been obtained or where certain contractual arrangements, employment relationships, public emergencies, performance of statutory duties or obligations or publishing of press release for public interests require so.

Administrative Measures for the Cybersecurity of Medical and Healthcare Institution

On August 8, 2022, the NHC, NATCM, and National Bureau of Disease Control and Prevention 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. Administrative Measures for the Cybersecurity of Medical and Healthcare Institutions require full life-cycle management of cyber security and data security, 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.

Pursuant to the Regulations for Medical Institutions on Medical Records Management (2013 Version) (《醫療機構病歷管理規定(2013年版)》) released by the NHFPC and the NATCM 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.

Measures for Administration of Population Health Information (for Trial Implementation)

The NHFPC issued the Measures for Administration of Population Health Information (for Trial Implementation) (《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 offshore servers shall not be hosted or leased.

Management Measures of Standards, Safety and Service of National Health and Medical Big Data (for Trial Implementation)

Pursuant to the Management Measures of Standards, Safety and Service of National Health and Medical Big Data (for Trial Implementation) (《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.

Decision on Strengthening the Protection of Online Information, Provisions on Protection the Personal Information of Telecommunication and Internet Users and Scope of Necessary Personal Information for Common Types of Mobile Internet Applications

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC in December 2012, and the Provisions on Protection the Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》), issued by the MIIT in July 2013, any collection and use of any user personal information must be subject to the consent of the user, and abide by the applicable law, rightfulness and necessity of the business and fall within the specified purposes, methods and scopes in the applicable laws. In addition, the CAC, the MIIT, the Ministry of Public Security and the SAMR jointly issued the Notice on Promulgation of the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》) in March 2021, effective from May 1, 2021, specifying that the operator of an internet application shall not refuse an user to use the App's basic functional services on the ground that the user disagree with the collection of unnecessary personal information.

Measures for Data Security Management in the Industrial and Information Technology Sector (Trial) (《工業和信息化領域數據安全管理辦法(試行)》)

On December 8, 2022, the MIIT promulgated the Measures for Data Security Management in the Industrial and Information Technology Sector (Trial) (《工業和信息化領域數據安全管理辦法(試行)》), which came into effect on January 1, 2023. The Measures for Data Security Management in the Industrial and Information Technology Sector (Trial) makes detailed provisions on classified and tiered data management, data life cycle security management, data security monitoring and early warning and contingency management. It clearly stipulates that the data in the industrial and information fields can be divided into three levels: general data, key data and core data, and stipulates that the data processors in the industrial and information fields have the obligation to file with the relevant authorities their catalogs of important data and core data recognized in according to the identification criteria for important data and core data in industrial and information technology sector published by the MIIT.

The Notice on Further Improving the Service Capabilities of Mobile Internet Applications (《工業和信息化部關於進一步提升移動互聯網應用服務能力的通知》)

On February 6, 2023, the MIIT promulgated the Notice on Further Improving the Service Capabilities of Mobile Internet Applications (《工業和信息化部關於進一步提升移動互聯網應用服務能力的通知》), which came into effect on February 6, 2023. The Notice on Further Improving the Service Capabilities of Mobile Internet Applications stipulates that users shall be informed of personal information processing rules in a concise, clear and easy-to-understand way, and in case of changes, users shall be informed of the latest development in time. The data processors shall highlight the purpose, method and scope of sensitive personal information processing activities, and establish a list of personal information that has been collected, and do not induce users to agree to personal information processing rules with default check, small prints or lengthy texts.

Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps

On January 23, 2019, the Office of the Central Cyberspace Affairs Commission, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which underlines that App operators shall, by following the principles of lawfulness, legitimacy and necessity, not collect personal information that is not related to the services provided; when collecting personal information, they shall display the rules for the collection and use of personal information in an easy-to-understand, simple and clear manner, and personal information subjects shall independently choose and give consent; they shall not force the users to make authorization in the forms of default, bundling, stopping installation and use, etc., and may not collect personal information in violation of laws and regulations or against the agreements with users.

Measures to Identify Illegal Collection and Usage of Personal Information by Apps

On November 28, 2019, the CAC, MIIT, the Ministry of Public Security and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), which lists six types of activities as illegal collection and usage of personal information, including "not publishing rules on the collection and usage of personal information" and "not providing privacy rules."

Provisions on Strengthening the Confidentiality and Archives Administration of Overseas

Securities Issuance and Listing by Domestic Enterprises

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》) ("**Provision on Confidentiality**"), which became effective 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.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law of the PRC and its Implementing Rules

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

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 of 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 a patent right for inventions shall be 20 years and the duration of a patent right for utility models shall be 10 years and the duration of a patent right for designs shall be 15 years, both commencing from the filing date. 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

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.

Copyright Law of the PRC and Measures for the Registration of Computer Software

The Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, came into effect on June 1, 1991 and was amended on October 27, 2001, February 26, 2010 and November 11, 2020, specifies that works of Chinese citizens, legal persons or other organizations, including literature, art, natural sciences, social sciences, engineering technologies and computer software created in writing or oral or other forms, whether published or not, shall enjoy the copyright. Copyright holder can enjoy multiple rights, including the right of publication, the right of authorship and the right of reproduction.

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 AND FIRE PREVENTION

Environmental Protection Law and Environmental Impact Assessment Law of the PRC

Pursuant to the Environmental Protection Law of the People's Republic of China (《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 pollutant discharge licensing system has been implemented in the PRC and entities that implement the pollution discharge license management shall obtain a Pollutant Discharge License (排污許可證). 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 Regulations on the Administration of Pollutant Discharge License (《排污許可管理條例》), which was promulgated by the State Council on January 24, 2021 and became effective from March 1, 2021, enterprises, public institutions and other production operators ("**pollutant discharge entities**") shall apply for and obtain a Pollutant Discharge License; and may not discharge a pollutant, if the pollutant discharge entities fail to obtain a Pollutant Discharge License. Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (For Trial Implementation) (《排污許可管理辦法(試行)》), which was promulgated by the Ministry of Environmental Protection (repealed) on January 10, 2018, and amended on August 22, 2019, stipulates that pollutant discharge entities included in the Classified Management Catalog of Pollutant Discharge License for Stationary Sources of Pollution (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a Pollutant Discharge License as per the prescribed time limit; and those are not included in the catalog are not required to do so for the time of being.

Environmental Impact Assessment and Completion Acceptance

Pursuant to the Environmental Impact Assessment Law of 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.

According to the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 and effective on October 1, 2017, and the Interim Measures for the Acceptance Examination of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the Ministry of Environmental Protection on November 20, 2017 and effective from the same date, the State implements classified management on the environmental impact assessment of construction projects in accordance with the degree of impact of construction projects on the environment. Construction units shall organize the preparation of environmental impact report, environmental impact report form or filling in environmental impact registration form in accordance with the degree of impact of construction projects on the environment. The construction unit is the major entity responsible for the environmental protection acceptance of construction unit is the major entity responsible for the environmental protection acceptance of protection facilities, prepare the acceptance report, disclose relevant information, accept social supervision, and ensure that the supporting environmental protection facilities and the main part of the construction project are put into operation or use at the same time.

Regulation on the Management of Medical Waste and the Implementation Measures of the Management of Medical Waste

According to the Regulation 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.

Fire Prevention Design and Acceptance

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**"), was promulgated on April 29, 1998, then became effective on September 1, 1998 and last amended on April 29, 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs.

According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》 promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020, then became effective on June 1, 2020 and last amended on August 21, 2023 and became effective on October 30,2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system should be applied.

REGULATIONS ON FOREIGN INVESTMENT IN CHINA

Foreign Investment Law of PRC

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the "**Company Law**") promulgated by the SCNPC in December 1993 and amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. The Company Law was further amended on December 29, 2023 and the latest amendments will become effective on July 1, 2024. The Company Law generally regulates two types of companies, namely, limited liability companies and joint-stock limited companies. The PRC Company Law should also apply to foreign-invested companies. On March 15, 2019, the 2nd meeting of the 13th SCNPC approved the Foreign Investment Law of PRC (《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 (the "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. After the FIL came into effect, the FIL replaced the Law of PRC on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the law on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), became the legal foundation for foreign Investment in the PRC.

The Implementing Rules of Foreign Investment Law

Along with the FIL, the Implementing Rules of Foreign Investment Law (《中華人民共和國外商投資法實施條例》) promulgated by the State Council and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law (《最高人民法院關於適用<中華人民共和國外商投資法>若干問題的解釋》) promulgated by the Supreme People's Court became effective on January 1, 2020. The Implementing Rules of Foreign Investment Law further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

Interim Measures for the Administration of Record-filing on the Incorporation and Changes in Foreign-invested Enterprises, and Measures on Reporting of Foreign Investment Information

On December 30, 2019, the MOC and the SAMR jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which took effect on January 1, 2020 and replaced the Interim Measures for the Administration of Record- filing on the Incorporation and Changes in Foreign-invested Enterprises. Foreign investors carrying out investment activities in the PRC directly or indirectly shall submit investment information to the commerce administrative authorities pursuant to the Measures on Reporting of Foreign Investment Information.

Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Version) and Encouraged Foreign Investment Catalog (2022 Version)

The Restricted Foreign Investment Industry List and the Prohibited Foreign Investment Industry List under the Foreign Investment Catalog was replaced by the Special Administrative Measures for Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) (the "**Negative List**") which was jointly promulgated by the MOC and NDRC on June 28, 2018 amended on June 30, 2019, June 23, 2020 and December 27, 2021, and the latest version took effect on January 1, 2022. The Encouraged Foreign Investment Industry List under the Foreign Investment Catalog was replaced by the Encouraged Foreign Investment Catalog (《鼓勵外商投資產業目錄》) which was promulgated by the NDRC on June 30, 2019, amended on December 27, 2020 and October 26, 2022, and the latest version became effect on January 1, 2023. According to the Negative List, foreign equity share in medical institutions shall not exceed 70%.

The Provisions on Guiding Foreign Investment Direction

The Provisions on Guiding Foreign Investment Direction (《指導外商投資方向規定》), which was promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, classify all foreign investment projects into four categories: (1) encouraged projects, (2) permitted projects, (3) restricted projects, and (4) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment in certain cases may enjoy preferential policies or benefits. If the industry invested falls into the restricted category, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions.

Domestic Regulations on Establishment of Taiwanese Sole Proprietorship Hospitals

Regulations of the State Council on Encouraging Investment by Taiwan Compatriots (《國務院關於鼓勵台灣同胞投資的規定》), which was issued and implemented by the State Council on July 3, 1988, Taiwanese investors can invest in industries such as industry, agriculture, services, and other industries in line with the direction of social and economic development in mainland China. Taiwanese investors can choose investment projects from the projects announced by relevant departments of local people's governments, or they can submit their own investment project intentions and apply to the foreign economic and trade department of the intended investment area or the approval authority designated by the local people's government. The state encourages Taiwanese investors to invest in and establish product export enterprises and advanced technology enterprises and provides corresponding preferential treatment.

The Notice on Printing and Distributing the Interim Measures for the Management of Sole proprietorship Hospitals Established by Taiwanese Service Providers in Mainland China (《台灣服務提供者在大陸設立獨資醫院管理暫行辦法》), which was promulgated by the MOH and MOC on October 22, 2010, stipulates that the establishment of sole proprietorship hospitals by Taiwanese service providers in mainland China is limited to Shanghai, Jiangsu, Fujian, Guangdong, and Hainan provinces. Taiwanese service providers can establish Taiwan funded wholly owned hospitals in mainland China and independently choose to operate for profit or non-profit purposes. The health administrative department (including the competent department of traditional Chinese medicine, the same below) and the commercial department of the local people's government at or above the city level with districts shall be responsible for the daily supervision and management of Taiwan funded wholly owned hospitals within their respective administrative areas. For-profit Taiwanese sole proprietorship hospitals shall comply with the relevant regulations of the mainland China on foreign-invested enterprises and accept supervision from relevant departments in the mainland China.

REGULATIONS RELATING TO OVERSEAS LISTINGS

The Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law

On July 6, 2021, the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》) was jointly issued by the General Office of the Communist Party of China Central Committee and the General Office of the State Council, which steps up scrutiny of overseas listings by companies and calls for strengthening cooperation in cross-border regulation, amending relevant laws and regulations on cyber security, cross-border data transmission and confidential information management, including the confidentiality requirement and file management related to the issuance and listing of securities overseas, enforcing the primary responsibility of the enterprises for information security of Chinese-based overseas listed companies and promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by Chinese-based overseas-listed companies.

The Trial Administrative Measures of Overseas Securities [REDACTED] by Domestic Companies

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures and five relevant guidelines, which came into effect on March 31, 2023. The Trial Administrative Measures provide that (i) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should complete a filing procedure and submit relevant information to the CSRC; in the event of subsequent offering and occurrence of certain major events, domestic companies shall also complete relevant filing procedures and submit information to the CSRC; if a domestic company fails to complete the filing procedures, omits any material fact, falsifies any content or contains any misleading statement in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) if both of the following conditions are met, the overseas [**REDACTED**] shall be determined as an indirect overseas [**REDACTED**] by a domestic company: (a) any of the revenue, total profit, total asset, or net asset of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figures in the issuer's audited consolidated financial statements for the same period; and (b) its major operational activities are carried out in the PRC or its main place of business is in the PRC, or members of the senior management in charge of business operation and management are mostly Chinese citizens or are domiciled in the PRC; (iii) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity as the responsible entity for the filing procedures with the CSRC; and (iv) where an issuer makes an application for [**REDACTED**] in an overseas market, the issuer shall file with the CSRC within three business days after such application is submitted.

REGULATIONS ON EMPLOYMENT

Labor Law of the PRC

The Labor Law of 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 PRC and its Implementation Regulations

The Labor Contract Law of 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 INSURANCE AND HOUSING FUNDS

The 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. 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 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 effect 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 OF LAND USE RIGHT AND CONSTRUCTION

Pursuant to Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June, 1986 with the latest amendment in August 2019, which became effective in January 2020, and Civil Code, any entity that needs land for the purposes of construction must obtain land use right and must register with local counterparts of Land and Resources Ministry. Land use right is established at the time of registration. According to the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on December, 1992 with the amendment in January 2011, and the PRC Law on Urban and Rural Planning (《中華人民共和國城鄉規劃法》) promulgated by the NPC on October, 2007 and became effective in January 2008 with the latest amendment in April 2019, the Measures for Administration of Permission for Commencement of Construction Works (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing Construction and Urban-Rural Development with the latest amendment in March 2021, the Interim Administrative Measures for Archival Filing on Inspection Upon Completion of Buildings and Municipal Infrastructure (《房屋建築工程和市政基礎設施工程竣工驗收備案管理暫行辦法》) promulgated by the Ministry of Housing and Urban-Rural Development in April 2000 and most recently amended in October 2009, and the Regulations on the Quality Management of Construction Engineering (《建設工程質量管理條例》) promulgated by the State Council in January 2000 and most recently amended in April 2019, after obtaining land use right, the owner of land use right must obtain construction land planning permit, construction works planning permit from the relevant municipal planning authority, and a construction permit from relevant construction authority in order to commence construction. After a building is completed, an examination of completion by the relevant governmental authorities and experts must be organized.

REGULATIONS ON TAX IN THE PRC

Enterprise Income Tax Law

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 on March 16, 2007 and last amended on December 29, 2018 and became effective on the same date, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》) (the "**Implementation Rules**"), which was promulgated on December 6, 2007 and amended on April 23, 2019 by the State Council, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay enterprise income tax on its income deriving from both inside and outside China at the rate of enterprise income tax of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay enterprise income tax on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of enterprise income tax of 25%. A non-resident enterprise that does not have an establishment or place of business in China or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax of 10%.

Value-added Tax

According to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (the "**VAT Regulations**"), which was promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 and last revised on November 19, 2017, the Implementation Regulations to the VAT Regulations 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 MOF on December 25, 1993 and last revised on October 28, 2011, and the Notice of the MOF and the SAT on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated on March 23, 2016 and came into effect on May 1, 2016, and last revised on March 20, 2019, all business tax payers in the consumer service industry shall pay value-added tax instead of business tax from May 1, 2016. If the taxpayer of the pilot project has already enjoyed tax incentives of business tax according to relevant policies and regulations before the application of the pilot collection of VAT in lieu of business tax, he may, in the remaining period of tax incentives, enjoy tax incentives of VAT in accordance with the relevant provisions. Furthermore, according to the Pilot Program, medical services provided by medical institutions, which are listed in the Specifications for Pricing Items of National Medical Services, shall be exempted from VAT.

As provided in Circular of the MOF and the SAT on the Relevant Tax Policies in Respect of Medical and Hygiene Institutions (《財政部、國家稅務總局關於醫療衛生機構有關稅收政策的通知》), which was promulgated by the MOF and the SAT on July 10, 2000 and became effective on the same date and further revised by the MOF on May 18, 2009 and became effective on January 1, 2009, medical services income obtained by NMIs at the price set by the state shall be exempted from any taxes. In respect of those medical services income which is not obtained at the price set by the state, this exemption policy shall not apply. Taxes on the income obtained by the PMIs shall be imposed according to the relevant provisions.

REGULATIONS ON FOREIGN EXCHANGE IN THE PRC

Pursuant to Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administration Rules**"), which was promulgated by the State Council of the PRC on January 29, 1996, came into effect on April 1, 1996 and further amended on January 14, 1997 and August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment, and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant governmental authorities (if necessary).

Pursuant to the Circular of the SAFE on Further Simplifying and Improving the Direct Investment related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015, implemented on June 1, 2015 and subsequently amended on December 30, 2019, the initial foreign exchange registration for establishing or taking control of an SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

According to the Circular of the SAFE on the Reform of the Management Method for 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》) promulgated by the SAFE on March 30, 2015 and came into effect on June 1, 2015 and subsequently amended on December 30, 2019 and March 23, 2023, and the Circular of the SAFE on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《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》) promulgated by the SAFE on June 9, 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity.

According to the Notice of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), which was issued by the SAFE on April 10, 2020 and took effect from the same day, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction.

Dividend Distribution

The SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote the Reform of Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Foreign Exchange Registration of Offshore Investment by PRC Residents

In July 2014, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (《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**"). The SAFE Circular 37 requires PRC residents, including PRC individuals and PRC corporate entities, to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities.

Under the SAFE Circular 37, PRC residents who make, or have prior to the implementation of the SAFE Circular 37 made, direct or indirect investments in an offshore special purpose vehicle (the "**SPV**") are required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its registration with the local branch of SAFE with respect to that SPV, to reflect any change of basic information or material events. If any PRC resident shareholder of such SPV fails to make the required registration or to update the registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiaries in China.

Upon [**REDACTED**], transactions between us and our connected persons will constitute our connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Qisda Corporation is our ultimate Controlling Shareholder interested directly and indirectly in 232,736,837 Shares in aggregate, representing approximately 95.02% equity interests in our Company as of the Latest Practicable Date and approximately [**REDACTED**]% of the equity interests in our Company upon completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised). For further details, see "Relationship With Our Controlling Shareholders" in this document.

Accordingly, the Qisda Group and other associates of Qisda Corporation (together with the Qisda Group, "**Qisda Connected Persons**") will be our connected persons pursuant to Chapter 14A of the Listing Rules and transactions between the Group and Qisda Connected Persons will be our connected transactions upon the [**REDACTED**].

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions with Qisda Connected Persons are made in the ordinary and usual course of business and on normal commercial terms or better, where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules for each of such transactions will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the following continuing connected transactions will be subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The following table sets forth a summary of our partially exempt continuing connected transactions:

Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual caps for the year ending December 31,		
			2024	2025	2026
				(RMB'000)	
1. Healthcare Services Framework Agreement . . . *Provision of healthcare services to Qisda Connected Persons*	Rules 14A.76(2)(a) and 14A.105	Waiver from strict compliance with the announcement requirements under Rule 14A.35 of the Listing Rules	3,033	3,337	3,670
2. Property Leasing Framework Agreement . . .					
Leasing of property to Qisda Connected Persons			8,015	8,817	9,698
Leasing of property from Qisda Connected Persons			3,936	4,330	4,763
3. Medical Product and Equipment Procurement Framework Agreement . . . *Medical product and equipment procurement from Qisda Connected Persons*			14,665	16,132	17,745

1. Healthcare Services Framework Agreement

Principal terms

In [●], our Company (for itself and on behalf of its subsidiaries) entered into a healthcare services framework agreement (the "**Healthcare Services Framework Agreement**") with Qisda Corporation (for itself and on behalf of other Qisda Connected Persons), pursuant to which our Group will provide healthcare services (such as physical examination services) to employees of Qisda Connected Persons (the "**Healthcare Services**"). The Healthcare Services Framework Agreement has a term commencing from the [**REDACTED**] to December 31, 2026, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations. The definitive healthcare services agreements to be entered into between members of our Group and Qisda Connected Persons shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Healthcare Services Framework Agreement.

Historical amounts

The following table sets out the total amount of fees incurred by Qisda Connected Persons payable to our Group in respect of the Healthcare Services during the Track Record Period:

For the year ended December 31,		
2021	**2022**	**2023**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
3,460	3,641	2,147

Pricing terms

The fees to be charged for the Healthcare Services will be determined after arm's length negotiations with reference to, where applicable, (i) the prevailing market price of similar healthcare services; (ii) the prices charged by us for providing similar healthcare services to the Independent Third Parties with comparable terms; and (iii) number of employees of Qisda Connected Persons who are entitled to such healthcare services.

Proposed annual caps and basis for determination

The following table sets forth the expected maximum fees payable by Qisda Connected Persons to our Group annually in respect of the Healthcare Services for each of the three years ending December 31, 2026:

For the year ending December 31,		
2024	**2025**	**2026**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
3,033	3,337	3,670

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts during the Track Record Period;
- the estimated fees to be received by us in relation to the Healthcare Services based on the existing contracts;
- the scope of the Healthcare Services is expected to remain substantially the same during the term of the Healthcare Services Framework Agreement;

- the prevailing market price of the Healthcare Services may slightly increase during the term of the Healthcare Services Framework Agreement;

- although the number of employees of a Qisda Connected Person who were entitled to enjoy the Healthcare Services decreased in 2023, which had contributed to the decrease in the relevant transaction amount during the same year, such number is expected to increase in 2024 but not return to the level in 2022. The number of employees of other Qisda Connected Persons who will be entitled to enjoy the Healthcare Services is expected to increase slightly as natural growth in 2024. The number of employees of Qisda Connected Persons who are entitled to enjoy the Healthcare Services for the year ending December 31, 2025 and 2026 respectively is expected to increase slightly as natural growth as a whole; and

- the expected inflation during the term of the Healthcare Services Framework Agreement.

Reasons and benefits of the transactions

Since the provision of healthcare services is the core business of the Group, the Group provides the Healthcare Services to the employees of corporate customers including Qisda Connected Persons and other independent third parties in our ordinary course of business. The provision of the Healthcare Services to employees of Qisda Connected Persons is in line with our ordinary and usual course of business. Furthermore, we can further increase our customer base through the provision of the Healthcare Services to Qisda Connected Persons' employees, who may further refer our services to other potential customers. Our Directors believe that entering into the Healthcare Services Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Shareholders as a whole.

2. Property Leasing Framework Agreement

Principal terms

In [●], our Company (for itself and on behalf of its subsidiaries) entered into a property leasing framework agreement (the "**Property Leasing Framework Agreement**") with Qisda Corporation (for itself and on behalf of other Qisda Connected Persons), pursuant to which (i) our Group will lease certain properties to Qisda Connected Persons for office use and (ii) Qisda Connected Persons will lease certain properties to our Group for employee dormitory and registration office use (together, the "**Property Lease**"). The Property Leasing Framework Agreement has a term commencing from the [**REDACTED**] to December 31, 2026, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations. The definitive property lease agreements to be entered into between members of our Group and Qisda Connected Persons shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Property Leasing Framework Agreement.

Accounting treatment

In accordance with the accounting standards applicable to our Group, the rents paid by our Group under the Property Leasing Framework Agreement are recognized as our expenses (instead of acquisition of right-of-use assets under IFRS 16).

Historical amounts

The following table sets out the total amount of rents incurred by Qisda Connected Persons payable to our Group during the Track Record Period:

For the year ended December 31,		
2021	**2022**	**2023**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
4,497	4,648	4,679

The following table sets out the total amount of rents incurred by our Group payable to Qisda Connected Persons during the Track Record Period:

For the year ended December 31,		
2021	**2022**	**2023**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
3,162	3,242	3,423

Pricing terms

The rents in respect of the Property Lease will be determined after arm's length negotiations with reference to, where applicable, (i) the historical rents during the Track Record Period; and (ii) the prevailing market rents of similar properties located in similar areas offered by the Independent Third Parties.

Proposed annual caps and basis for determination

The following table sets forth the expected maximum rents payable by Qisda Connected Persons to our Group annually in respect of the Property Lease for each of the three years ending December 31, 2026:

For the year ending December 31,		
2024	**2025**	**2026**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
8,015	8,817	9,698

The following table sets forth the expected maximum rents payable by our Group to Qisda Connected Persons annually in respect of the Property Lease for each of the three years ending December 31, 2026:

For the year ending December 31,		
2024	**2025**	**2026**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
3,936	4,330	4,763

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical rental amounts and the growth trend in respect of the Property Lease during the Track Record Period;
- the terms and conditions, such as the size of leasing area and the rents, under the existing lease agreements;
- the prevailing market rents of similar properties located in similar areas offered by the Independent Third Parties;
- the size of area let to a Qisda Connected Person, whose rents accounted for over 75% of the rents paid by Qisda Connected Persons to our Group for each year during the Track Record Period, is expected to expand up to 1.5 times of the current area let to it starting from the year ending December 31, 2024; and
- the expected inflation during the term of the Property Leasing Framework Agreement.

Reasons and benefits of the transactions

Leveraging our long-term cooperation relationship with Qisda Connected Persons, they had well performed the relevant contractual obligations at fair and reasonable terms in previous transactions. We believe (i) continuing to lease properties to Qisda Connected Persons would enable us to secure long-term and stable tenants, increase the utilization rate of our properties and generating stable income for our Group; and (ii) continuing to lease properties from Qisda Connected Persons would be convenient, spare us from incurring costs in sourcing new locations and avoid any incidental expenses for renting new employee dormitories and registration offices, as well as enhancing the stability of business operations of our Group. Our Directors believe that entering into the Property Leasing Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Shareholders as a whole.

3. Medical Product and Equipment Procurement Framework Agreement

Principal terms

In [●], our Company (for itself and on behalf of its subsidiaries) entered into a medical product and equipment procurement framework agreement (the "**Medical Product and Equipment Procurement Framework Agreement**") with Qisda Corporation (for itself and on behalf of other Qisda Connected Persons), pursuant to which our Group will procure medical products and equipment from Qisda Connected Persons (the "**Medical Product and Equipment Procurement**") on an non-exclusive basis. The Medical Product and Equipment Procurement Framework Agreement has a term commencing from the [**REDACTED**] to December 31, 2026, which may be renewed as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules and other applicable laws and regulations. The definitive medical product and equipment procurement agreements to be entered into between members of our Group and Qisda Connected Persons shall only contain provisions which are, in all material aspects, consistent with the binding principles, guidelines, terms and conditions set out in the Medical Product and Equipment Procurement Framework Agreement.

Historical amounts

The following table sets out the total amounts incurred by our Group payable to Qisda Connected Persons in respect of the Medical Product and Equipment Procurement during the Track Record Period:

For the year ended December 31,		
2021	**2022**	**2023**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
9,033	11,093	11,811

Pricing terms

The prices to be charged for the Medical Product and Equipment Procurement will be determined after arm's length negotiations with reference to, where applicable, (i) the prevailing market price of similar medical products and equipment; and (ii) terms and prices quotated by other independent suppliers for medical products and equipment procurement during bidding procedures.

Proposed annual caps and basis for determination

The following table sets forth the expected maximum amounts payable by our Group to Qisda Connected Persons annually in respect of the Medical Product and Equipment Procurement for each of the three years ending December 31, 2026:

For the year ending December 31,		
2024	**2025**	**2026**
(RMB'000)	*(RMB'000)*	*(RMB'000)*
14,665	16,132	17,745

In arriving at the above proposed annual caps, our Directors have considered, among others, the following factors:

- the historical transaction amounts and the growth trend during the Track Record Period;
- the estimated cost to be incurred in relation to the Medical Product and Equipment Procurement based on the existing contracts;
- the expected expansion of our certain business(es) which would lead to more procurement; and
- the expected inflation during the term of the Medical Product and Equipment Procurement Framework Agreement.

Reasons and benefits of the transactions

Leveraging our long-term cooperation relationship with Qisda Connected Persons, they had well performed the relevant contractual obligations at fair and reasonable terms in previous transactions. The relevant Qisda Connected Persons have good reputation in providing various medical products and equipment with good quality and logistics capabilities. In addition, they are also leading suppliers of certain medical products and equipment that we need in the industry. Considering the relevant large quantities of medical products and equipment they purchase through centralized procurement, they are able to supply relevant medical products and equipment to the Group at relatively lower prices. Where other terms of transactions are similar or comparable, Qisda Connected

Persons generally are able to offer a longer warranty period and favorable terms on payment, warranties and maintenance as compared to those offered by other independent suppliers. We believe continuing to procure medical products and equipment from Qisda Connected Persons is more efficient and can effectively fulfill our Group's demands in terms of volume and quality in a timely and reliable manner.

In addition, in our ordinary and usual course of business, we generally procure medical products and equipment from both the Qisda Connected Persons and Independent Third Party suppliers. For procurements exceeding certain monetary value, we select suppliers through tender and bidding process. Therefore if a Qisda Connected Person wins during the bidding process, the relevant connected transaction with it would be a nature result of such bidding process.

Our Directors believe that entering into the Medical Product and Equipment Procurement Framework Agreement and the terms thereof are fair and reasonable, and are in the interests of our Shareholders as a whole.

Listing Rules Implications

As the highest applicable percentage ratio under the Listing Rules in respect of the proposed annual caps under each of the Healthcare Services Framework Agreement, Property Lease Framework Agreement and Medical Product and Equipment Procurement Framework Agreement is expected to be more than 0.1% but less than 5%, the transactions under the Healthcare Services Framework Agreement, Property Lease Framework Agreement and Medical Product and Equipment Procurement Framework Agreement are subject to the reporting, annual review and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVERS GRANTED BY THE STOCK EXCHANGE

As the material terms of each of the partially exempt continuing connected transactions are disclosed in this document and potential [**REDACTED**] will participate in the [**REDACTED**] on the basis of the disclosures, our Directors consider that strict compliance with the announcement requirement under Chapter 14A of the Listing Rules, would be impracticable and unduly burdensome and, in particular, would induce unnecessary administrative costs to our Company.

As a result, our Company has applied to the Stock Exchange for, and has been granted, subject to the condition that the value of the annual transactions shall not exceed their respective estimated annual caps as stated above, a waiver under Rule 14A.105 of the Listing Rules to exempt the transactions set out in the sub-section headed "Partially Exempt Continuing Connected Transactions" in this section from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules for the term starting from the [**REDACTED**] and ending December 31, 2026.

In addition, we confirm that we will comply with the applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above is exceeded, or when there is a material change in the terms of these transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including independent non-executive Directors) are of the view that:

(a) the partially exempt continuing connected transactions described above for which a waiver is sought have been entered into and will be carried out in the ordinary and usual course of business of our Group and all such transactions will be conducted on normal commercial terms or better which are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and

(b) the proposed annual caps of such partially exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and documents provided by the Company and participated in the due diligence and discussion with the management of the Company relating to the partially exempt continuing connected transactions described above. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that:

(a) the partially exempt continuing connected transactions described above for which a waiver is sought have been entered into in the ordinary and usual course of business of the Group on normal commercial terms or better which are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and

(b) the proposed annual caps of such partially exempt continuing connected transactions set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BOARD OF DIRECTORS

The following table sets forth general information regarding our Directors (including proposed Directors):

Name	Position	Age	Date of appointment as Director	Time of joining our Group	Role and responsibilities	Relationship with other Directors and senior management
Mr. HSIAO Tze-Jung (蕭澤榮)	Executive Director and chief executive officer	64	April 30, 2015	February 1, 2012	Overall strategic planning, business direction and operational management of our Group	None
Mr. CHEN Chi-Hong (陳其宏)	Chairperson of the Board and non-executive Director	62	May 27, 2013	May 27, 2013	Reviewing and providing advice on the overall corporate and business development and strategic planning of our Group	None
Ms. HUNG Chiu-Chin (洪秋金)	Non-executive Director	56	September 11, 2019	September 1, 2015	Reviewing and providing advice on the overall corporate and business development and strategic planning of our Group	None
Dr. WANG Liming (王黎明)	Non-executive Director	55	April 30, 2015	May 12, 2012	Reviewing and providing advice on the overall corporate and business development and strategic planning of our Group	None
Dr. CHOW Hsing-Yi (周行一)	Independent non-executive Director	64	March 22, 2024 (effective upon [**REDACTED**])	[**REDACTED**]	Providing independent judgment to our Board	None
Mr. WANG Wen-Tsung (王文聰)	Independent non-executive Director	59	March 22, 2024 (effective upon [**REDACTED**])	[**REDACTED**]	Providing independent judgment to our Board	None
Mr. CHEN Ray-Jade (陳瑞杰)	Independent non-executive Director	67	March 22, 2024 (effective upon [**REDACTED**])	[**REDACTED**]	Providing independent judgment to our Board	None

Upon [**REDACTED**], our Board will consist of seven Directors, comprising one executive Director, three non-executive Directors and three independent non-executive Directors. Pursuant to the Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

The following sets forth the biographies of our Directors:

Executive Director

Mr. HSIAO Tze-Jung (蕭澤榮) is our executive Director and chief executive officer. He was appointed as a Director on April 30, 2015 and was re-designated as an executive Director of our Company on March 22, 2024. He joined our Group in February 2012 when he was appointed as a director of Nanjing BenQ Hospital and Suzhou BenQ Hospital. Since November 2018, he was appointed as the chief executive officer of our Group, taking the responsibility of overall management of the hospital sector. He holds the following positions in the major subsidiaries of our Group:

Name of subsidiary	Position	Period
Nanjing BenQ Hospital	Director	February 2012 to present
	Chairperson of the board	April 2015 to present
	General manager	September 2018 to present
Suzhou BenQ Hospital	Director	February 2012 to present
	General manager	September 2018 to present

Beside, Mr. Hsiao also holds the position of director, chairperson of the board and/or general manager at other four subsidiaries of us.

Mr. Hsiao has more than 35 years of experience in corporate management and led our business operations for years. Mr. Hsiao joined AUO Corporation (友達光電股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 2409.TW) in July 2000 and served as an assistant vice president, where he was responsible for production and operation of factories of AUO Corporation before joining the Qisda Group.

In August 2007, Mr. Hsiao joined Qisda Corporation and he has served (i) as senior vice president of Qisda Corporation and the president of the Global Manufacturing Headquarters in charge of relevant business; and (ii) as the chairperson of each of Qisda (Suzhou) Co., Ltd (蘇州佳世達電通有限公司), Qisda Optronics (Suzhou) Co., Ltd (蘇州佳世達光電有限公司), Qisda Electronics (Suzhou) Co., Ltd (蘇州佳世達電子有限公司), Qisda Precision Industry (Suzhou) Co., Ltd (蘇州佳世達精密工業有限公司) and Qisda (Shanghai) Co., Ltd (佳世達電通(上海)有限公司) until March 2024. He also served as the chairperson at BenQ Biotech (Shanghai) Co., Ltd (明基生物技術(上海)有限公司) from August 2019 to March 2024, Shanghai Filter Technology Co., Ltd (上海費爾特科技有限公司) from December 2020 to March 2024 and Qisda Vietnam Co., Ltd from October 2019 to March 2024.

Mr. Hsiao graduated from Tamkang University (淡江大學) in Taiwan with a bachelor's degree in engineering in June 1983.

Non-executive Directors

Mr. CHEN Chi-Hong (陳其宏) is our chairperson of the Board and a non-executive Director of our Company. He was appointed as a Director on May 27, 2013 and was re-designated as a non-executive Director and chairperson of the Board of our Company on March 22, 2024.

Mr. Chen is currently the chairman and chief executive officer of Qisda Corporation, our Controlling Shareholder. He joined Qisda Corporation in 1991 and successively served as (i) the head of Display Product Group from 1991 to 1992, (ii) the manager of Display Product Group from 1992 to 1997, (iii) an associate vice president of Display Product Group from 1998 to 2003, (iv) a vice general manager of Display Product Group from 2003 to 2013, and (v) the general manager of Qisda Corporation from 2014 to 2023. He was appointed as the chairman and chief executive officer of Qisda Corporation in 2022 and guided its development and growth since then. As a chief helmsman of Qisda Group, he takes the lead of the transformation strategy, operation planning and the alliance investment strategy of Qisda Corporation.

Mr. Chen has also served as (i) a director at Darfron Electronics Corp. (達方電子股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 8163.TW) since March 2001, (ii) the chairperson at BenQ Medical Technology Ltd. (明基三豐醫療器材股份有限公司), a company listed on the Taipei Exchange (stock code: 4116.TPEx), since April 2010, (iii) a director at Partner Tech Corp. (拍檔科技股份有限公司), a company listed on the Taipei Exchange (stock code: 3097.TPEx), since October 2014, (iv) a director at BenQ Materials Corp. (明基材料股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 8215.TW), since July 1998, (v) the chairperson of DFI Inc. (友通資訊股份有限公司) a company listed on the Taiwan Stock Exchange (stock code: 2397.TW), since December 2017, (vi) a director at Alpha Networks Inc. (明泰科技股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 3380.TW), since June 2018, and (vii) a director at Hitron Technologies (仲琦科技股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 2419.TW), since February 2020.

He currently holds the following positions in the major subsidiaries of our Group and is also a director of three other subsidiaries of our Group:

Name of subsidiary	Position	Period
Nanjing BenQ Hospital	Director	August 2015 to present
Suzhou BenQ Hospital	Director	September 2015 to present

Mr. Chen was awarded a number of reputed honors including, among other things, (i) Entrepreneur of The Year Award of Asia Pacific Enterprise Awards (APEA) by Enterprise Asia in September 2023, (ii) Taiwan Smart City Excellence Contribution Award-Smart Health Award in August 2023 and (iii) Ernst & Young Entrepreneur of the Year Award in November 2019. He serves a fellow of Industrial Technology Research Institute since October 2023.

Mr. Chen obtained his bachelor's degree in engineering from National Cheng Kung University (國立成功大學) in June 1985 in Taiwan and his master's degree in business administration in international management from Thunderbird School of Global Management in December 2001 in Phoenix, Arizona.

Ms. HUNG Chiu-Chin (洪秋金) is a non-executive Director of our Company. She was appointed as a Director on September 11, 2019 and was re-designated as a non-executive Director of our Company on March 22, 2024. She joined our Group as the supervisor of Suzhou BenQ Hospital on September 1, 2015. She is the vice president, the chief financial officer and the spokesperson of Qisda Corporation. She also holds the following positions in the major subsidiaries of our Group and is also a director or a supervisor of several other subsidiaries of our Group:

Name of subsidiary	Position	Period
Nanjing BenQ Hospital	Director	October 2019 to present
Suzhou BenQ Hospital	Director	October 2019 to present

Ms. Hung has extensive experience in financial management, mergers and acquisitions and communications. She joined Qisda Corporation in October 1997 and eventually served as a financial manager until December 2002. From 2003 to 2005, she was the chief financial officer at the predecessor company of BenQ Materials Corp. (明基材料股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 8215.TW). She served successively as the controller and AVP of Finance Management Department of Qisda Corporation from September 2005 to August 2019 and group chief financial officer from September 2019 to March 2021. Since March 2021, she has been the vice president, the chief financial officer and the spokesperson of Qisda Corporation, where she is responsible for the financial management and merger and acquisition planning of the group and administration for corporate governance.

Ms. Hung is also serving as a director at several public companies, including (i) Data Image Corporation (眾福科技股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 3168.TW), since January 2019, (ii) Darfron Electronics Corp. (達方電子股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 8163.TW), since August 2019, (iii) Metaage Corporation (邁達特數位股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 6112.TW), since September 2019, (iv) Alpha Networks Inc. (明泰科技股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 3380.TW), since January 2021, (v) Topview Optronics Corp. (勝品電通股份有限公司), a company listed on the Taipei Exchange (stock code: 6556.TPEx), since June 2023.

Ms. Hung obtained her MBA degree from California State University, Fullerton in January 1995 in Fullerton, California. She completed the EMBA course and obtained her MBA degree from National Taiwan University in April 2023 in Taiwan.

Dr. WANG Liming (王黎明) is a non-executive Director of our Company. She was appointed as a Director on April 30, 2015 and was re-designated as a non-executive Director of our Company on March 22, 2024. She holds the following positions in the major subsidiaries of our Group and is also a director of three other subsidiaries of our Group:

Name of subsidiary	Position	Period
Nanjing BenQ Hospital	Director	February 2012 to present
Suzhou BenQ Hospital	Director	October 2012 to present
	Chairperson of the board	April 2017 to present

She served as a lawyer at Jiangsu Centennial Yinghao Law Firm (江蘇百年英豪律師事務所) until 1998, professionalizing in company's laws and intellectual property laws. She joined the Qisda Group in August 1998 and served as the general counsel of the China office of the Qisda Group since then.

Dr. Wang obtained her bachelor's degree in economic law in July 1991 from East China Institution of Political Science and Law (華東政法學院) (now known as East China University of Political Science and Law (華東政法大學)) in Shanghai. She graduated from East China Institution of Political Science and Law, majoring in juris master, in July 2001. She completed a doctoral program in Chinese modern and contemporary history from Soochow University (苏州大学) in June 2008 in Jiangsu Province. She received her legal professional qualification certificate from the Ministry of Justice of the PRC in December 1994 and a Level 2 Certificate of Secondary Psychological Consultant by Shanghai Municipal Bureau of Human Resources and Social Security in March 2015.

Independent Non-executive Directors

Dr. CHOW Hsing-Yi (周行一) was appointed as an independent non-executive Director of our Company on March 22, 2024 (effective upon [**REDACTED**]).

Dr. Chow is an emeritus professor and a distinguished adjunct professor of National Chengchi University (國立政治大學). He served as an associate professor from August 1995 to August 1996 and a professor from August 1996 to October 1998 at the faculty of finance at National Chengchi University. Before his retirement in February 2022, Dr. Chow served as a professor at the faculty of finance of National Chengchi University. During his tenure at National Chengchi University, he also served on campus as (i) the chairman of the department of finance from August 2000 to July 2002, (ii) a vice dean of the college of commerce from September 2004 to July 2005, (iii) the dean of the college of commerce from August 2005 to July 2008, (iv) the director of the Innovation and Creativity Research Center from February 2006 to July 2006, (v) the principal of National Chengchi University and the chair of the Gender Equality Education Committee from November 2014 to November 2018, (vi) the chair of Bridge Committee of the Chinese Taipei University Sports Federation from January 2017 to January 2019, and (vii) the chairman of the board of The Phi Tau Phi Scholastic Honor Society from January 2018 to October 2019. In addition, he also served as a director from October 2003 to October 2006 and the supervisor (監察人) from October 2006 to September 2018 at Taipei Exchange, a member of the Administration Committee for the Financial Restructuring Fund (金融重建基金管理委員會) from July 2008 to December 2011, and a director of International Cooperation and Development Fund (財團法人國際合作發展基金會) from August 2008 to July 2015.

Dr. Chow has served as an independent director of (i) Coretronic Corporation (中強光電股份有限公司), a company listed on the Taipei Exchange (stock code: 5371.TPEx) since June 2019, (ii) Yuanta Financial Holding Co., Ltd. (元大金融控股公司), a company listed on the Taiwan Stock Exchange (stock code: 2885.TW) since June 2019 and (iii) a member of numeration committee of Lien Hwa Industrial Holdings Corp. (聯華實業投資控股股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 1229.TW) since August 2023.

Dr. Chow graduated from National Chengchi University with a bachelor's degree in business administration in May 1981 in Taiwan and obtained doctoral degree in business in February 1991 from Indiana University in Bloomington, Indiana.

Mr. WANG Wen-Tsung (王文聰) was appointed as an independent non-executive Director of our Company on March 22, 2024 (effective upon [**REDACTED**]).

Mr. Wang has served as an auditor at Bing-Cherng CPAS (秉誠聯合會計師事務所) since July 1995. He also served as an independent director at Metaage Corporation (邁達特數位股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 6112.TW) and a subsidiary of Qisda Corporation, since June 2016.

Mr. Wang obtained his bachelor's degree in business from Department of Accounting Feng Chia University (逢甲大學) in Taiwan in June 1988 and his MBA degree from National Tsing Hua University (國立清華大學) in Taiwan in June 2021. He has been a certified public accountant of Taiwan since June 1993.

Mr. CHEN Ray-Jade (陳瑞杰) was appointed as an independent non-executive Director of our Company on March 22, 2024 (effective upon [**REDACTED**]).

From February 2004 to March 2010, he served successively as an associate professor and a professor at Faculty of Medicine at China Medical University (中國醫藥大學). From April 2010 to January 2021, he taught at Faculty of Medicine at Taipei Medical University (臺北醫學大學) as a professor and had also held several other administrative positions including the director of Center for Management and Development, the head of the Department of Surgery and the director of Preparatory Office of the Telehealth Center within such period. From January 2015 to December 2020, he served as the superintendent of Taipei Medical University Hospital (臺北醫學大學附設醫院). Since 2022, he took over as the Chairman of Board of Trustees of Taipei Medical University.

Mr. Chen obtained his bachelor's degree in medicine in June 1981 and his master's degree in science in June 2003 from Graduate Institute of Biomedical Informatics (醫學資訊研究所) of Taipei Medical University in Taiwan. He received his professor qualification from Taiwan Ministry of Education in January 2010 and his medical practitioner qualification from Taiwan Department of Health in January 1982.

Confirmations

Save as disclosed in this document, each of our Directors confirms with respect to himself or herself, to the best of his or her knowledge, information and belief, that (a) he or she had no other relationship with any Directors, senior management or substantial shareholders of our Company as at the Latest Practicable Date; (b) he or she did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (c) there are no other matters concerning his or her appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

Each of our Director confirms that, as of the Latest Practicable Date, he or she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Each of our Directors confirms that he or she (i) has obtained legal advice from O'Melveny & Myers as regards the requirements under Rule 3.09D of the Listing Rules on March 22, 2024 and (ii) understands his or her obligations as a Director of a listed issuer under the Listing Rules.

Each of the independent non-executive Directors confirms (i) his independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules, (ii) that he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointment.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group.

Name	Position	Age	Date of appointment as senior management	Date of joining our Group	Role and responsibilities	Relationship with other Directors senior management
Mr. HSIAO Tze-Jung (蕭澤榮)	Chief executive officer	64	September 1, 2018	February 1, 2012	Overall strategic planning, business direction and operational management of our Group	None
YU Zhenkun (于振坤), M.D.	President of Nanjing BenQ Hospital	58	February 14, 2020	June 1, 2019	Overseeing the operation and management of Nanjing BenQ Hospital	None
Mr. ZHOU Xiaoqing (周曉慶)	President of Suzhou BenQ Hospital	63	November 11, 2016	November 11, 2016	Overseeing the operation and management of Suzhou BenQ Hospital	None
Mr. CHIANG Che-Min (江哲旻)	Chief financial officer	49	July 7, 2014	July 7, 2014	Managing accounting, treasury, tax, investment matters of the Group and serving as the secretary to the Board	None

For the biographies of **Mr. Hsiao**, see "— Executive Director" in this section.

YU Zhenkun (于振坤), M.D. was appointed as the president of Nanjing BenQ Hospital on February 14, 2020. He joined our Group in June 1, 2019 and serves as the director of department and a chief physician at the Otorhinolaryngology-Head and Neck Department of Surgery and an academic leader in Nanjing BenQ Hospital. He is also a director of Nanjing BenQ Hospital. Dr. Yu also serves as vice president at The Fourth School of Clinical Medicine of Nanjing Medical University (南京醫科大學第四臨床醫學院) since March 2020. He is also a professor and doctoral supervisor at Nanjing Medical University (南京醫科大學) and Southeast University (東南大學).

Prior to joining our Group, Dr. Yu had been involved in the hospital management and the field of otorhinolaryngology-head and neck surgery clinical work for more than 30 years. In the 1990s, Dr. Yu practiced as a doctor at Otorhinolaryngology Department of Shandong Medical University Hospital (山東醫科大學附屬醫院). From September 1998, Dr. Yu served successively as deputy chief physician, chief physician, deputy director of the department and director of the department at Otorhinolaryngology-Head and Neck Department of Surgery in Beijing Tongren Hospital (北京同仁醫院), a Grade A Class III general Hospital for more than a decade. In October 2007, Dr. Yu began his services at Nanjing Tongren Hospital (南京同仁醫院), a Class III general hospital, where he had held serval roles including the president of the hospital, director of the department and chief physician at the Otorhinolaryngology-Head and Neck Department of Surgery for more than a decade. In addition, he had taught at the Capital University of Medical Sciences (首都醫科大學) as an associate professor and then a professor since September 2000 and had served as a doctoral supervisor.

Dr. Yu served as a postdoctoral research fellow simultaneously at Otorhinolaryngology-Head and Neck Department of Surgery of Capital Medical University from September 1996 to July 1998. He was a visiting scholar and a postdoctoral research fellow at Memorial Sloan-Kettering Cancer Center from September 2002 to September 2006.

Dr. Yu has served as, among other things, (i) a member of the fourth standing committee of the Otorhinolaryngology-Head and Neck of Surgery Branch of Chinese Medical Doctor Association (中國醫師協會耳鼻咽喉頭頸外科醫師分會) since September 2023, (ii) a member of the third standing committee of the Otorhinolaryngology-Head and Neck of Surgery Branch of China International Exchange and Promotive Association for Medical and Healthcare (中國醫療保健國際交流促進會耳鼻咽喉頭頸外科學分會) since November 2022, (iii) a vice president of the Otorhinolaryngology-Head and Neck of Surgery Branch of Jiangsu Medical Doctor Association (江蘇醫師協會耳鼻咽喉頭頸外科分會) since June 2022 and (iv) a member of Laryngeal Cancer Quality Control Committee of National Cancer Center (國家癌症中心喉癌質控專業委員會). He was awarded multiple honors and titles including "The Fourth School of Clinical Medicine of Nanjing Medical University Special Contributions and Achievement Award" (南京醫科大學第四臨床醫學院特殊貢獻與成就獎), "Young and Middle-aged Experts with Outstanding Contributions in Jiangsu Province" (江蘇省有突出貢獻的中青年專家), leading talent of "Innovative Team Program' Introduced Team" (江蘇省"創新團隊計劃"引進團隊領軍人才), etc.

Dr. Yu graduated with a major in medicine in July 1987 and obtained a master's degree in medicine in December 1993 and a doctoral degree in medicine in July 1996 from Shandong Medical University (山東醫科大學) (now known as Shandong University School of Medicine (山東大學醫學院)) in Shandong Province. He was qualified as a practicing physician with a certificate issued by Beijing Municipal Health Bureau (北京市衛生局).

Mr. ZHOU Xiaoqing (周曉慶, former name: 周小慶) joined our Group and was appointed as the president of Suzhou BenQ Hospital in November 1, 2016. He is also a director of Suzhou BenQ Hospital.

Mr. Zhou has substantial and extensive experience in healthcare industry for more than 20 years. Prior to joining our Group, he successively served as the president of Nanjing Gaochun People's Hospital (南京市高淳人民醫院), now a Grade A Class III general hospital in Nanjing, and the director of Health Bureau of Gaochun District (南京市高淳區衛生局).

Mr. Zhou has also held many social titles, including but not limited to a standing director of Social Medical Division of Chinese Research Hospital Association (中國研究型醫院學會社會辦醫分會常務理事), a member of the Expert Steering Committee of Hainan Cancer Prevention and Treatment Center (海南省腫瘤防治中心專家指導委員會委員), a council member of the fifth committee of the Private Hospital Division of the Chinese Hospital Association (中國醫院協會民營醫院分會第五屆委員會委員) and a vice chairperson of the Private Hospital Division of Suzhou Hospital Association (蘇州市醫院協會民營醫院分會副主任委員). Besides, he has experience working with the Jiangsu Modern Hospital Management Research Center of Jiangsu Province Hospital Association (江蘇省醫院協會江蘇現代醫院管理研究中心). Mr. Zhou has been awarded as an Outstanding President of Jiangsu Province and Outstanding President awarded by Chinese Hospital Association.

Mr. Zhou obtained a bachelor's degree in medicine from Suzhou Medical School (蘇州醫學院) (now known as Suzhou Medical College of Soochow University (蘇州大學醫學院)) in Jiangsu Province in August 1983. He graduated in master of corporate management (major in system engineering) from the School of Economics and Management of Southeast University (東南大學) in March 1999. He also obtained a graduate certificate in courses for postgraduate majoring in clinical medicine from Soochow University (蘇州大學) in April 2004, both in Jiangsu Province. He was qualified as a practicing physician with a certificate issued by Health Department of Jiangsu Province.

Mr. CHIANG Che-Min (江哲旻) joined our Group and was appointed as the chief financial officer in July 2014. He is also a director of Suzhou BenQ Investment and BenQ Healthcare Consulting.

From November 2009 to July 2014, Mr. Chiang served as a treasury manager at Qisda Corporation, where he was responsible for managing collection and customer credit and leading financial projects of the group. Before joining Qisda Corporation, from February 2008 to June 2009, he worked for PricewaterhouseCoopers Management Consulting Company Ltd. (資誠企業管理顧問股份有限公司). From August 2006 to November 2007, he served as a senior credit & collection analyst at ViewSonic Corp. (優派國際股份有限公司), an electronic manufacturer and distributor, where he was responsible for customer credit and collection management. From July 2005 to August 2006, Mr. Chiang worked at Taiwan Economic Journal (台灣經濟新報文化事業股份有限公司), an economic and data consulting services provider, where he was responsible for conducting credit ratings on the listed or over-the-counter technology companies. From November 2001 to July 2005, he worked for PricewaterhouseCoopers, Taiwan (資誠聯合會計師事務所).

Mr. Chiang obtained his bachelor's degree in commerce from Ming Chuan College (私立銘傳管理學院) (now known as Ming Chuan University (銘傳大學)) in June 1997 in Taiwan and his master's degree in commerce from National Chung Cheng University (國立中正大學) in June 1999 in Taiwan.

COMPANY SECRETARY

Ms. LAI Ying Tung (黎映彤) ("**Ms. Lai**") has been appointed as the company secretary of our Company with effect from March 22, 2024. Ms. Lai is currently a manager of corporate services of Vistra Corporate Services (HK) Limited. She has approximately eight years of experience in the corporate secretarial field and has been providing a full range of corporate and compliance services. She is currently the company secretary of Star Plus Legend Holdings Limited (巨星傳奇集團有限公司), a company listed on the Stock Exchange (stock code: 6683.HK).

Ms. Lai obtained her master's degree in corporate governance from Hong Kong Metropolitan University. She has been an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute in the United Kingdom since 2021.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our audit committee, remuneration committee and nomination committee.

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules, paragraph C.4 and paragraph D.3 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The audit committee consists of Mr. WANG Wen-Tsung (王文聰), Dr. CHOW Hsing-Yi (周行一) and Ms. HUNG Chiu-Chin (洪秋金), with Mr. WANG Wen-Tsung (王文聰) being the chairman of the committee.

The primary function of the audit committee is to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board which includes, amongst other things:

- proposing to the Board the appointment and replacement of external audit firms;
- supervising the implementation of our internal audit system;
- liaising between our internal audit department and external auditors;
- reviewing our financial information and related disclosures; and
- other duties conferred by the Board.

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The remuneration committee consists of Mr. CHEN Ray-Jade (陳瑞杰), Mr. WANG Wen-Tsung (王文聰), Mr. HSIAO Tze-Jung (蕭澤榮), with Mr. CHEN Ray-Jade (陳瑞杰) being the chairman of the committee.

The primary function of the remuneration committee is to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration packages of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements which includes, amongst other things:

- establishing, reviewing and making recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management;
- determining the terms of the specific remuneration package of each Director and members of senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time;

- monitoring potential conflicts of interest; and
- other duties conferred by the Board.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with Rule 3.27A of the Listing Rules, paragraph B.3 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The nomination committee consists of Mr. CHEN Chi-Hong (陳其宏), Mr. CHEN Ray-Jade (陳瑞杰) and Dr. CHOW Hsing-Yi (周行一), with Mr. CHEN Chi-Hong (陳其宏) being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things:

- reviewing the structure, size and composition of our Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;
- assessing the independence of our independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of our Directors;
- identifying potential conflicts of interest and
- other duties conferred by the Board.

CORPORATE GOVERNANCE

Board Diversity

We [have adopted] a board diversity policy (the "**Board Diversity Policy**") to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a range of diversity perspectives with reference to our Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service.

Our Directors have a balanced mix of knowledge and skills, including but not limited to overall business management, hospital management, law, financial management, audits and project management. They obtained degrees in various majors including engineering, management, business administration, laws, accounting and medicine. In addition, we have taken steps to promote and enhance gender diversity at all levels of our Company, and our Board currently comprises two female Directors and five male Directors. Our Board is of the view that our Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for reviewing the diversity of our Board, reviewing the Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing the Board Diversity Policy, and monitoring the progress on achieving these measurable objectives in order to ensure that the policy remains effective. Our Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report. Our Company also intends to continuously promote gender diversity when recruiting staff at the mid to senior level so that our Company will have a pipeline of female senior management and potential successors to our Board. We believe that such merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of our Company and our Shareholders as a whole.

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Director and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances and benefits in kind, performance related bonuses, equity-settled share option expense and pension scheme contributions. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees).

For the three years ended December 31, 2021, 2022 and 2023, the aggregate amount of emolument paid by our Company to our Directors were RMB1.85 million, RMB1.75 million and RMB1.77 million, respectively. It is estimated that under the arrangements currently in force, the aggregate emolument (excluding any possible payment of discretionary bonus and equity-settled share option expense) payable to the Directors for the year ended December 31, 2024 will be RMB3 million.

For the three years ended December 31, 2021, 2022 and 2023, the aggregate amount of emolument paid by our Company to the five highest paid individuals were RMB12.2 million, RMB14.0 million and RMB15.5 million, respectively, none of whom are directors. During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company or as a compensation for loss of office in connection with the management of the affairs of our Company or any subsidiary during the Track Record Period.

During the Track Record Period, none of our Directors waived or agreed to waive any emolument. Except as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals during the Track Record Period.

PRE-[REDACTED] SHARE OPTION PLAN

We have adopted the Pre-[**REDACTED**] Share Option Plan, the principal terms of which are summarized in "Statutory and General Information — D. Pre-[**REDACTED**] Share Option Plan" in Appendix V to this document.

COMPLIANCE ADVISER

We have appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

(a) before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and securities repurchases;

(c) where we propose 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

(d) where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues 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 distribute the annual report of the first full financial year commencing after the [**REDACTED**] pursuant to the Rule 13.46 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or the options granted under the Pre-[**REDACTED**] Share Option Plan the Qisda Internal Restructuring, the following persons will have an interest or short position in the Shares or the 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 who is, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company:

Name	Capacity/ nature of interest[1]	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding in the total issued share capital of our Company as of the Latest Practicable Date	Approximate percentage of shareholding in the total issued share capital of our Company immediately following completion of the [REDACTED]	Number of Shares held immediately following completion of the [REDACTED] and assuming the Qisda Internal Restructuring is completed	Approximate percentage of shareholding in the total issued share capital of our Company immediately following completion of the [REDACTED] and assuming the Qisda Internal Restructuring is completed[3]
Qisda Corporation[2]	Beneficial owner; Interest in controlled corporation	232,736,837	95.02%	[REDACTED]	[REDACTED]	[REDACTED]
BenQ Corp.[2]	Beneficial owner; Interest in controlled corporation	85,023,956	34.72%	[REDACTED]	[REDACTED]	[REDACTED]
Darly2 Venture, Ltd.[2]	Beneficial owner	65,023,956	26.55%	[REDACTED]	[REDACTED]	[REDACTED]
Darly Venture Inc.[2]	Beneficial owner	25,000,000	10.21%	[REDACTED]	[REDACTED]	[REDACTED]
Darly Venture (L) Ltd[2]	Beneficial owner	14,157,800	5.78%	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. All interests stated are long positions.

2. Darly2 Venture is a wholly-owned subsidiary of BenQ Corp., and each of BenQ Corp., Darly Venture and Darly Venture (L) is a wholly-owned subsidiary of Qisda Corporation. By virtue of the SFO, BenQ Corp. is deemed to be interested in the Shares held by Darly2 Venture, and Qisda Corporation is deemed to be interested in the Shares held by BenQ Corp., Darly Venture, Darly Venture (L) and Darly2 Venture.

3. For details of Qisda Internal Restructuring, see "History, Development and Corporate Structure — Major Shareholding Changes of Our Company — Qisda Internal Restructuring" in this document.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised), have any interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the [**REDACTED**].

Authorized Share Capital

Description of Shares	Number	Aggregate par value
As of the Latest Practicable Date		
Shares of US$1.00 each	300,000,000	US$300,000,000.00
[**REDACTED**]		
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Issued Share Capital

Issued and to be issued, fully paid or credited as fully paid upon completion of the [**REDACTED**] *(assuming the* [**REDACTED**] *and the options granted under the Pre-*[**REDACTED**] *Share Option Plan are not exercised)*

Description of Shares	Number	Aggregate par value	Approximate percentage to total issued share capital
Ordinary Shares in issue as of the Latest Practicable Date . .	244,945,001	US$244,945,001.00	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

ASSUMPTION

The above table assumes that the [**REDACTED**] has become unconditional and the Shares are issued pursuant to the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised). It takes no account of 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 or otherwise.

RANKING

Upon completion of the [**REDACTED**], the Shares are ordinary Shares in the share capital of our Company and rank *pari passu* in all respects with all Ordinary Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Upon completion of the [**REDACTED**], our Company will have only one class of Shares, namely ordinary Shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders to (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) sub-divide its shares into shares of smaller amount; (v) cancel any shares which have not been taken (vi) make provision for the allotment and issue of shares which do not carry any voting rights; (vii) change the currency of denomination of its share capital; and/or (viii) reduce its share premium account in any manner authorised, and subject to any conditions prescribed by law. In addition, our Company may reduce or redeem its share capital by special resolution. For more details, see "Summary of the Constitution of the Company and the Company Laws of the Cayman Islands" in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to, inter alia, allot, issue and deal with Shares, securities convertible into Shares (the "**Convertible Securities**") or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the "**Options and Warrants**") and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [**REDACTED**] (taking into account the Shares which may be issued upon the exercise of the [**REDACTED**]) but not the Shares which may be issued upon the exercise of the options granted under the Pre-[**REDACTED**] Share Option Plan; and

(ii) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, see "Statutory and General Information — A. Further Information About Our Group — 4. Resolutions of Our Shareholders Dated [●]" in Appendix V to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the [**REDACTED**] (excluding any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]) and the options granted under the Pre-[**REDACTED**] Share Option Plan.

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further Information About Our Group — 5. Explanatory statement on repurchase of our own securities" in Appendix V to this document.

This general mandate to repurchase Shares will remain in effect until:

(i) at the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, see "Statutory and General Information — A. Further Information About Our Group — 4. Resolutions of Our Shareholders Dated [●]" in Appendix V in this document.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Qisda Corporation was interested in 232,736,837 Shares, representing approximately 95.02% equity interests in our Company through: (i) 108,555,081 Shares directly held by it, representing approximately 44.32% equity interests in our Company; (ii) 65,023,956 Shares held by Darly2 Venture which was indirectly wholly-owned by Qisda Corporation, representing approximately 26.55% equity interest in our Company; (iii) 25,000,000 Shares held by Darly Venture which was wholly-owned by Qisda Corporation, representing approximately 10.21% equity interest in our Company; (iv) 20,000,000 Shares held by BenQ Corp. which was wholly-owned by Qisda Corporation, representing approximately 8.17% equity interest in our Company; and (v) 14,157,800 Shares held by Darly Venture (L) which was wholly-owned by Qisda Corporation, representing approximately 5.78% equity interest in our Company.

Upon completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised), Qisda Corporation will be interested directly and indirectly in 232,736,837 Shares, representing approximately [**REDACTED**]% of the equity interests in our Company.

As a part of the internal restructuring arrangements of the Qisda Group, to simplify the holding structure, it is proposed that Darly2 Venture and Darly Venture, being the wholly-owned subsidiaries of Qisda Corporation, will transfer all of the Shares they hold to Qisda Corporation. Upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised) and the Qisda Internal Restructuring, Qisda Corporation will still control the exercise of the voting rights attached to such 232,736,837 Shares, representing approximately [**REDACTED**]% equity interests in our Company through: (i) [198,579,037] Shares directly held by it, representing approximately [**REDACTED**]% equity interests in our Company; (ii) 20,000,000 Shares held by BenQ Corp., representing approximately [**REDACTED**]% equity interest in our Company; and (iii) 14,157,800 Shares held by Darly Venture (L), representing approximately [**REDACTED**]% equity interest in our Company. Therefore, Qisda Corporation will remain as our ultimate Controlling Shareholder and its interest in our Company will remain unchanged due to the Qisda Internal Restructuring. As the Qisda Internal Restructuring is subject to the prior approval of DIR which is beyond the control of the Qisda Group or our Company thus the timing that the Qisda Group may proceed with the Qisda Internal Restructuring is uncertain, we have applied to the Stock Exchange, and the Stock Exchange [has granted] us a wavier from strict compliance with Rules 9.09(b) and 10.07(1) of the Listing Rules in relation to the Qisda Internal Restructuring. See "Waivers From Strict Compliance With the Listing Rules and Exemption From Strict Compliance With the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver[s] in Relation to the Qisda Internal Restructuring" in this document.

[Pursuant to the Listing Rules and the Guide for New Listing Applicants, Qisda Corporation, Darly2 Venture, Darly Venture, BenQ Corp. and Darly Venture (L), will be considered as a group of Controlling Shareholders of our Company.]

NO INTEREST IN COMPETING BUSINESS

Each of the Controlling Shareholders confirms that as of the Latest Practicable Date, it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their close associates after the [**REDACTED**].

Management Independence

Our Directors

Our Board comprises one executive Director, three non-executive Directors and three independent non-executive Directors. Only three non-executive Directors out of the seven Directors will have overlapping roles in the Group and the Qisda Entities (other than an independent non-executive director role) following the completion of the [**REDACTED**], none of whom hold executive roles in our Group.

Name of Director	Position in the Company upon [REDACTED]	Major position(s) in the Qisda Entities upon [REDACTED]
Mr. CHEN Chi-Hong	Chairperson and non-executive Director	Chairman and chief executive officer of Qisda Corporation
Ms. HUNG Chiu-Chin	Non-executive Director	The vice general manager, the chief financial officer and the spokesperson of Qisda Corporation
Dr. WANG Liming	Non-executive Director	The general counsel to the China office of Qisda Group

Senior Management

None of our senior management responsible for our daily operations will have any roles within the Qisda Group upon [**REDACTED**].

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests. Further, the decision-making mechanism of the Board is set out in the Articles and four out of seven Directors who are independent from the Qisda Group will bring appropriate judgment our Board. Our independent non-executive Directors with extensive corporate governance and financial experience will bring independent judgment to the decision-making process of our Board and will take the responsibility to review, enhance and implement measures to management any conflict of interests between the Qisda Group and our Group. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall not vote and shall not be counted in the quorum in respect of such transactions. For further details, see "— Corporate Governance Measures" in this section.

Taking into account the composition of our Board and senior management, our Directors believe that the Company and the Controlling Shareholders have management teams that will function independently of each other. Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational Independence

We are able to make all decisions on, and to carry out, our own business operations independently. Our Company, through our subsidiaries, holds the licenses and qualifications necessary to carry out our current business, and has sufficient capital, facilities, technology and employees to operate our business independently from our Controlling Shareholders. We do not rely on the Qisda Group for any material amount of revenue, technology, procurement, administration, staffing or marking. We have the ownership of, or the legal right to use, all of the material assets that we use to conduct our business.

Our senior management team are responsible for the conduct of our business and we have a separate organizational structure with each function department taking specific professional areas of responsibility according to our internal policies.

We have adequate access to third parties independently from our Controlling Shareholders for sources of suppliers and customers. Transactions with the Qisda Group will be governed by agreements entered into in the ordinary and usual course of our business and will be on normal commercial terms. We believe that we are able to procure products or services from/services to the Qisda Group from/to independent third parties on comparable terms. For more details, see "Connected Transactions" in this document.

Based on the above, our Directors are satisfied that we are able to function and operate independently from our Controlling Shareholders and their close associates.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of our Company, independent from our Controlling Shareholders. We are able to make financial decisions independently and our Controlling Shareholders do not intervene with our financial matters. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or their close associates. As of the Latest Practicable Date, there were no loans, advances and balances due to and from, or guarantee or security provided by our Controlling Shareholders.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders or their close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to promote good corporate governance and to avoid potential conflict of interests between our Group and our Controlling Shareholders upon [**REDACTED**]:

(a) under the Articles of Association, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their close associates has a material interest, the Controlling Shareholders or their close associates will not vote on the relevant resolutions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(c) our independent non-executive Directors will review, on an annual basis, whether there are any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide advice to protect the interests of our minority Shareholders;

(d) Our Company has established an audit committee, a nomination committee and a remuneration committee to assess, control and ensure the Board is appropriately advised as to matters relating to, among other things, our relationship with our external auditors and our internal audit function, the remuneration of our Directors and our senior management, the composition of the Board and the identification of the potential conflicts of interest. For more details, see "Directors and Senior Management" in this document;

(e) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by our independent non-executive Directors for the Annual Review;

(f) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;

(g) where our Directors reasonably request the advice of independent professionals such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(h) we have appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations in Hong Kong as well as the Listing Rules, including various requirements relating to corporate governance during its term of appointment.

We also have a sound corporate governance structure and implement strict measures to ensure that our corporate governance practices are ultimately driven towards the protection of our shareholders' interests in a whole. In addition, we expect to review our corporate governance performance from time to time and adopt additional corporate governance measures with a view to implementing guidance provided by our regulators and best practices as they evolve.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [**REDACTED**].

You should read the following discussion and analysis in conjunction with our audited consolidated financial information, included in the Accountants' Report in Appendix I to this document, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

OVERVIEW

We are a pioneer and leader among private for-profit general hospital groups in mainland China, and have adopted the advanced hospital operation and management experiences from Taiwan. We currently own and operate two general hospitals. As measured by revenue generated from healthcare services in 2022, we are the largest private for-profit general hospital group in the East China region, with our revenue exceeding the second and third largest groups combined, according to Frost & Sullivan. By the same measure, we are the fifth largest private for-profit general hospital group nationwide, being the only one among the top five each of whose hospitals is Class III-rated, according to the same source. As measured by average revenue per registered bed in 2022, we also rank the first among all private for-profit general hospital groups in mainland China, according to the same source.

Primarily driven by the growing number of patient visits at our two hospitals, our revenue increased continuously during the Track Record Period from RMB2,223.6 million in 2021 to RMB2,336.4 million in 2022, and further to RMB2,687.6 million in 2023. Thanks to our operational capabilities and granular management system to effectively control costs and improve operational efficiency, our gross profit margin increased continuously from 15.3% in 2021 to 16.4% in 2022, and further to 18.9% in 2023. As a result of the foregoing, our profit for the year increased from RMB69.1 million in 2021 to RMB89.6 million in 2022, and further to RMB167.5 million in 2023, and our net profit margin increased from 3.1% in 2021 to 3.8% in 2022 and further to 6.2% in 2023. Even amidst the impact of the COVID-19, the number of patient visits at our hospitals grew rapidly during the Track Record Period. The total inpatient visits at our two hospitals in aggregate increased from 61.4 thousand in 2021 to 67.1 thousand in 2022, and further to 81.9 thousand in 2023. The total outpatient visits at our two hospitals in aggregate increased from 1,604.1 thousand in 2021 to 1,680.6 thousand in 2022, and further to 2,002.3 thousand in 2023.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Healthcare Market Conditions of the PRC

We derive substantially all of our revenue from the healthcare services provided through our hospitals in the PRC. In 2021, 2022 and 2023, revenue generated from our provision of healthcare services accounted for 98.7%, 98.7% and 98.9% of our total revenue, respectively. As a result, our results of operations and financial conditions are significantly affected by healthcare market conditions in the PRC.

In recent years, private hospitals have become the fastest growing segment in the overall hospital market in the PRC. According to Frost & Sullivan, the private hospital market in the PRC is estimated to increase from RMB319.1 billion in 2017 to RMB607.4 billion in 2022, with a CAGR of 13.7% from 2017 to 2022, and is forecasted to reach RMB1,094.3 billion by 2026, representing a CAGR of 15.9% from 2022 to 2026. Fueled by the high population density, elevated disposable income, heightened health awareness among local residents, the private hospital market in Jiangsu Province, where we are based, also demonstrated robust growth. According to Frost & Sullivan, the revenue of private hospitals in the Jiangsu Province is estimated to grow from RMB40.2 billion in 2017 to RMB74.1 billion in 2022, representing a CAGR of 13.0% from 2017 to 2022, and is forecasted to reach RMB124.9 billion by 2026, representing a CAGR of 13.9% from 2022 to 2026.

Driven by increasing demand and favorable government policies, the private hospital market is expected to continue to grow rapidly in the future, and the leading private hospital groups who have established strong brand recognition and accumulated extensive experience in operation and management will be well positioned to capture the growth potential. If this market trend continues, we are well positioned to experience a positive effect on our revenue growth and results of operations.

However, due to the fast growing number of private hospitals in the PRC, we may face enhanced competition. The number of private hospitals increased from 20,977 in 2018 to 25,230 in 2022, representing a CAGR of 4.7% from 2018 to 2022, according to Frost & Sullivan. If we are not able to maintain our competitive edge, attract seasoned medical professionals and continue to offer quality services to differentiate ourselves from our competitors, we may not be able to sustain a stable growth in our business and our results of operations may be adversely affected.

Healthcare Reform in the PRC

The success of our business largely depends on the progress of the healthcare reform in the PRC. In particular, the rising demand for, and governmental policies relating to: (i) private capital investments in hospitals; and (ii) private healthcare services, have driven our growth.

The acceleration of healthcare reform in recent years presents us with growth opportunities, while also subjecting us to significant uncertainties and challenges if healthcare reform policies change dramatically in the future. Our industry-leading operational capabilities and granular management system have enabled us to quickly adapt to the above healthcare reform measures in the PRC and maintained a steady growth during the Track Record Period.

In recent years, the PRC government has adopted various policies to deepen the healthcare reform in the PRC. Since 2019, the PRC government has initiated the diagnosis related groups (DRG) mechanism, which divides patients into different diagnosis-related groups and makes medical reimbursement payments according to a standard set for each group instead of actual expenses incurred by patients. It encourages hospitals to treat patients efficiently, thereby reducing unnecessary costs to be reimbursed by the national medical insurance program. We began to adopt DRG payment system in 2022 and recorded RMB1,201.7 million in revenue from inpatient services for the same year. Thanks to our granular management system, we are able to effectively control costs and improve operational efficiency, maximize hospital services delivery potential in the most cost-effective manner, and quickly adapt to changes in the DRG reform. In 2023, our revenue from inpatient services further increased to RMB1,395.7 million.

Private hospitals like us are generally entitled to set the prices of healthcare services and the retail prices of pharmaceuticals at their discretion. However, as a Medical Insurance Designated Medical Institution (醫保定點醫療機構), for products and services that are covered by public medical insurance programs, we are subject to pricing guidelines set by the relevant local healthcare administrative authorities. In 2021, 2022 and 2023, revenue derived from settlement through public medical insurance programs amounted to RMB915.6 million, RMB968.9 million and RMB1,373.6 million, accounting for 41.2%, 41.5% and 51.1% of our total revenue in the same periods, respectively. We expect to continue to be a member of the Medical Insurance Designed Medical Institutions and subject to relevant pricing guidelines. On the other hand, being a member of the Medical Insurance Designated Medical Institutions could bring more patient traffic. Whether our hospitals can remain to be a Medical Insurance Designated Medical Institution could affect our results of operations.

Expansion of Our Operational Capacity and Our Hospital Network

Our revenue are largely affected by the number, scale of operations, development stage and efficiency of each hospital in operation. We currently own and operate two hospitals, both of which have entered into a profit-generating period, and we anticipate a continuous and sustained growth in revenue for these two hospitals. Nanjing BenQ Hospital, our first private for-profit general hospital, commenced operations in 2008. Our revenue generated from Nanjing BenQ Hospital amounted to RMB1,441.5 million, RMB1,454.3 million and RMB1,707.9 million in 2021, 2022 and 2023, representing 64.8%, 62.2% and 63.5% of our total revenue, respectively. We recorded gross profit of RMB217.9 million, RMB218.0 million and RMB301.5 million from Nanjing BenQ Hospital, accounting for 64.0%, 56.9% and 59.4% of our total gross profit in 2021, 2022 and 2023, respectively. We further expanded our hospital network by commencing the operations of Suzhou BenQ Hospital in 2013. Our revenue generated from Suzhou BenQ Hospital amounted to RMB782.1 million, RMB882.2 million and RMB979.7 million in 2021, 2022 and 2023, representing 35.2%, 37.8% and 36.5% of our total revenue, respectively. We recorded gross profit of RMB122.4 million, RMB165.1 million and RMB206.2 million from Suzhou BenQ Hospital, accounting for 36.0%, 43.1% and 40.6% of our total gross profit in 2021, 2022 and 2023, respectively.

Our future growth depends upon our ability to expand the capacity of our hospitals, among other things. We aim to expand the operations of Nanjing BenQ Hospital and Suzhou BenQ Hospital and enhance their comprehensive operating capacities in the near future. For details of our expansion plans, see "Business — Our Hospitals" and "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" in this document. A ramp-up period is generally observed during the construction projects. During the ramp-up period, operating efficiency of newly-established facilities may be lower than that of our established ones and hence it may take some time before those new facilities begin to generate profit. In the long term, these construction projects will enlarge our operational capacity and bring us new growth opportunities.

Our future growth also depends upon our ability to expand our hospital network through acquisition or other investments. Our ability to expand our hospital network will depend on a number of factors, including (i) changes to the PRC healthcare policies and regulations, (ii) our ability to improve the financial and operational performance of hospitals under our management, (iii) the reputation of our existing hospitals and doctors; and (iv) our financial resources. Our expansion will require us to make upfront investments, which could impact our liquidity. Expansion of our hospital network will continue to increase our revenue base and create additional network effects and synergies, which could further enhance the operating efficiencies of our hospitals. However, our ability to establish and operate these 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.

Patient Flow and Efficiency of Our Hospitals

Our results of operations are primarily affected by the patient flow and efficiency of our hospitals.

The revenue generated from our inpatient healthcare services is highly dependent upon the number of inpatient visits, bed turnover days and average inpatient spending per visit. Due to the increasing inpatient enrolment and decreasing bed turnover days, we are able to achieve greater utilization of our service capacity and increased operational scale. In 2021, 2022 and 2023, our inpatient visits increased from 61.4 thousand to 67.1 thousand and further to 81.9 thousand while the average bed turnover days decreased from 9.4 to 9.2 and further to 8.2, respectively. The average inpatient spending per visit of our hospitals was RMB19,142, RMB17,918 and RMB17,042, respectively, in 2021, 2022 and 2023.

The revenue generated from our outpatient healthcare services is highly dependent upon the number of outpatient visits and average outpatient spending per visit. The number of outpatient visits is primarily driven by, among other things, our reputation, specialization of doctors, practicing hours of doctors, our service offerings, economic and social conditions of local and regional community, and the competitive landscape of healthcare market in the PRC, especially in Jiangsu Province. The number of outpatient visits of our hospitals was 1,604.1 thousand, 1,680.6 thousand and 2,002.3 thousand in 2021, 2022 and 2023, respectively. The average outpatient spending per visit of our hospitals was RMB571, RMB599 and RMB584 in 2021, 2022 and 2023, respectively.

Going forward, we expect to record an increasing trend in our revenue as we are committed to improving the quality of our healthcare service offerings through our multi-disciplinary private general hospitals and developing our specialized departments, as well as continuing to expand and scale up our hospital network.

Ability to Control Our Costs and Improve Profitability

We have achieved industry-leading operational capabilities, enabling us to effectively control costs, boost operational efficiency and improve profitability. During the Track Record Period, our gross profit margin increased.

During the Track Record Period, our cost of revenue primarily consisted of cost of pharmaceuticals and medical consumables and employee benefit expenses. Our cost of pharmaceuticals and cost of medical consumables represented the largest component of our cost of revenue. The use of pharmaceuticals and consumables is regarded as a key aspect of many of our medical treatment procedures. Meanwhile, employee benefit expenses represented the second largest component of our cost of revenue. Our employee benefit expenses are primarily contingent upon our capacity to offer competitive wages and other benefits to recruit and retain high-caliber medical professionals.

Going forward, we expect that costs relating to pharmaceuticals and medical consumables and our employees will continue to be our most significant costs, particularly in light of the expansion plans of our hospitals. In addition, we will keep monitoring and optimizing our cost structure to adapt to changing market dynamics and evolving business needs. Leveraging our efficient and granular management systems, we believe our ability to effectively control costs will continue to enhance in the future, which in turn will positively affect our profitability and drive sustainable financial performance.

BASIS OF PREPARATION

Our Company was incorporated in Cayman Islands on January 5, 2009 as an exempted company with limited liability under the Companies Act of the Cayman Islands. During the Track Record Period, we were principally engaged in provision of healthcare services through the multi-disciplinary private for-profit general hospitals in the PRC. For details of our principal subsidiaries, see Note 14 to the Accountants' Report in Appendix I to this document.

The historical financial information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which comprise all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**"). The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this historical financial information, we have adopted all applicable new and revised IFRSs that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2024.

MATERIAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our Group's financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; and (ii) the results to changes in conditions and assumptions. We set forth below those accounting policies that we believe are of critical importance to us or involve the material estimates and judgements used in the preparation of our Group's financial information. Our material accounting policies, and significant judgments and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report in Appendix I to this document.

Material Accounting Policies

Revenue and Other Income

Healthcare Services

Revenue generated from provision of healthcare services, including inpatient services and outpatient services, is recognized when the related services have been rendered to customers. The majority of our customers have enrolled in public medical insurance program which are run by government organizations. Our Group claims the consideration in relation to healthcare services provided by us with the relevant government organizations. The subsequent agreement on the government-approved annual quota for the medical fees to be recovered from the relevant government's public medical insurance program has been treated as changes in variable considerations. In estimating the variable considerations, our Group determines variable considerations using expected value approach, which is based on historical practice and all reasonably available information and adjusts to the actual amount for the satisfied healthcare service in the period when the annual quota is agreed.

(a) Inpatient Services

For inpatient services, the customers normally receive inpatient treatment which contains various treatment. Inpatient service contains more than one performance obligations, including (i) provision of consultation services, (ii) provision of inpatient healthcare services and (iii) sale of pharmaceutical products. Our Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

For revenue from (i) provision of consultation services and (iii) sale of pharmaceutical products for which control of services or pharmaceutical products is transferred at a point in time, revenue is recognized when the customer obtains the control of the completed services or pharmaceutical products and our Group has satisfied its performance obligations with present right to payment. For revenue from (ii) provision of inpatient healthcare services, the corresponding revenue is recognized over the service period when customers receive the services and simultaneously consume the benefits provided by our Group when we perform.

(b) Outpatient Services

For outpatient services, the patient normally receives outpatient treatment which contains various treatment components. Outpatient services contain more than one performance obligations, including (i) provision of outpatient healthcare services and (ii) sale of pharmaceutical products. Our Group allocates the transaction price to each performance obligation on relative standalone selling price basis. Both (i) provision of outpatient healthcare services and (ii) sale of pharmaceutical products for which the control of services or pharmaceutical products is transferred at a point in time, revenue is recognized when the customer obtains the control of the completed services or pharmaceutical products and our Group has satisfied its performance obligations with present right to payment.

Other Income

(a) Rental Income From Operating Leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

(b) Interest Income

Interest income is recognized 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.

(c) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them.

Grants that compensate our Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate our Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

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 measured at the lower of cost and net realizable value.

Cost of inventories is determined on first-in-first-out method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, Plant and Equipment and Right-of-Use Assets

Property, plant and equipment and right-of-use assets are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed items of property, plant and equipment 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 overheads and borrowing costs.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives.

The estimated useful lives of property, plant and equipment and right-of-use assets are as follows:

	Estimated useful life
Buildings	20 – 50 years
Machinery and equipment	5 – 8 years
Furniture, fixtures and office equipment	3 – 5 years
Motor vehicles	5 – 10 years
Right-of-use assets	Over the term of lease

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components). 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 other 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.

Credit Losses and Impairment Assets

(a) Credit Losses From Financial Instruments

Our Group recognizes a loss allowance for Expected Credit Losses ("**ECLs**") on financial assets measured at amortized cost (including cash and cash equivalents, time deposits, trade and other receivables).

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 and trade and other receivables***: effective interest rate determined at initial recognition or an approximation thereof; and

- ***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, our 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 losses that are expected to result from possible default events within the 12 months after the reporting date; and

- ***lifetime ECLs***: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Our 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 ECL.

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, our 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 our historical experience and informed credit assessment, that includes forward-looking information.

Our Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Our Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to our Group in full, without recourse by our Group to actions such as realizing security (if any is held).

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 recognized as an impairment gain or loss in profit or loss. Our Group recognizes 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, our 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 reorganization; or
- 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 our Group otherwise 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 recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(b) Impairment of Other Non-Current Assets

At each reporting date, our 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 recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

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 amortization, if no impairment loss had been recognized.

Associates

An associate is an entity in which our Group or Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for in the historical financial information using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognized at cost, which includes transaction costs. Subsequently, the consolidated financial statements include our Group's share of the profit or loss and other comprehensive income ("**OCI**") of those investees, until the date on which significant influence ceases.

When our Group's share of losses exceeds its interest in the associate, our Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that our Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, our Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of our Group's net investment in the associate, after applying the ECLs model to such other long-term interests where applicable.

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of our Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent there is no evidence of impairment.

When our Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss be recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

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 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 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;

– temporary differences related to investment in subsidiaries and associates to the extent that our 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; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

Deferred tax assets are recognized for unused tax losses, unused tax credits 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 individual subsidiaries in our 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 realized; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which our Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Significant Accounting Judgements and Estimates

In the process of applying our Group's accounting policies, management has made the following judgements and estimations, which have the most significant effect on the amounts recognized in the historical financial information.

Estimation of Variable Consideration for Revenue From Customers

We estimate variable considerations to be included in the transaction price for the revenue from customers in respect of subsequent agreement on the government approved annual quota for the medical fees in healthcare services. Our Group has estimated the variable considerations which is based on our past experience with customers. Any significant changes in experience as compared to historical patterns will impact the expected refund estimated by us. Our Group updates its assessment of expected agreement on a regular basis and the relevant revenue are adjusted accordingly.

Loss Allowance for Expected Credit Losses

Our Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Impairment of Interests in Associates

Our Group reviews the carrying amounts of the interests in associates as at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management assesses the difference between the carrying amounts and recoverable amounts and make provision for impairment loss. Any changes in the assumptions adopted in calculating the recoverable amount would increase or decrease the provision for impairment loss and affect our Group's financial position.

Useful Life of Property, Plant and Equipment

Management determines the estimated useful lives of and related depreciation charges for our 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.

RESULT OF OPERATIONS

The following table sets forth selected consolidated statement of profit or loss for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	**2,223,647**	**100.0**	**2,336,435**	**100.0**	**2,687,613**	**100.0**
Cost of revenue	(1,883,318)	(84.7)	(1,953,335)	(83.6)	(2,179,957)	(81.1)
Gross profit	**340,329**	**15.3**	**383,100**	**16.4**	**507,656**	**18.9**
Other net gain	6,145	0.3	11,981	0.5	1,476	0.1
Selling and distribution expenses	(8,142)	(0.4)	(6,783)	(0.3)	(5,661)	(0.2)
Administrative expenses	(205,749)	(9.3)	(217,625)	(9.3)	(241,006)	(9.0)
Impairment losses on trade receivables	(4,056)	(0.2)	(5,428)	(0.2)	(292)	–
Profit from operations	**128,527**	**5.8**	**165,245**	**7.1**	**262,173**	**9.8**
Net finance costs	(20,123)	(0.9)	(15,491)	(0.7)	(4,228)	(0.2)
Share of losses of associates	(6,507)	(0.3)	(22,143)	(0.9)	(23,849)	(0.9)
Profit before taxation	**101,897**	**4.6**	**127,611**	**5.5**	**234,096**	**8.7**
Income tax expense	(32,822)	(1.5)	(38,061)	(1.6)	(66,646)	(2.5)
Profit for the year	**69,075**	**3.1**	**89,550**	**3.8**	**167,450**	**6.2**
Profit for the year attributable to equity shareholders of the Company	**69,075**	**3.1**	**89,550**	**3.8**	**167,450**	**6.2**

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

During the Track Record Period, we generated revenue primarily from providing healthcare services through our two hospitals, namely Nanjing BenQ Hospital and Suzhou BenQ Hospital. In terms of treatment processes, our services can be primarily categorized into inpatient healthcare services and outpatient healthcare services. Our revenue amounted to RMB2,223.6 million, RMB2,336.4 million and RMB2,687.6 million in 2021, 2022 and 2023, respectively.

Revenue by Segment

The following table sets forth a breakdown of our revenue by segment, in absolute amount and as a percentage of our total revenue, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Inpatient healthcare services	1,176,137	52.9	1,201,678	51.4	1,395,719	51.9
Outpatient healthcare services[(1)]	1,019,404	45.8	1,103,907	47.3	1,262,905	47.0
Others[(2)]	28,106	1.3	30,850	1.3	28,989	1.1
Total	**2,223,647**	**100.0**	**2,336,435**	**100.0**	**2,687,613**	**100.0**

Notes:

(1) Including revenue generated from our provision of physical examination services.

(2) Mainly including revenue generated from our provision of rental services and car parking services.

Our hospitals had experienced revenue growth during the Track Record Period, which was primarily due to increases in the number of patient visits. Inpatient healthcare services refer to the treatment of patients who are hospitalized overnight or for an indeterminate period of time, usually several days or weeks, subject to the patients' conditions and recovery. Outpatient healthcare services refer to the treatment of patients who are hospitalized for less than 24 hours, and the medical examination of individuals for signs of diseases and health advisory services.

The following table sets forth a breakdown of key operating data by segment for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Inpatient healthcare services			
Inpatient visits *(in thousand)*[1]	61.4	67.1	81.9
Average spending per inpatient visit *(RMB)*[2]	19,142	17,918	17,042
Outpatient healthcare services			
Outpatient visits *(in thousand)*[3]	1,604.1	1,680.6	2,002.3
Average spending per outpatient visit *(RMB)*[4]	571	599	584

Notes:

(1) Represents the total number of inpatients (with hospital stay) in our hospitals during the given period.

(2) Represents the average spending per inpatient visit calculated as the revenue from inpatient healthcare services divided by the number of inpatient visits in our hospitals during the given period.

(3) Represents the total number of outpatients (without hospital stay, and excluding number of patients receiving physical examination services) in our hospitals during the given period.

(4) Represents the average spending per outpatient visit calculated as the revenue from outpatient healthcare services (excluding the revenue from physical examination services) divided by the number of outpatient visits of our hospitals during the given period.

Revenue by Hospital

The following table sets forth a breakdown of revenue by hospital, in absolute amount and as a percentage of our total revenue, for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Nanjing BenQ Hospital			
– Inpatient healthcare services	792,992	742,647	909,251
– Outpatient healthcare services	628,597	691,859	777,099
– Others	19,924	19,753	21,545
	1,441,513	1,454,259	1,707,895
Suzhou BenQ Hospital			
– Inpatient healthcare services	383,145	459,031	486,468
– Outpatient healthcare services	390,807	412,048	485,806
– Others	8,182	11,097	7,444
	782,134	882,176	979,718
	2,223,647	**2,336,435**	**2,687,613**

The following table sets forth a breakdown of key operating data by hospital for the years indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
Nanjing BenQ Hospital			
Inpatient services			
Inpatient visits *(in thousand)*	37.8	40.1	50.6
Average spending per inpatient visit *(RMB)*	20,983	18,511	17,967
Outpatient services			
Outpatient visits *(in thousand)*	1,048.4	1,114.6	1,327.6
Average spending per outpatient visit *(RMB)*	545	573	548
Suzhou BenQ Hospital			
Inpatient services			
Inpatient visits *(in thousand)*	23.7	26.9	31.3
Average spending per inpatient visit *(RMB)*	16,201	17,036	15,545
Outpatient services			
Outpatient visits *(in thousand)*	555.6	566.0	674.7
Average spending per outpatient visit *(RMB)*	619	650	654

Inpatient Visits and Average Spending per Inpatient Visit

During the Track Record Period, we had increased inpatient visits for both our Nanjing BenQ Hospital and Suzhou BenQ Hospital. The inpatient visits recorded by our Nanjing BenQ Hospital increased from approximately 37.8 thousand in 2021 to 40.1 thousand in 2022 and further to 50.6 thousand in 2023, which was primarily due to the combined effect of (i) the organic growth of our business; (ii) our continuous optimization of healthcare service offerings through continuous development of our clinical specialties; (iii) strong brand recognition; and (iv) our enhanced operational efficiency. Due to similar reasons, the inpatient visits recorded by our Suzhou BenQ Hospital increased from 23.7 thousand in 2021 to 26.9 thousand in 2022 and further to 31.3 thousand in 2023.

The average spending per inpatient visit experienced a general decreasing trend during the Track Record Period. The average spending per inpatient visit in our Nanjing BenQ Hospital decreased from RMB20,983 in 2021 to RMB18,511 in 2022, primarily due to the implementation of DRG payment system in Nanjing BenQ Hospital in 2022. In 2023, as we were able to effectively improve operational efficiency and maximize hospital services delivery potential in the most cost-effective manner, the average spending per inpatient visit in our Nanjing BenQ Hospital decreased from RMB18,511 in 2022 to RMB17,967 in 2023, along with a decrease in average bed turnover days. The average spending per inpatient visit in our Suzhou BenQ Hospital increased from RMB16,201 in 2021 to RMB17,036 in 2022, primarily driven by our enhanced service capacity. The average spending per inpatient visit in our Suzhou BenQ Hospital decreased from RMB17,036 in 2022 to RMB15,545 in 2023, primarily due to the implementation of DRG payment system in Suzhou BenQ Hospital in 2023. However, the implementation of DRG payment system at the same time further unleashed the service potential of our hospitals, as evidenced by our average bed turnover days that decreased from 9.4 days in 2021 to 9.2 days in 2022, and further to 8.2 days in 2023, which in turn enabled us to serve a greater number of patients. The net effect of the above was the continuous increase of our revenue generated from inpatient healthcare services during the Track Record Period.

Outpatient Visits and Average Spending per Outpatient Visit

During the Track Record Period, we had increased outpatient visits for both our Nanjing BenQ Hospital and Suzhou BenQ Hospital. The outpatient visits recorded by our Nanjing BenQ Hospital increased from approximately 1,048.4 thousand in 2021 to 1,114.6 thousand in 2022 and further to 1,327.6 thousand in 2023, which was primarily due to the combined effect of (i) the organic growth of our business; (ii) our continuous optimization of healthcare service offerings through continuous development of our clinical specialties; (iii) strong brand recognition; and (iv) our enhanced operational efficiency. Due to similar reasons, the outpatient visits recorded by our Suzhou BenQ Hospital increased from 555.6 thousand in 2021 to 566.0 thousand in 2022 and further to 674.7 thousand in 2023.

The average spending per outpatient visit experienced a general decreasing trend during the Track Record Period. The year-to-year fluctuations in the average spending per outpatient visit of our hospitals during the Track Record Period were mainly affected by the evolving patient demand and the corresponding changes in the outpatient service portfolio we provide.

Cost of Revenue

Our cost of revenue primarily consisted of (i) cost of pharmaceuticals and medical consumables, primarily representing the cost of procuring pharmaceuticals and medical consumables by our hospitals for provision of healthcare services; (ii) employee benefit expenses, primarily consist of the salaries, bonuses and other employee benefits for our medical professionals; (iii) department consulting service fees that we paid to Independent Third Parties to further enhance our service quality. For more details, see "Business — Our Suppliers"; (iv) depreciation and amortization in relation to our hospital premises and medical equipment; (v) utilities; (vi) repair and maintenance fees for our medical equipment; and (vii) others, primarily consists of taxes and surcharges, and other miscellaneous fees. The following table sets forth a breakdown of our cost of revenue by nature, in absolute amounts and as a percentage of total cost of revenue, for the years indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cost of pharmaceuticals and medical consumables	896,431	896,011	1,056,412
Employee benefit expenses	638,039	717,065	774,433
Department consulting service fees	145,509	141,424	136,542
Depreciation and amortization	66,714	74,151	82,195
Utilities	70,616	69,272	70,362
Repair and maintenance fees	34,723	28,126	27,699
Others	31,286	27,286	32,314
Total	**1,883,318**	**1,953,335**	**2,179,957**

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of revenue, and our gross profit margin represents our gross profit as a percentage of our revenue. Our gross profit increased from RMB340.3 million in 2021 to RMB383.1 million in 2022 and further to RMB507.7 million in 2023. Due to robust revenue growth outpacing the increase in cost of revenue, we also witnessed a rising trend in gross profit margin, which increased from 15.3% in 2021 to 16.4% in 2022 and then bounced to 18.9% in 2023.

Breakdown by Hospital

The following table sets forth a breakdown of our gross profit and gross profit margin by hospital for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Nanjing BenQ Hospital	217,917	15.1	217,967	15.0	301,463	17.7
Suzhou BenQ Hospital	122,412	15.7	165,133	18.7	206,193	21.0
Total	**340,329**	**15.3**	**383,100**	**16.4**	**507,656**	**18.9**

During the Track Record Period, Suzhou BenQ Hospital generally achieved higher gross profit compared to Nanjing BenQ Hospital. This was primarily attributed to the lower proportion of costs in relation to pharmaceuticals and medical consumables in Suzhou BenQ Hospital due to the revenue mix of different departments.

Other Net Gain

Our other net gain primarily consisted of (i) government grants, mainly representing one-off and unconditional subsidies that we received from government authorities to support our discipline development. During the Track Record Period, we received an award of RMB10.0 million in 2022 for attaining a Grade A Class III hospital rating; (ii) net foreign exchange gains or losses mainly arising from our intra-group transactions in relation to loans that are denominated in USD; (iii) net realized and unrealized losses or gains on derivative financial instruments we utilized to offset our exposure to currency risk. See "— Risk Disclosure — Currency Risk" below in this section; (iv) net losses on disposal of properties, plants and equipment; and (v) others. The following table sets forth a breakdown of our other net gain for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Government grants	9,352	13,923	1,663
Net foreign exchange gain/(loss)	3,261	(9,865)	(1,576)
Net realized and unrealized (loss)/gain on derivative financial instruments	(5,100)	9,549	3,155
Net losses on disposal of property, plant and equipment	(373)	(224)	(345)
Others	(995)	(1,402)	(1,421)
Total	**6,145**	**11,981**	**1,476**

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefit expenses, primarily consisting of salaries, bonuses and other employee benefits for our administration staff; (ii) depreciation and amortization in relation to our renovation of buildings and purchase of office equipment, which is in line with our business expansion; (iii) utilities; (iv) taxes and surcharges, such as property tax and land use taxes; (v) repair and maintenance fees; (vi) office expenses incurred for our daily operations; (vii) [**REDACTED**] expenses incurred for the preparation of the proposed [**REDACTED**]; and (viii) others, including bank charges, communication and network expenses, insurance fee, research and development expenses and others. The following table sets forth a breakdown of our general and administrative expenses for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Employee benefit expenses	60,159	61,563	70,846
Depreciation and amortization	64,098	72,296	73,231
Utilities	27,035	30,928	32,778
Tax and surcharges	20,517	20,536	21,250
Repair and maintenance	17,474	14,843	16,868
Office expenses	11,070	12,856	15,204
[**REDACTED**] expenses	–	–	1,595
Others	5,396	4,603	9,234
Total	**205,749**	**217,625**	**241,006**

Net Finance Costs

Our finance income primarily consisted of interest incomes from bank deposits, while our finance costs mainly consisted of interest on bank loans and other borrowings, which we incurred in order to finance the construction of buildings to enhance our service capacity. Our bank loans and other borrowings mainly included unsecured and low-interest-bearing borrowings. The following table sets forth a breakdown of our net finance costs for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
Interest income	(1,163)	(1,193)	(4,390)

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Finance costs			
Interest on bank loans and other borrowings	21,286	18,352	16,707
Less: Interest expense capitalized into construction in progress[1]	–	(1,668)	(8,089)
	21,286	16,684	8,618
Total	**20,123**	**15,491**	**4,228**

Note:

(1) The borrowing costs have been capitalized at a rate range of 3.50% and 2.60%~2.70% per annum in 2022 and 2023, respectively.

Share of Losses of Associates

Our associated companies consisted of Donghui Medical, which primarily engaged in provision of healthcare services and Nanjing Yinxia Healthcare, which primarily engaged in provision of elderly care services. Our share of losses of associates primarily represented losses attributable to us from our associates pursuant to our equity interests in such associates. An associate is an entity over which we have significant influence to participate in financial and operating policy decisions, but not control or joint control. Our share of losses of associates increased from RMB6.5 million in 2021 to RMB22.1 million in 2022 and further to RMB23.8 million in 2023, primarily due to the continuous losses recorded by Donghui Medical during the Track Record Period. The following table sets forth a breakdown of our share of losses of associates for the year indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Donghui Medical	2,941	20,099	22,054
Nanjing Yinxia Healthcare	3,566	2,044	1,795

Income Tax Expense

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate.

PRC Corporate Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations (the "**CIT Law**"), our Company and subsidiaries which operate in mainland China are subject to CIT at a rate of 25% on the taxable income during each of the Track Record Period.

The Malaysia Labuan

Pursuant to the income tax rules and regulations of the Malaysia Labuan ("**LBU**"), our Group's subsidiary in the LBU was an Labuan Trading Company, who was liable to the Malaysia corporation tax at a rate of 3% or a flat rate of MYR20,000 per annum. No provision for Labuan profits tax was made for the subsidiary as it did not have assessable profits subject to Labuan Profits Tax during each of the Track Record Period.

Taiwan

Our subsidiary incorporated in Taiwan is liable to Taiwan Profits Tax at a rate of 20%. No provision for Taiwan Profits Tax was made for the subsidiary as it did not have any assessable profits subject to Taiwan Profits Tax during each of the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we had fulfilled all our tax obligations and had no disputes or unresolved tax issues with relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

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

Revenue

Our revenue increased from RMB2,336.4 million in 2022 to RMB2,687.6 million in 2023, primarily attributable to the increase of revenue generated from our provision of healthcare services.

Revenue by Segment

Revenue generated from our inpatient healthcare services increased from RMB1,201.7 million in 2022 to RMB1,395.7 million in 2023, primarily due to the increase in inpatient visits from 2022 to 2023, as a result of (i) our continuous offering of high-quality medical services; and (ii) our increased efficiency in delivery of inpatient healthcare services. Our average bed turnover days amounted to 9.2 in 2022 and it decreased to 8.2 in 2023. However, a slight decrease was recorded in average spending per inpatient visit from 2022 to 2023, which was primarily due to our enhanced operation efficiency and the implementation of DRG payment system in Suzhou BenQ Hospital in 2023.

Revenue generated from our outpatient healthcare services increased from RMB1,103.9 million in 2022 to RMB1,262.9 million in 2023. The rise in revenue can be largely attributed to an increase in the number of outpatient visits from 2022 to 2023 as a result of the organic growth of our business, enhanced brand recognition and continuous development of our clinical specialties.

Revenue generated from others stayed relatively stable at RMB30.9 million in 2022 and RMB29.0 million in 2023.

Revenue by Hospital

In terms of hospital, thanks to our strong reputation, the high-quality and competitive healthcare offerings, and efficient management of the hospitals, our Nanjing BenQ Hospital and Suzhou BenQ Hospital both demonstrated strong financial performance in 2022 and 2023.

Revenue recorded by Nanjing BenQ Hospital increased from RMB1,454.3 million in 2022 to RMB1,707.9 million in 2023, primarily due to (i) an increase in number of patient visits from 2022 to 2023; (ii) our continuous investments in development of our clinical specialties in Nanjing BenQ Hospital. For example, we hired several renowned medical professionals in 2023 and introduced advanced medical equipment to our Nanjing BenQ Hospital; and (iii) the positive impact of the announcement for attaining a Grade A Class III hospital rating in January 2023.

We recorded a steady increase in revenue of Suzhou BenQ Hospital from RMB882.2 million in 2022 to RMB979.7 million in 2023, which was primarily driven by the increase in number of patient visits from 2022 to 2023 because of our aforementioned strong reputation, high-quality and competitive healthcare offerings and efficient management, notably including the announcement for attaining a Class III hospital rating in August 2023. In addition, our extensive experience accumulated from the our Nanjing BenQ Hospital in relation to the implementation of DRG payment system since 2022 made its impact on our Suzhou BenQ Hospital more manageable in 2023.

Cost of Revenue

Our cost of revenue increased from RMB1,953.3 million in 2022 to RMB2,180.0 million in 2023, which was primarily attributable to (i) an increase in cost of pharmaceuticals and medical consumables, which was generally in line with the consumption of pharmaceuticals and medical consumables and our business growth; and (ii) an increase in employee benefit expenses, mainly due to the increased compensation levels for our employees.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of revenue described above, our gross profit increased from RMB383.1 million in 2022 to RMB507.7 million in 2023.

Due to robust revenue growth outpacing the increase in cost of revenue, our overall gross profit margin experienced an increase from 16.4% in 2022 to 18.9% in 2023. Specifically, the gross profit margin of our Nanjing BenQ Hospital increased from 15.0% in 2022 to 17.7% in 2023, and the gross profit margin of our Suzhou BenQ Hospital increased from 18.7% in 2022 to 21.0% in 2023.

Administrative Expenses

Our administrative expenses increased from RMB217.6 million in 2022 to RMB241.0 million in 2023, primarily due to (i) an increase in employee benefit expenses due to the increased compensation levels; (ii) an increase in depreciation and amortization as we purchased new equipment in line with our business expansion; (iii) an increase in utilities, which is in line with our business expansion; and (iv) an increase in repair and maintenance fees for the equipment in support of our daily operations.

Other Net Gain

Our other net gain decreased significantly from RMB12.0 million in 2022 to RMB1.5 million in 2023, mainly as (i) we received a one-off award of RMB10.0 million in 2022 for our Nanjing BenQ Hospital attaining a Grade A Class III hospital rating; and (ii) our net realized and unrealized gain on derivative financial instruments that we utilized to offset our exposure to currency risk decreased from RMB9.5 million in 2022 to RMB3.2 million in 2023, partially offset by a decrease in net foreign exchange loss from RMB9.9 million in 2022 to RMB1.6 million in 2023, attributable to fluctuation in the exchange rate between U.S. dollars and Renminbi in 2023.

Net Finance Costs

Our net finance costs decreased from RMB15.5 million in 2022 to RMB4.2 million in 2023, mainly due to an increase in interest expense capitalized into construction in progress, resulting from the second phase construction of Nanjing BenQ Hospital and Suzhou BenQ Hospital.

Share of Losses of Associates

We recorded share of losses of associates of RMB22.1 million and RMB23.8 million in 2022 and 2023, respectively.

Income Tax Expense

Our income tax expense increased from RMB38.1 million in 2022 to RMB66.6 million in 2023, mainly as profit before tax increased from 2022 to 2023.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased from RMB89.6 million in 2022 to RMB167.5 million in 2023 and our net profit margin increased from 3.8% in 2022 to 6.2% in 2023.

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

Revenue

Our revenue increased from RMB2,223.6 million in 2021 to RMB2,336.4 million in 2022, primarily attributable to the increase of revenue generated from our provision of healthcare services.

Revenue by Segment

Revenue generated from our inpatient healthcare services increased from RMB1,176.1 million in 2021 to RMB1,201.7 million in 2022, primarily due to an increase in inpatient visits from 2021 to 2022, as a result of our continuous offering of high-quality medical services. However, the average spending per inpatient visit experienced a decrease from 2021 to 2022, mainly resulting from the implementation of DRG payment system in Nanjing BenQ Hospital in 2022.

Revenue generated from our outpatient healthcare services increased from RMB1,019.4 million in 2021 to RMB1,103.9 million in 2022. The rise in revenue can be attributed to an increase in the number of outpatient visits which was primarily driven by organic growth of our business, enhanced brand recognition, and continuous development of our clinical specialties. The revenue growth in outpatient healthcare services from 2021 to 2022 was also positively affected by the increase in the average spending per outpatient visit during the period, which was mainly affected by the evolving patient demand and the corresponding changes in the outpatient service portfolio we provide.

Revenue generated from others stayed relatively stable of RMB28.1 million in 2021 and RMB30.9 million in 2022.

Revenue by Hospital

In terms of hospital, thanks to our strong reputation, the high-quality and competitive healthcare offerings, and efficient management of the hospitals, our Nanjing BenQ Hospital and Suzhou BenQ Hospital both demonstrated strong financial performance in 2021 and 2022.

Revenue recorded by Nanjing BenQ Hospital increased from RMB1,441.5 million in 2021 to RMB1,454.3 million in 2022, primarily due to an increase in number of patient visits from 2021 to 2022. Such increase in number of patient visits was partially offset by the impact of implementation of DRG payment system in Nanjing BenQ Hospital, where the revenue from inpatient healthcare services decreased from 2021 to 2022.

Revenue recorded by Suzhou BenQ Hospital increased from RMB782.1 million in 2021 to RMB882.2 million in 2022, primarily due to a steady growth in number of patient visits from 2021 to 2022.

Cost of Revenue

Our cost of revenue increased from RMB1,883.3 million in 2021 to RMB1,953.3 million in 2022, which was primarily due to an increase in employee benefit expenses, as a result of increased compensation levels.

Gross Profit and Gross Profit Margin

As a result of the changes in our revenue and cost of revenue described above, our gross profit increased from RMB340.3 million in 2021 to RMB383.1 million in 2022.

Due to robust revenue growth outpacing the increase in cost of revenue, our overall gross profit margin experienced an increase from 15.3% in 2021 to 16.4% in 2022. Specifically, the gross profit margin of our Nanjing BenQ Hospital stayed stable at 15.1% in 2021 and 15.0% in 2022, and the gross profit margin of our Suzhou BenQ Hospital increased from 15.7% in 2021 to 18.7% in 2022.

Administrative Expenses

Our administrative expenses increased from RMB205.7 million in 2021 to RMB217.6 million in 2022, mainly due to an increase in employee benefit expenses.

Other Net Gain

Our other net gain increased significantly from RMB6.1 million in 2021 to RMB12.0 million in 2022, mainly as (i) we recorded an increase in government grants as we received an award of RMB10.0 million in 2022 for our Nanjing BenQ Hospital attaining a Grade A Class III hospital rating; and (ii) our net realized and unrealized loss on derivative financial instruments of RMB5.1 million changed to a gain position of RMB9.5 million, partially offset by the net foreign exchange losses of RMB9.9 million in 2022 as compared to our foreign exchange gain of RMB3.3 million in 2021.

Net Finance Costs

Our net finance costs decreased from RMB20.1 million in 2021 to RMB15.5 million in 2022, mainly due to (i) a decrease in interest on bank loans and other borrowings; and (ii) an increase in interest expense capitalized into construction in progress, resulting from the second phase construction of Nanjing BenQ Hospital and Suzhou BenQ Hospital.

Share of Losses of Associates

Our share of losses of associates increased significantly from RMB6.5 million in 2021 to RMB22.1 million in 2022, primarily as Donghui Medical recorded increased losses from 2021 to 2022.

Income Tax Expense

Our income tax expense increased from RMB32.8 million in 2021 to RMB38.1 million in 2022, mainly as profit before tax increased from 2021 to 2022.

Profit for the Year and Net Profit Margin

As a result of the foregoing, our profit for the year increased from RMB69.1 million in 2021 to RMB89.6 million in 2022, and our net profit margin increased from 3.1% in 2021 to 3.8% in 2022.

DISCUSSION OF SELECTED ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this document:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	1,532,989	1,667,739	1,864,118
Right-of-use assets	167,911	162,763	157,616
Intangible assets	21,618	21,246	19,039
Interests in associates	215,397	204,558	223,625
Prepayments, deposits and other receivables	35,797	30,284	31,276
Deferred tax assets	50,140	57,154	56,557
Total non-current assets	**2,023,852**	**2,143,744**	**2,352,231**

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Current assets			
Derivative financial instruments	–	28	–
Inventories	79,569	73,082	68,690
Trade receivables	242,573	188,474	246,924
Prepayments, deposits and other receivables	30,993	14,067	17,586
Time deposits	637	698	708
Cash and cash equivalents	89,950	135,704	226,246
Total current assets	**443,722**	**412,053**	**560,154**
LIABILITIES			
Current liabilities			
Bank loans	175,124	410,252	419,992
Derivative financial instruments	1,480	1,216	1,364
Trade payables	362,491	325,796	376,865
Other payables and accruals	501,008	314,468	351,015
Contract liabilities	29,060	39,787	31,606
Current taxation	12,197	33,769	38,971
Total current liabilities	**1,081,360**	**1,125,288**	**1,219,813**
Net current liabilities	**(637,638)**	**(713,235)**	**(659,659)**
Total assets less current liabilities	**1,386,214**	**1,430,509**	**1,692,572**
Non-current liabilities			
Bank loans	160,000	85,000	174,392
Deferred income	–	16,000	16,000
Total non-current liabilities	**160,000**	**101,000**	**190,392**
Net assets	**1,226,214**	**1,329,509**	**1,502,180**
CAPITAL AND RESERVES			
Share capital	1,600,520	1,600,520	1,600,520
Reserves	(374,306)	(271,011)	(98,340)
Total equity	**1,226,214**	**1,329,509**	**1,502,180**

Property, Plant and Equipment

Our property, plant and equipment primarily consisted of buildings, machinery and equipment, furniture, fixtures and office equipment, motor vehicles, as well as construction in progress. The following table sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Buildings	1,322,647	1,276,397	1,223,305
Machinery and equipment	145,526	191,986	211,522
Furniture, fixtures and office equipment	11,869	15,670	17,356
Motor vehicles	1,514	1,396	1,237
Construction in progress	51,433	182,290	410,698
Total	**1,532,989**	**1,667,739**	**1,864,118**

Our property, plant and equipment increased from RMB1,533.0 million as of December 31, 2021 to RMB1,667.7 million as of December 31, 2022, and further increased to RMB1,864.1 million as of December 31, 2023, mainly due to (i) an increase in machinery and equipment as a result of our investments in advanced medical equipment to deliver higher-quality patient care and maintain competitive technological edge; and (ii) an increase in construction in progress related to the construction projects of Nanjing BenQ Hospital and Suzhou BenQ Hospital.

Right-of-Use Assets

Our right-of-use assets primarily represented our leasehold land. Our right-of-use assets decreased from RMB167.9 million as of December 31, 2021 to RMB162.8 million as of December 31, 2022, and further to RMB157.6 million as of December 31, 2023, mainly as a result of the depreciation of right-of-use assets.

Interests in associates

Our interests in associates primarily represented our share of net assets in our associates companies, primarily including Donghui Medical and Nanjing Yinxia Healthcare. Our interests in associates decreased from RMB215.4 million as of December 31, 2021 to RMB204.6 million as of December 31, 2022, primarily because Donghui Medical recorded loss in 2022. Our interests in associates increased from RMB204.6 million as of December 31, 2022 to RMB223.6 million as of December 31, 2023, primarily because we increased our investment in equity interest of Donghui Medical in December 2023, which was partially offset by the loss recorded by Donghui Medical in 2023.

The following table sets forth a breakdown of interests in associates as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Donghui Medical(1)	104,244	95,449	116,311
Nanjing Yinxia Healthcare(2)(3)	111,153	109,109	107,314
Total	**215,397**	**204,558**	**223,625**

Notes:

(1) Donghui Medical is an investment holding company which has 100% equity interest in Guigang Donghui Hospital Co., Ltd., which is a limited liability company established in the PRC on November 30, 2017, with a registered capital of RMB771,029,000 and is engaged in the provision of hospital healthcare service. In December 2023, our Group acquired additional 3.65% of the equity interest in Donghui Medical from a third party with a consideration of RMB36,330,000. Upon the completion of the transaction in December 2023, the proportion of our Group's interest increased to 17.78% and the consideration was not paid yet as at December 31, 2023 and was included in "other payables and accruals". Our Group has a right to appoint one director to the board of Donghui Medical in accordance with the investment agreement, therefore our Directors are in the view that our Group can cast significant influence on Donghui Medical and consider it is an associate of our Group.

(2) Nanjing Yinxia Healthcare was established by BenQ BM Holding Corp. as a limited liability in 2018, with a registered capital of RMB30,000,000. In April 2019, the proportion of our Group's interest in Nanjing Yinxia Healthcare has been diluted to 30.00% due to the subscription of registered capital of RMB70,000,000 to independent third parties and Nanjing Yinxia Healthcare ceased to be a subsidiary of our Group but became an associate of our Group. In 2020, our Group entered into an agreement with the independent third parties, pursuant to which, our Group agreed to dispose its 15.00% equity interest in Nanjing Yinxia Healthcare at a cash consideration of RMB300,000,000. Upon the completion of our Group's disposal, the proportion of our Group's interest in Nanjing Yinxia Healthcare has been reduced to 15.00%. Our Group has a right to appoint one director to the board of Nanjing Yinxia Healthcare in accordance with the agreement, therefore the Directors of our Company are in the view that our Group can cast significant influence on Nanjing Yinxia Healthcare and consider it is an associate of our Group.

(3) The receivable from Nanjing Yinxia Healthcare was unsecured, interest free and repayable on demand.

Inventories

Our inventories primarily consisted of pharmaceuticals, medical consumables and others. We actively monitor our business performance and inventory level, and make our purchase plans accordingly on a regular basis, to minimize the risk of inventory shortage or accumulation. The following table sets forth the breakdown of our inventories as of the date indicted:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Pharmaceuticals	40,346	38,319	46,798
Medical consumables	37,244	32,824	20,520
Others	1,979	1,939	1,372
Total	**79,569**	**73,082**	**68,690**

The following table sets forth a summary of our inventories turnover days for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Inventories turnover days*	16	14	12

Note:

* Inventories turnover days were calculated based on the average of opening and closing balance of inventories for the relevant year, divided by the cost of revenue for the same year and multiplied by 365 days for 2021, 2022 and 2023.

Our inventories turnover days decreased from 16 days in 2021 to 14 days in 2022 and further to 12 days in 2023, respectively. We maintained a relatively stable and low average inventories turnover days in order to more efficiently control our cash requirements. The relatively stable and low average inventories turnover days over the Track Record Period primarily reflects the effectiveness in our inventory management, and our seamless cooperation with the suppliers in response to the evolving demands to pharmaceuticals and medical consumables in the ordinary course of business. Going forward, we expect our inventory procurement to increase in line with the expansion of our business, while maintaining low average inventories days to optimize our procurement efficiency. We regularly assess our inventories for impairment and during the Track Record Period, we did not record any write-downs in consolidated statements of profit or loss and other comprehensive income.

As of February 29, 2024, RMB66.3 million or 96.5% of our inventories as of December 31, 2023, was subsequently utilized/sold.

The following table sets forth an aging analysis of our inventories, as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 12 months	78,823	71,654	67,295
Over 12 months	746	1,428	1,395
Total	**79,569**	**73,082**	**68,690**

Our inventories are primarily aged one year or less. Inventories aged over one year mainly include medical consumables, which are less frequently used. We strictly follow a first-in, first-out for the utilization of the pharmaceuticals and medical consumables and conduct inspections on our inventories on a quarterly basis.

Trade Receivables

Our trade receivables primarily represented balances due from (i) our related parties. For details, see "— Related Party Transactions" in this section; (ii) public medical insurance programs. Patients who are covered by the public medical insurance programs generally choose to rely on public medical insurance programs to pay for some of our healthcare services. For the portion of the medical fees covered by the public medical insurance programs and payable by the local medical insurance bureaus, our hospitals typically receive reimbursement of a majority of such portion within six months, with the remaining portion to be settled in the next year. Our historical receivables recovery rates from governments are generally high; and (iii) other third parties, primarily including individuals and corporate clients. For individual patients, they typically make payments at the time of discharge, and for corporate clients, they normally settle their payments with us between two to three months after the date when we fully discharged our service obligation within the calendar year. The following table sets forth the breakdown of our trade receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– due from related parties	1,073	1,704	1,428
– due from public medical insurance programs	190,916	115,163	177,438
– due from other third parties	58,537	84,661	80,969
	250,526	201,528	259,835
Less: loss allowance	(7,953)	(13,054)	(12,911)
Total	**242,573**	**188,474**	**246,924**

Our trade receivables decreased from RMB242.6 million as of December 31, 2021 to RMB188.5 million as of December 31, 2022, and then increased to RMB246.9 million as of December 31, 2023, primarily in line with the changes in receivables due from public medical insurance programs. We recorded loss allowance of trade receivables of RMB8.0 million, RMB13.1 million and RMB12.9 million as of December 31, 2021, 2022 and 2023, respectively. We maintain strict control over our outstanding receivables, and our management regularly reviews overdue balances. We generally perform an impairment analysis at each year end date using a provision matrix to measure expected credit losses. In 2021, 2022 and 2023, we recorded impairment losses on trade receivables of RMB4.1 million, RMB 5.4 million and RMB0.3 million, respectively in the consolidated statements of profit or loss. Our management considers that based on past payment history from such sources, these amounts can be recovered in a reasonable period of time. For more details on the credit risks of trade receivables, see Note 30(a) to the Accountants' Report in Appendix I to this document.

The following table sets forth an aging analysis of the trade receivables, based on the date of revenue recognition and net of loss allowance for impairment, as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	205,262	158,547	219,275
Over 6 months but within 12 months	41,055	32,839	28,724
Over 12 months but within 18 months	2,976	7,406	8,220
Over 18 months	1,233	2,736	3,616
	250,526	201,528	259,835
Less: loss allowance	(7,953)	(13,054)	(12,911)
Total	**242,573**	**188,474**	**246,924**

The following table sets forth a summary of our trade receivables turnover days for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Trade receivables turnover days*	38	34	30

Note:

* Trade receivables turnover days were calculated based on the average of opening and closing balance of trade receivables less allowance for impairment for the relevant year, divided by the revenue for the same year and multiplied by 365 days for 2021, 2022 and 2023.

Our trade receivables turnover days were 38 days, 34 days and 30 days in 2021, 2022 and 2023, respectively, which was in line with our credit policy and within the trade receivable turnover days of the industry. Our trade receivables turnover days decreased from 38 days in 2021 to 34 days in 2022 and further to 30 days in 2023, primarily due to the increased revenue during the Track Record Period.

As of February 29, 2024, RMB190.8 million or 77.3% of our trade receivables outstanding as of December 31, 2023, was subsequently settled.

Prepayments, Deposits and Other Receivables

The following table sets forth the breakdown of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments			
– Prepayments for purchase of property, plant and equipment	34,863	26,291	28,740
– Other prepayments	934	3,993	2,536
Non-current portion	35,797	30,284	31,276
Current			
Amounts due from related parties	2,436	948	37
Prepayments	4,607	5,202	9,478
Prepayments in connection with the proposed initial [**REDACTED**] of the Company's shares	–	–	532
Deposits	1,288	1,288	1,311
Consideration receivables from the disposal of equity interest in an associate	15,000	–	–
Other receivables	7,662	6,629	6,228
Current portion	30,993	14,067	17,586
Total	**66,790**	**44,351**	**48,862**

Our current prepayments, deposits and other receivables primarily represented (i) amounts due from related parties. For more details, see "— Related Party Transactions" below in this section; (ii) prepayments for maintenance and repair, quality inspection, and quality assessment services; (iii) prepayments in connection with the proposed [**REDACTED**]; (iv) deposits; (v) receivables from the disposal of equity interest in an associate and (vi) other receivables. Our current prepayments, deposits and other receivables decreased from RMB31.0 million as of December 31, 2021 to RMB14.1 million as of December 31, 2022, mainly due to the decrease in consideration receivables from the disposal of equity interest in an associate, because we received such receivables in 2022. Our current prepayments, deposits and other receivables increased from RM14.1 million as of December 31, 2022 to RMB17.6 million as of December 31, 2023, mainly due to our prepayments in connection with daily operations.

Our non-current prepayments, deposits and other receivables primarily represented (i) prepayments for properties, plants and equipment; and (ii) other prepayments. Our non-current prepayments, deposits and other receivables decreased from RMB35.8 million as of December 31, 2021 to RMB30.3 million as of December 31, 2022, mainly due to the decrease in prepayments for properties, plants and equipment which were credited to properties, plants and equipment in 2022. Our non-current prepayments, deposits and other receivables stayed relatively stable at RMB30.3 million as of December 31, 2022 and RMB31.3 million as of December 31, 2023.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consisted of cash at bank and on hand. As of December 31, 2021, 2022 and 2023, our cash and cash equivalents were primarily denominated in RMB and USD. Our cash and cash equivalents increased from RMB90.0 million as of December 31, 2021 to RMB135.7 million as of December 31, 2022, and further increased to RMB226.2 million as of December 31, 2023. For more information, see Note 21 to the Accountants' Report in Appendix I to this document.

Bank Loans

Our bank loans primarily consisted of unsecured and low-interest-bearing bank loans to support the operation of our Nanjing BenQ Hospital and Suzhou BenQ Hospital. Our bank and other loans amounted to RMB335.1 million, RMB495.3 million and RMB594.4 million as of December 31, 2021, 2022 and 2023. For more information, see Note 22 to the Accountants' Report in Appendix I to this document.

Trade Payables

Our trade payables primarily consisted of (i) trade payables due to related parties in relation to general consumables and software development for the smart hospital project; and (ii) trade payables due to third parties. Our trade payables to third parties are non-interest-bearing, and are normally settled on credit terms from 30 to 120 days from the invoice dates. The following table sets forth the breakdown of our trade payables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– due to related parties	3,173	4,210	2,540
– due to third parties	359,318	321,586	374,325
Total	**362,491**	**325,796**	**376,865**

The following table sets forth an aging analysis of the trade payables based on the invoice date as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	359,024	322,215	373,163
After 1 year	3,467	3,581	3,702
Total	**362,491**	**325,796**	**376,865**

The following table sets forth a summary of our trade payables turnover days for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Trade payables turnover days*	71	64	59

Note:

* Trade payables turnover days were calculated based on the average of opening and closing balance of trade payables for the relevant year, divided by the cost of revenue for the same year, and multiplied by 365 days for 2021, 2022 and 2023.

Our trade payables turnover days decreased from 71 days in 2021 to 64 days in 2022 and further to 59 days in 2023. The decrease of our trade payables turnover days during the Track Record Period was mainly as we increasingly settled with our suppliers of pharmaceuticals and consumables through governmental payment platform with payment periods less than 60 days.

As of February 29, 2024, RMB234.3 million or 62.2% of our trade payables outstanding as of December 31, 2023, was subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consisted of accrued payroll and benefits, payables for acquisition of property plant and equipment, payables for interest in an associate, accrued expenses, and others. The following table sets forth the breakdown of our other payables and accruals as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Loan from a related party	174,307	–	–
Other amounts due to related parties	2,424	1,630	1,491
Payables for acquisition of property plant and equipment	59,087	56,558	39,888
Payable for acquisition of interest in an associate	–	–	36,330
Accrued payroll and benefits	169,914	170,539	175,600
Accrued expenses	31,741	25,389	33,914
Deposits received	13,959	10,018	10,838
Other taxes payable	8,497	8,007	7,661
Others	41,079	42,327	45,293
Total	**501,008**	**314,468**	**351,015**

Our other payables and accruals decreased from RMB501.0 million as of December 31, 2021 to RMB314.5 million as of December 31, 2022, mainly due to the decrease in loans from a related parties. For more details, see "— Related Party Transactions" below in this section and Note 24 to the Accountants' Report in Appendix I to this document. Our other payables and accruals increased from RMB314.5 million as of December 31, 2022 to RMB351.0 million as of December 31, 2023, mainly due to the increase in payable for interest in an associate, which was primarily in relation to our acquisition of additional equity interest in Donghui Medical. For details, see "— Discussion of Selected Items From Consolidated Statements of Financial Position — Interests in Associates" above in this section.

CASH FLOWS

Our use of cash primarily related to operating activities and capital expenditure. We have historically financed our operations primarily through a consolidation of cash flow generated from our operations and bank loans.

The following table sets forth a summary of our cash flows information for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Operating profit before changes in working capital	266,305	318,384	419,376
Changes in working capital	(98,030)	38,299	(105)
Cash generated from operations	168,275	356,683	419,271
Income tax paid	(64,391)	(23,503)	(60,847)
Net cash generated from operating activities	103,884	333,180	358,424
Net cash used in investing activities	(184,862)	(255,311)	(349,812)
Net cash (used in)/generated from financing activities	(7,672)	(32,531)	81,893
Net (decrease)/increase in cash and cash equivalents	(88,650)	45,338	90,505
Cash and cash equivalents at the beginning of the year	178,752	89,950	135,704
Effect of foreign exchange rate changes	(152)	416	37
Cash and cash equivalents at end of the year	89,950	135,704	226,246

Net Cash Generated From Operating Activities

In 2023, our net cash generated from operating activities was RMB358.4 million. Our profit before taxation in 2023 was RMB234.1 million. The difference between our profit before taxation and our net cash generated from operating activities was primarily attributable to (i) certain non-cash or non-operating expenses or losses, including (a) depreciation of property, plant and equipment of RMB139.4 million, (b) share of losses of associates of RMB23.8 million and (c) amortization of intangible assets of RMB10.9 million; and (ii) changes in certain working capital items, including (a) an increase of RMB51.1 million in trade payables, and (b) an increase of RMB17.8 million in other payables and accruals, partially offset by an increase of RMB58.7 million in trade receivables.

In 2022, our net cash generated from operating activities was RMB333.2 million. Our profit before taxation in 2022 was RMB127.6 million. The difference between our profit before taxation and our net cash generated from operating activities was primarily attributable to (i) certain non-cash or non-operating expenses or losses, including (a) depreciation of property, plant and equipment of RMB131.4 million, (b) share of losses of associates of RMB22.1 million and (c) finance costs of RMB16.7 million; and (ii) changes in certain working capital items, including (a) a decrease of RMB48.7 million in trade receivables, and (b) a decrease of RMB16.0 million in prepayments and other receivables, partially offset by a decrease of RMB36.7 million in trade payables.

In 2021, our net cash generated from operating activities was RMB103.9 million. Our profit before taxation in 2021 was RMB101.9 million. The difference between our profit before taxation and our net cash generated from operating activities was primarily attributable to certain non-cash or non-operating expenses or losses, including (i) depreciation of property, plant and equipment of RMB118.0 million; and (ii) finance costs of RMB21.3 million, partially offset by (i) an increase of RMB29.4 million in trade receivables; (ii) an increase of RMB27.1 million in inventories; (iii) a decrease of RMB18.8 million in other payables and accruals; and (iv) a decrease of RMB19.9 million in contract liabilities.

Net Cash Used in Investing Activities

In 2023, our net cash used in investing activities was RMB349.8 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB350.9 million.

In 2022, our net cash used in investing activities was RMB255.3 million, primarily attributable to payment for purchase of property, plant and equipment and intangible assets of RMB269.3 million, partially offset by proceed from disposal of interest in an associate of RMB15.0 million.

In 2021, our net cash used in investing activities was RMB184.9 million, primarily attributable to (i) decrease of the deposits received of RMB300.0 million; and (ii) payment for purchase of property, plant and equipment and intangible assets of RMB167.4 million, partially offset by proceed from disposal of interest in an associate of RMB285.0 million.

Net Cash Used in/Generated From Financing Activities

In 2023, our net cash generated from financing activities was RMB81.9 million, primarily attributable to proceeds from bank loans of RMB744.4 million, partially offset by (i) repayment of bank loans of RMB645.2 million; and (ii) interest paid of RMB16.7 million.

In 2022, our net cash used in financing activities was RMB32.5 million, primarily attributable to (i) repayment of bank loans of RMB603.7 million; (ii) loan repaid to a related party of RMB290.0 million; and (iii) interest paid of RMB22.7 million, partially offset by (i) proceeds from bank loans of RMB763.8 million; and (ii) loan from a related party of RMB120.0 million.

In 2021, our net cash used in financing activities was RMB7.7 million, primarily attributable to (i) repayment of bank loans of RMB574.7 million; (ii) loan repaid to a related party of RMB50.0 million; and (iii) interest paid of RMB14.9 million, partially offset by (i) proceeds from bank loans of RMB461.9 million; and (ii) loan from a related party of RMB170.0 million.

Net Current Liabilities

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of February 29,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current assets				
Derivative financial instruments	–	28	–	91
Inventories	79,569	73,082	68,690	81,266
Trade receivables	242,573	188,474	246,924	239,474
Prepayments, deposits and other receivables	30,993	14,067	17,586	25,874
Time deposits	637	698	708	710
Cash and cash equivalents	89,950	135,704	226,246	237,893
Total current assets	**443,722**	**412,053**	**560,154**	**585,308**
LIABILITIES				
Current liabilities				
Bank loans	175,124	410,252	419,992	600,673
Derivative financial instruments	1,480	1,216	1,364	–
Trade payables	362,491	325,796	376,865	401,055
Other payables and accruals	501,008	314,468	351,015	299,374
Contract liabilities	29,060	39,787	31,606	39,586
Current taxation	12,197	33,769	38,971	21,483
Total current liabilities	**1,081,360**	**1,125,288**	**1,219,813**	**1,362,171**
Net current liabilities	**(637,638)**	**(713,235)**	**(659,659)**	**(776,863)**

Our net current liabilities increased from RMB637.6 million as of December 31, 2021 to RMB713.2 million as of December 31, 2022. The increase was primarily due to (i) an increase in bank loans we borrowed to support the operation of our Nanjing BenQ Hospital and Suzhou BenQ Hospital; and (ii) a decrease in trade receivables, partially offset by a decrease in other payables and accruals resulting from a decrease in amounts due to related parties. Our net current liabilities decreased from RMB713.2 million as of December 31, 2022 to RMB659.7 million as of December 31, 2023. The decrease was primarily due to (i) an increase in trade receivables; and (ii) an increase in cash and cash equivalents.

We had a net assets position as of December 31, 2021, 2022 and 2023. Our net assets increased from RMB1,226.2 million as of December 31, 2021 to RMB1,329.5 million as of December 31, 2022, and further to RMB1,502.2 million December 31, 2023, primarily as our total comprehensive income for the year increased from RMB65.9 million in 2021 to RMB102.6 million in 2022, and further to RMB170.0 million in 2023. For further details on the equity movement of our Group, see "Consolidated Statements of Changes in Equity" of the Accountants' Report set out in Appendix I to this document.

WORKING CAPITAL SUFFICIENCY

During the Track Record Period, we financed our operations primarily through cash generated from our operating activities as our principal sources of funding, and our primary uses of cash were to fund our capital expenditures and working capital. Going forward, we believe that our liquidity requirements will be satisfied with a combination of our internal resources, cash flows generated from our operating and financing activities and net [**REDACTED**] from the [**REDACTED**].

Despite that we had a net current liability position as of December 31, 2021, 2022 and 2023 and February 29, 2024, taking into account the financial resources available to us, including (i) cash inflow from operating activities of RMB358.4 million in 2023, (ii) our current cash and cash equivalents of RMB237.9 million as of February 29, 2024, (iii) the time deposit of RMB0.7 million as of February 29, 2024; (iv) the unutilized banking facilities of RMB934.9 million as of February 29, 2024, and (v) the estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have available sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditures comprised of payment for purchase of property, plant and equipment and intangible assets. We incurred capital expenditures of RMB167.4 million, RMB269.3 million and RMB350.9 million in 2021, 2022 and 2023, respectively. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from our operating activities and bank loans.

COMMITMENTS

As of December 31, 2021, 2022 and 2023 we had commitments of RMB82.2 million, RMB395.0 million and RMB254.4 million, respectively, which was primarily in connection with our construction of buildings and acquisition of machinery and equipment.

INDEBTEDNESS

Our indebtedness mainly included bank loans during the Track Record Period. The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of February 29,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current				
Bank loans	175,124	410,252	419,992	600,673
Loan from a related party	174,307	–	–	–
Non-current				
Bank loans	160,000	85,000	174,392	174,392
Total	**509,431**	**495,252**	**594,384**	**775,065**

As of February 29, 2024, we had outstanding indebtedness representing bank loans of RMB775.1 million. As of February 29, 2024, our unutilized banking facilities amounted to RMB934.9 million. For details of bank loans, see "— Discussion of Selected Items From Consolidated Statements of Financial Position" in this section.

Except as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of February 29, 2024. Since February 29, 2024 and up to the Latest Practicable Date, there had not been any material adverse change to our indebtedness.

CONTINGENT LIABILITIES

As of December 31, 2021, 2022 and 2023, we did not have any contingent liabilities.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios for the years/as of the dates indicated:

	As of/Year ended December 31,		
	2021	**2022**	**2023**
Gross profit margin(1)	15.3%	16.4%	18.9%
Net profit margin(2)	3.1%	3.8%	6.2%
Return on equity(3)	5.8%	7.0%	11.8%
Return on total assets(4)	2.8%	3.6%	6.1%
Current ratio(5)	0.4	0.4	0.5
Quick ratio(6)	0.3	0.3	0.4

Notes:

(1) Gross profit margin was calculated based on gross profit divided by revenue for the respective year.

(2) Net profit margin was calculated based on net profit divided by revenue for the respective year.

(3) Return on equity was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

(4) Return on total assets was calculated based on net profit of the respective year, divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(5) Current ratio was calculated based on the total current assets divided by the total current liabilities as of the relevant dates.

(6) Quick ratio was calculated based on the total current assets less inventories and divided by the total current liabilities as of the relevant dates.

Gross Profit Margin

For details, see "— Description of Selected Components of Consolidated Statements of Profit or Loss — Gross Profit and Gross Profit Margin" above in this section.

Return on Equity

Our return on equity increased from 5.8% in 2021 to 7.0% in 2022 and further to 11.8% in 2023, primarily due to the increase in our net profit.

Return on Total Assets

Our return on total assets increased from 2.8% in 2021 to 3.6% in 2022 and further to 6.1% in 2023, primarily due to the increase in our net profit, partially offset by the increase in our property, plant and equipment and cash and cash equivalents.

Current Ratio

Our current ratio stayed relatively stable at 0.4 as of December 31, 2021 and 2022. Our current ratio then increased to 0.5 as of December 31, 2023, primarily as a result of the increase in our current assets, which was mainly due to (i) an increase in trade receivables and (ii) an increase in cash and cash equivalents.

Quick Ratio

Consistent with the changes in our current ratio, our quick ratio stayed stable at 0.3 as of December 31, 2021 and 2022, and increased to 0.4 as of December 31, 2023.

Net Profit Margin

For details, see "— Description of Selected Components of Consolidated Statements of Profit or Loss — Review of Historical Results of Operations" above in this section.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 32 to the Accountants' Report in Appendix I to this document.

Transactions with related parties

The table below sets forth our significant related party transactions during the Track Record Period:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Purchase of goods from			
Qisda Corporation and its subsidiaries (excluding our Group, together as "**Qisda Group**")	8,630	9,282	11,811
Purchase of services from			
Qisda Group	1,476	2,376	2,372
Purchase of intangible assets from			
Qisda Group	2,259	421	–
Purchase of property, plant and equipment from			
Qisda Group	403	1,811	–
Short-term lease expense to			
Qisda Group	3,162	3,242	3,423
Rendering of services to			
Qisda Group	3,460	3,641	2,147
Rental income from			
Qisda Group	4,497	4,648	4,679
Loan from			
Qisda Optronics (Suzhou) Co., Ltd.	170,000	120,000	–
Loan repaid to			
Qisda Optronics (Suzhou) Co., Ltd.	(50,000)	(290,000)	–
Interest paid to			
Qisda Optronics (Suzhou) Co., Ltd.	(1,793)	(9,526)	–
Interest expense from			
Qisda Optronics (Suzhou) Co., Ltd.	6,030	5,219	–

During the Track Record Period, our related party transactions mainly included: (i) our purchase of medical consumables and equipment with Qisda Group; (ii) our purchase of services, including legal and other services from Qisda Group; (iii) our purchase of intangible assets, primarily including softwares from Qisda Group; (iv) our purchase of property, plant and equipment from Qisda Corporation; (v) the short-term leases of dormitory from Qisda (Suzhou) Co., Ltd.; (vi) our provision of physical examination services to Qisda Group; (vii) the leasing of premises for general office purposes to Qisda Group; (viii) and loan that we borrowed from Qisda Optronics (Suzhou) Co., Ltd. to support of our daily business operations. During the Track Record Period, such loan was unsecured and bore an interest rate 3.60% per annum, which was based on one-year loan prime rate (LPR). In 2022, all of the loan principal and interest due to Qisda Optronics (Suzhou) Co., Ltd. had been fully repaid by us.

Balances with related parties

The following table sets forth our amounts due from related parties as of the dates indicated:

	As of December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade in nature			
Trade payables – Qisda Group	3,173	4,210	2,540
Trade receivables – Qisda Group	1,073	1,704	1,428
Prepayments, deposits and other receivables – Qisda Group	2,436	948	37
Other payables and accruals – Qisda Group	2,424	1,630	1,491
Non-trade in nature			
Other payables and accruals – Qisda Optronics (Suzhou) Co., Ltd.	174,307	–	–
Other receivables – Nanjing Yinxia Healthcare	66,990	66,990	66,990

As of December 31, 2021, 2022 and 2023, our outstanding trade payables to Qisda Group amounted to RMB3.2 million, RMB4.2 million and RMB2.5 million, respectively. Our trade payables to Qisda Group primarily represented payables for our purchase of medical consumables and equipment. As of December 31, 2021, 2022 and 2023, our outstanding trade receivables from Qisda Group amounted to RMB1.1 million, RMB1.7 million and RMB1.4 million, respectively. Our trade receivables from Qisda Group primarily represented receivables in relation to our provision of physical examination services to Qisda Group. As of December 31, 2021, 2022 and 2023, our outstanding prepayments, deposits and other receivables from Qisda Group amounted to RMB2.4 million, RMB1.0 million and RMB37.0 thousand, respectively. Our prepayments, deposits and other receivables from Qisda Group were primarily related to our leases to it. In addition, as of December 31, 2021, 2022, and 2023, our outstanding other payables and accruals to Qisda Group was RMB2.4 million, 1.6 million and 1.5 million, which were primarily in relation to our leases and purchase of legal and other services. For more details, see "Connected Transactions" in this document.

As of December 31, 2021, our payables and accruals to Qisda Optronics (Suzhou) Co., Ltd. amounted to RMB174.3 million. Such payables and accruals primarily represented our loans due to Qisda Optronics (Suzhou) Co., Ltd. and had been fully repaid in 2022. As of December 31, 2022 and 2023, our payables and accruals to Qisda Optronics (Suzhou) Co., Ltd. amounted to nil and nil, respectively. For detail, see "— Transactions With Related Parties" above.

As of December 31, 2021, 2022 and 2023, we had other receivables from Nanjing Yinxia Healthcare of RMB67.0 million, respectively. In March 2018, Nanjing Yinxia Healthcare was established through division of our Group. Upon the completion of the enterprise division, we transferred certain assets, such as a leasehold and properties under construction, which had a carrying amount of RMB82.0 million, to Nanjing Yinxia Healthcare, according to the management account of Nanjing Yinxia Healthcare. Out of the total amount, RMB30.0 million was designated as our investment in Nanjing Yinxia Healthcare, while the remaining RMB52.0 million was recognized as other receivables. Additionally, from the inception of Nanjing Yinxia Healthcare till the start of 2021, our Group had made payments of RMB15.0 million on behalf of Nanjing Yinxia Healthcare to support their development. As of the Latest Practicable Date, our Directors expect that the receivables due from Nanjing Yinxia Healthcare of RMB67.0 million as of December 31, 2021, 2022 and 2023 will be settled by 2025. We do not rely on those receivables to fulfill our working capital needs.

Our Directors confirm that, all material related party transactions during the Track Record Period were conducted on an arm's length basis and on normal commercial terms or such terms that were no less favorable to our Group than those available to independent third parties and were fair and reasonable and in the interest of our Shareholders as a whole, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

RISK DISCLOSURES

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance. For more details, see Note 31 to the Accountants' Report in Appendix I to this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. Our Group's credit risk is primarily attributable to trade and other receivables. Our Group's exposure to credit risk arising from cash and cash equivalents and time deposits is limited because the counterparties are mainly reputable financial institutions with high credit standing, for which our Group considers to have low credit risk.

Our Group does not provide any guarantees which would expose our Group to credit risk.

(i) Trade Receivables

Our Group's trade receivables are mainly from providing hospital service to patients and has a highly diversified customer base, without any single customer contributing material revenue. However, our Group has concentrated debtor's portfolio, as majority patients will claim their medical bill from public medical insurance program. The reimbursement from these organizations may take one to twelve months. Our Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organizations' policy, provided fulfilling all ethics and moral responsibilities as a healthcare provider. Our Group also has controls to closely monitor the patients' billings and claim status to minimize the credit risk, for those fees unsettled by the patients at the time of discharge, our Group will recover from the patients through regular collections. Some of the service fees such as physical examination services are also paid by the corporations and government administrations on behalf of their employees. We adopt different collection monitoring mechanisms for different payers.

Our Group has performed an impairment analysis at each year end date using a provision matrix to measure expected credit losses. The provision rates are based on past due of trade receivables for groupings of various debtor segments with similar loss patterns. The calculation reflects the historical credit losses experience and reasonable and supportable information that is available at the year end date about past events, current conditions and forecasts of future economic conditions.

(ii) Other Receivables

For other receivables, our Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, our Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The management has assessed that during the Track Record Period, other receivables have not a significant increase in credit risk since initial recognition. Thus, a 12-month ECL approach that results from possible default event within 12 months of each reporting date is adopted by management. Our management expect the occurrence of losses from nonperformance by the counterparties of other receivables was remote and loss allowance provision for other receivables was immaterial.

Liquidity Risk

Our 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 and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group's exposure to interest rate risks arises primarily from interest-bearing loans. Borrowings issued at variable rates and fixed rates expose our Group to cash flow interest rate risk and fair value interest rate risk respectively.

Currency Risk

Our Group is exposed to currency risk primarily through intra-group transactions which give rise to intra-group loans that are denominated in USD. Based on the risk exposure of the intra-group loans, our Group adopts forward exchange contracts with the notional amounts equal to the balances of the intercompany loans to offset the currency risk. Therefore, our directors considered our Group's exposure to foreign currency risk is not significant during the Track Record Period.

PROPERTY VALUATION

Cushman & Wakefield Limited, an independent property valuer, has valued the property interests of our Group, comprising our operations, as of January 31, 2024. Texts of its letters, summary of valuation and valuation reports issued are contained in Appendix III to this document.

The following table sets forth the reconciliation of the carrying values of these property interests as reflected in our consolidated balance sheet as of December 31, 2023 included in Appendix I to this document with our Independent Property Valuer's valuation of the same property interests as of January 31, 2024 as set out in Appendix III to this document.

	RMB'000
Net book value as of December 31, 2023	1,791,619
Amortization and depreciation for the one month ended January 31, 2024	(8,244)
Additions	56,550
Unaudited net book value as of January 31, 2024	1,839,925
Valuation surplus	2,143,075
Valuation as of January 31, 2024	3,983,000

DIVIDENDS

No dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period.

Our Company is a holding company incorporated in the Cayman Islands. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may recommend a payment of dividend in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and such other conditions and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividend shall be proposed and approved by the Board in accordance with the Articles, the Cayman Companies Act and any applicable laws and regulations. Any future declarations of dividend may or may not reflect our historical declarations of dividend and will be at the absolute discretion of our Directors. There is no assurance that dividends of any amount will be declared or be distributed in any year.

DISTRIBUTABLE RESERVES

As of December 31, 2023, we did not have any distributable reserves.

[REDACTED] EXPENSE

[REDACTED]

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants and is set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of our Group attributable to the equity shareholders of our Company as of December 31, 2023 as if the [**REDACTED**] had taken place on December 31, 2023.

The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to equity shareholders of our Company had the [**REDACTED**] been completed as of December 31, 2023 or any future date.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2023	**Estimated net [REDACTED] from the [REDACTED]**	**[REDACTED] adjusted consolidated net tangible assets attributable to the owners of our Company as of December 31, 2023**	**[REDACTED] adjusted consolidated net tangible assets per Share as of December 31, 2023**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	1,483,141	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share	1,483,141	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of our Company as of December 31, 2023 have been calculated based on the audited total equity attributable to equity shareholders of our Company of RMB1,502,180,000 as at December 31, 2023, after deduction of the intangible assets of RMB19,039,000 as at December 31, 2023, which is extracted from the Accountant's Report set out in Appendix I in this document.

(2) The estimated net [**REDACTED**] from this [**REDACTED**] are based on [**REDACTED**] Shares to be issued pursuant to the [**REDACTED**] and the indicative [**REDACTED**] of HK$[**REDACTED**] per Share and HK$[**REDACTED**] per Share, being the low end and high end of the [**REDACTED**] range respectively, after deduction of the estimated [**REDACTED**] and other related [**REDACTED**] paid or payable by our Group (excluding the [**REDACTED**] of RMB[**REDACTED**] that have been charged to profit or loss during the Track Record Period), and does not take into account the exercise of the [**REDACTED**] and any shares to be issued pursuant to the Pre-[**REDACTED**] Share Option Plan.

(3) The unaudited [**REDACTED**] adjusted net tangible assets attributable to the equity shareholders of our Company per Share is arrived at after the above adjustment and on the basis that a total of [**REDACTED**] shares were in issue immediately following the completion of the [**REDACTED**] assuming the [**REDACTED**] had been completed on December 31, 2023 without taking into account of any Shares which may be issued upon the exercise of the [**REDACTED**] and any shares to be issued pursuant to the pre-[**REDACTED**] Share Option Plan.

(4) For illustrative purpose, the estimated net [**REDACTED**] from the [**REDACTED**] and the unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share are converted from the Hong Kong dollar into Renminbi at the exchange rate of HK$1.00 to RMB0.9069, the exchange rate set by the People's Bank of China ("**PBOC**") prevailing on March 27, 2024. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.

(5) No adjustment has been made to the unaudited [**REDACTED**] adjusted net tangible assets attributable to equity shareholders of our Company to reflect our trading results or other transactions entered into subsequent to December 31, 2023.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there had been no material adverse change in our financial, operational or prospects since December 31, 2023, being the latest balance sheet date of our combined financial statements in the Accountants' in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND PROSPECTS

For a detailed description of our future plans, see "Business — Our Strategies" in this document.

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**], after deducting [**REDACTED**] commissions, fees and estimated expenses payable by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, which is the mid-point of the indicative [**REDACTED**] range stated in this document. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the high end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the low end of the indicative [**REDACTED**] range, the net [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**].

Assuming an [**REDACTED**] at the mid-point of the indicative [**REDACTED**] range, we currently intend to apply these net [**REDACTED**] for the following purposes:

(1) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be allocated to fund the expansion and upgrade of our existing hospitals. Specifically,

   (a) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the second-phase construction plan and the procurement of advanced medical equipment for our Nanjing BenQ Hospital to further increase operational capacity and quality.

      (i) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to pay the retainage for the construction of specialty disciplines buildings (專科樓) in our Nanjing BenQ Hospital. We currently expect to complete the constructions of the specialty disciplines buildings by 2024 and as of the Latest Practicable Date, the main bodies of these buildings had been topped out. Upon completion of the specialty disciplines buildings, we expect that these buildings will serve for several specialty disciplines, such as gastroenterology, neurology, oncology, orthopedics, otorhinolaryngology and head & neck surgery and etc. The buildings are expected to undertake functions, encompassing surgeries, hospitalization, medical tests and etc. Additionally, we plan to deploy an additional 600 to 800 beds for specialty disciplines buildings, which will significantly enhance our service capacity. See "Business — Our Hospitals — Nanjing BenQ Hospital — Construction and Expansion Plan" in this document;

(ii) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to finance the construction of special (high-end) medical service center (特需中心) in our Nanjing BenQ Hospital. We currently expect to commence the construction by 2027 and complete the construction by 2030. In addition, we plan to deploy additional 400 to 600 beds for the special (high-end) medical service center. See "Business — Our Hospitals — Nanjing BenQ Hospital — Construction and Expansion Plan" in this document; and

(iii) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to finance the procurement of advanced medical equipment for our Nanjing BenQ Hospital. We plan to purchase and install advanced equipment used in operating rooms, including surgical robots (手術機器人), equipment for digital subtraction angiography (DSA) (數字減影血管造影) and etc; and plan to purchase and install advanced equipment used in the tumor center, including linear accelerator (直線加速器) and other treatment equipment to further enhance our service capacity and quality;

(b) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to fund the third-phase and fourth-phase construction plans and the procurement of advanced medical equipment for Suzhou BenQ Hospital to further increase operational capacity and quality.

(i) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to finance the construction and establishment of a maternity and child center (婦幼中心) in our Suzhou BenQ Hospital, to meet the unmet medical needs for the local market where we provide healthcare services and to enhance our advantage in gynaecology and pediatrics department. The maternity and child center is expected to cover a total GFA of approximately 90,000 sq.m., with additional 500 beds to be deployed. We currently expect to commence the construction of the maternity and child center by 2024 and complete the construction by 2026. For more information, see "Business — Our Hospitals — Suzhou BenQ Hospital — Construction and Expansion Plan" in this document;

(ii) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to finance the construction and establishment of a rehabilitation center (康復長照中心) in our Suzhou BenQ Hospital. We currently expect to commence the construction of the rehabilitation center by 2027 and complete the construction by 2029. In addition, we plan to deploy additional 300 beds for the rehabilitation center. For more information, see "Business — Our Hospitals — Suzhou BenQ Hospital — Construction and Expansion Plan" in this document;

(iii) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used to finance the procurement of advanced medical equipment for our Suzhou BenQ Hospital, including equipment used in the hemodialysis center (血液透析中心), laparoscopic systems used in operating rooms, and orthopedic O-arm machine set, to further enhance its service capacity and quality;

(2) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be allocated to fund potential investment and mergers and acquisitions opportunities. We plan to continue searching for suitable merger and acquisition targets both nationwide and in Southeast Asian regions like Vietnam and Malaysia to expand business scale and achieve consistent growth in global market so as to become a leading global healthcare service platform. We currently have not identified any specific target, but expect to guide our decision-making process based on factors including but not limited to the following: (i) the geographical location of the target, (ii) population trends and healthcare needs in the region, (iii) historical financial and operational performance of the target; (iv) the acquisition price and the potential return on investment, (v) compliance records and licensing status of the target, (vi) the expertise, qualifications, and experience of healthcare professionals and (vii) growth potential and prospects post-acquisition and the synergic effect with our existing hospitals.

(3) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be allocated to fund the upgrade of our "Smart Hospital". For details of our "Smart Hospital" system, see "Business — Our Healthcare Services — Our Humanistic Care and Treatment Processes — Smart Hospital" in this document. We expect to enhance the technological infrastructures, invest in the development of technologies, and the establishment of medical database to support early disease screening and health management for our patients.

(4) [**REDACTED**]%, or approximately HK$[**REDACTED**], will be used for our working capital and general corporate purposes.

If the [**REDACTED**] is exercised in full, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range). We intend to apply the additional net [**REDACTED**] to the above purposes in the proportions stated above.

The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the indicative [**REDACTED**] range stated in this document. If the [**REDACTED**] is fixed at HK$[**REDACTED**] per Share, being the high end of the stated [**REDACTED**] range, our net [**REDACTED**] will be (i) increased by approximately HK$[**REDACTED**], assuming the [**REDACTED**] is not exercised; or (ii) increased by approximately HK$[**REDACTED**], assuming the [**REDACTED**] is exercised in full. In such circumstances, we currently intend to use such additional [**REDACTED**] to increase the net [**REDACTED**] applied for the same purposes as set out above on a *pro rata* basis. If the [**REDACTED**] is fixedat HK$[**REDACTED**] per Share being the low end of the stated [**REDACTED**] range, our net [**REDACTED**] will be (i) decreased by approximately HK$[**REDACTED**], assuming the [**REDACTED**] is not exercised; or (ii) decreased by approximately HK$[**REDACTED**], assuming the [**REDACTED**] is exercised in full. In such circumstances, we currently intend to reduce the net [**REDACTED**] applied for the same purposes as set out above on a *pro rata* basis.

To the extent that the net [**REDACTED**] are not immediately applied to the above purposes, we will only hold such funds in short-term deposits with licensed commercial banks or authorized financial institutions in Hong Kong or the PRC (as defined under the Securities and Futures Ordinance or applicable PRC laws). We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

[REDACTED]

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The following is the text of a report set out on pages I-1 to I-53, 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 BENQ BM HOLDING CAYMAN CORP. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CITIGROUP GLOBAL MARKETS ASIA LIMITED

Introduction

We report on the historical financial information of BenQ BM Holding Cayman Corp. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-53, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021, 2022 and 2023, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended December 31, 2021, 2022 and 2023 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-53 forms an integral part of this report, which has been prepared for inclusion in the [**REDACTED**] of the Company dated [●] (the "[**REDACTED**]") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of 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 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 Company's and the Group's financial position as at December 31, 2021, 2022 and 2023, and of the Group's financial performance and cash flows for the Track Record Period 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-3 have been made.

Dividends

We refer to Note 29(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Nanjing Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi ("RMB"))

	Note	Years ended December 31,		
		2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Revenue	4	2,223,647	2,336,435	2,687,613
Cost of revenue		(1,883,318)	(1,953,335)	(2,179,957)
Gross profit		340,329	383,100	507,656
Other net gain	5	6,145	11,981	1,476
Selling and distribution expenses		(8,142)	(6,783)	(5,661)
Administrative expenses		(205,749)	(217,625)	(241,006)
Impairment losses on trade receivables	30(a)	(4,056)	(5,428)	(292)
Profit from operations		128,527	165,245	262,173
Net finance costs	6(a)	(20,123)	(15,491)	(4,228)
Share of losses of associates	15	(6,507)	(22,143)	(23,849)
Profit before taxation	6	101,897	127,611	234,096
Income tax expense	7	(32,822)	(38,061)	(66,646)
Profit for the year attributable to equity shareholders of the Company		69,075	89,550	167,450
Earnings per share (RMB)	10			
Basic (RMB)		0.28	0.37	0.68
Diluted (RMB)		0.28	0.36	0.68

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in RMB)

	Note	Years ended December 31, 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Profit for the year		69,075	89,550	167,450
Other comprehensive income for the year (after tax and reclassification adjustments)				
Items that will not be reclassified to profit or loss:				
Exchange differences on translation of				
– financial statements of the Company with functional currency other than RMB		(386)	1,071	169
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of				
– financial statements of subsidiaries with functional currencies other than RMB		(2,802)	11,950	2,333
Other comprehensive income for the year		(3,188)	13,021	2,502
Total comprehensive income for the year attributable to equity shareholders of the Company		65,887	102,571	169,952

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

		As at December 31,		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	1,532,989	1,667,739	1,864,118
Right-of-use assets	*12*	167,911	162,763	157,616
Intangible assets	*13*	21,618	21,246	19,039
Interests in associates	*15*	215,397	204,558	223,625
Prepayments, deposits and other receivables	*19*	35,797	30,284	31,276
Deferred tax assets	*27(b)*	50,140	57,154	56,557
		2,023,852	2,143,744	2,352,231
Current assets				
Derivative financial instruments	*16*	–	28	–
Inventories	*17*	79,569	73,082	68,690
Trade receivables	*18*	242,573	188,474	246,924
Prepayments, deposits and other receivables	*19*	30,993	14,067	17,586
Time deposits	*20*	637	698	708
Cash and cash equivalents	*21*	89,950	135,704	226,246
		443,722	412,053	560,154
Current liabilities				
Bank loans	*22*	175,124	410,252	419,992
Derivative financial instruments	*16*	1,480	1,216	1,364
Trade payables	*23*	362,491	325,796	376,865
Other payables and accruals	*24*	501,008	314,468	351,015
Contract liabilities	*25*	29,060	39,787	31,606
Current taxation	*27(a)*	12,197	33,769	38,971
		1,081,360	1,125,288	1,219,813
Net current liabilities		(637,638)	(713,235)	(659,659)
Total assets less current liabilities		1,386,214	1,430,509	1,692,572
Non-current liabilities				
Bank loans	*22*	160,000	85,000	174,392
Deferred income	*26*	–	16,000	16,000
		160,000	101,000	190,392
NET ASSETS		1,226,214	1,329,509	1,502,180
CAPITAL AND RESERVES				
Share capital	*29(c)*	1,600,520	1,600,520	1,600,520
Reserves		(374,306)	(271,011)	(98,340)
TOTAL EQUITY		1,226,214	1,329,509	1,502,180

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at December 31,		
		2021	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investments in subsidiaries	*14*	1,896,225	1,896,225	1,896,225
		1,896,225	1,896,225	1,896,225
Current assets				
Derivative financial instruments		–	28	–
Prepayments, deposits and other receivables	*19*	370	42	638
Cash and cash equivalents	*21(a)*	7,315	15,868	7,397
		7,685	15,938	8,035
Current liabilities				
Derivative financial instruments		1,480	1,216	–
Other payables and accruals	*24*	411	24	680
		1,891	1,240	680
Net current assets		5,794	14,698	7,355
Total assets less current liabilities		1,902,019	1,910,923	1,903,580
NET ASSETS		1,902,019	1,910,923	1,903,580
CAPITAL AND RESERVES				
Share capital	*29(c)*	1,600,520	1,600,520	1,600,520
Reserves		301,499	310,403	303,060
TOTAL EQUITY		1,902,019	1,910,923	1,903,580

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Share capital	Share premium	Exchange reserve	Share-based payments reserve	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021	1,600,520	321,292	(29,252)	6,624	(739,555)	1,159,629
Changes in equity for 2021:						
Profit for the year	–	–	–	–	69,075	69,075
Other comprehensive income for the year	–	–	(3,188)	–	–	(3,188)
Total comprehensive income	–	–	(3,188)	–	69,075	65,887
Equity settled share-based transactions *(Note 28)*	–	–	–	698	–	698
Balance at December 31, 2021 and January 1, 2022	1,600,520	321,292	(32,440)	7,322	(670,480)	1,226,214
Changes in equity for 2022:						
Profit for the year	–	–	–	–	89,550	89,550
Other comprehensive income for the year	–	–	13,021	–	–	13,021
Total comprehensive income	–	–	13,021	–	89,550	102,571
Equity settled share-based transactions *(Note 28)*	–	–	–	724	–	724
Balance at December 31, 2022 and January 1, 2023	1,600,520	321,292	(19,419)	8,046	(580,930)	1,329,509
Changes in equity for 2023:						
Profit for the year	–	–	–	–	167,450	167,450
Other comprehensive income for the year	–	–	2,502	–	–	2,502
Total comprehensive income	–	–	2,502	–	167,450	169,952
Equity settled share-based transactions *(Note 28)*	–	–	–	2,719	–	2,719
Balance at December 31, 2023	1,600,520	321,292	(16,917)	10,765	(413,480)	1,502,180

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Years ended December 31, 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Cash generated from operations	*21(b)*	168,275	356,683	419,271
Income tax paid	*27(a)*	(64,391)	(23,503)	(60,847)
Net cash generated from operating activities		103,884	333,180	358,424
Investing activities				
Payment for purchase of property, plant and equipment and intangible assets		(167,419)	(269,334)	(350,928)
Decrease of the deposits received		(300,000)	–	–
Payment for interest in an associate		–	(11,304)	(6,586)
Proceed from disposal of interest in an associate		285,000	15,000	–
Net (payments)/proceeds from the settlement of derivative financial instruments		(3,606)	9,134	3,312
Interest received		1,163	1,193	4,390
Net cash used in investing activities		(184,862)	(255,311)	(349,812)
Financing activities				
Proceeds from bank loans	*21(c)*	461,947	763,838	744,385
Repayments of bank loans	*21(c)*	(574,731)	(603,704)	(645,215)
Loan from a related party	*21(c)*	170,000	120,000	–
Loan repaid to a related party	*21(c)*	(50,000)	(290,000)	–
Expenses paid in connection with [**REDACTED**] of the Company's shares		–	–	(532)
Interest paid	*21(c)*	(14,888)	(22,665)	(16,745)
Net cash (used in)/generated from financing activities		(7,672)	(32,531)	81,893
Net (decrease)/increase in cash and cash equivalents		(88,650)	45,338	90,505
Cash and cash equivalents at the beginning of the year		178,752	89,950	135,704
Effect of foreign exchange rate changes		(152)	416	37
Cash and cash equivalents at end of the year	*21(a)*	89,950	135,704	226,246

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

BenQ BM Holding Cayman Corp. (the "Company") was incorporated in Cayman Islands on January 5, 2009 as an exempted company with limited liability under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, "the Group") are principally engaged in the provision of healthcare services through the multi-disciplinary private for-profit general hospitals in the People's Republic of China (the "PRC"). The information of the principal subsidiaries is set out in Note 14.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group of RMB659,659,000 at December 31, 2023. The directors of the Company are of the opinion that the Group is able to meet in full its financial obligations as they fall due for at least the next twelve months from December 31, 2023, having taken into account the factors including: (1) the Group's cash flow forecast covering a period of not less than twelve months from December 31, 2023 and (2) the Group's unused banking facilities of RMB1,165,616,000 as at December 31, 2023 (Note 22). Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has 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 policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs that are effective during the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning January 1, 2024 are set out in Note 34.

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 "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand, unless otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies as set out in Notes 2(e) and 2(f).

(b) Use of estimation and judgement

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 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.

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

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

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 derecognizes the assets and liabilities of the subsidiary, and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an interest in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(j)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for in the Historical Financial Information using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognized at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the expected credit losses ("ECLs") model to such other long-term interests where applicable (see Note 2(j)(i)).

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent there is no evidence of impairment.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss be recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(e)).

(e) Other investments in debt and equity securities

The Group's policies for investments in securities, other than investments in subsidiaries and associates, are set out below.

Investments in securities are recognized/derecognized 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 recognized directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

Non-equity investments are classified into one of the following measurement categories:

– amortized 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 calculated using the effective interest method (see Note 2(t)(ii)(b)), foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is recognized 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 recognized in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortized cost is recognized in OCI. When the investment is derecognized, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(f) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognized in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(g) Property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses (see Note 2(j)(ii)).

The cost of self-constructed items of property, plant and equipment 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 overheads and borrowing costs (see Note 2(v)).

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation is calculated to write off the cost of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives.

The estimated useful lives of property, plant and equipment and right-of-use assets are as follows:

	Estimated useful life
Buildings	20-50 years
Machinery and equipment	5-8 years
Furniture, fixtures and office equipment	3-5 years
Motor vehicles	5-10 years
Right-of-use assets	Over the term of lease

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components). 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(j)(ii)). Cost comprises the purchase costs of the asset and the related construction and installation costs.

Construction in progress is transferred to other 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.

(h) Intangible assets

Intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any impairment losses (see Note 2(j)(ii)).

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognized in profit or loss.

The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

Software	3-5 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 amortization are reviewed annually.

(i) 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.

(i) 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 recognizes 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 item, the Group decides whether to capitalize the lease on a lease-by-lease basis. If not capitalized, the associated lease payments are recognized in profit or loss on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized 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 amortized cost and interest expense is recognized 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 recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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 Notes 2(g) and 2(j)(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 Group changes its assessment of whether it 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 modification, which means a change in the scope of 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.

In the consolidated 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.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognized in accordance with Note 2(t)(ii)(a).

(j) Credit losses and impairment assets

(i) Credit losses from financial instruments

The Group recognizes a loss allowance for ECLs on financial assets measured at amortized cost (including cash and cash equivalents, time deposits, trade and other receivables).

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 and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof; and

– 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 losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to 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.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

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 recognized as an impairment gain or loss in profit or loss. The Group recognizes 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 reorganization; or

– 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 otherwise 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 recognized 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 recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

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 amortization, if no impairment loss had been recognized.

(k) 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 measured at the lower of cost and net realizable value.

Cost of inventories is determined on first-in-first-out method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Contract liabilities

A contract liability is recognized when the customer pays non-refundable consideration before the Group recognizes the related revenue (see Note 2(t)). A contract liability is also recognized if the Group has an unconditional right to receive non-refundable consideration before the Group recognizes the related revenue. In such latter cases, a corresponding receivable is also recognized (see Note 2(m)).

(m) Trade and other receivables

A receivable is recognized 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.

Trade receivables are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortized cost (see Note 2(e)).

(n) 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(j)(i)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortized cost using the effective interest method. Interest expense is recognized in accordance with Note 2(v).

(p) Trade and other payables

Trade and other payables are initially recognized at fair value. Subsequent to initial recognition, trade and other payables are stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) 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 recognized 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.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of share options granted to employees is measured using the binomial options pricing model. The amount is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized 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 recognized is based on the number of awards that meet the related service conditions at the vesting date.

(r) 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 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 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;

– temporary differences related to investment in subsidiaries and associates 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; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development.

Deferred tax assets are recognized for unused tax losses, unused tax credits 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 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 realized; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognized for any expected reimbursement that would be virtually certain. The amount recognized for the reimbursement is limited to the carrying amount of the provision.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases 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) Hospital healthcare services

Revenue from provision of hospital healthcare services, including out-patient and in-patient services, is recognized when the related services have been rendered to customers. Majority customers of the Group has entered into governments' public medical insurance program which are run by government organizations. The Group claims the consideration in relation to healthcare services provided by the Group with relevant government organizations. The subsequent agreement on the government approved annual quota for the medical fees to be recovered from the relevant public medical insurance program have been treated as changes in variable considerations. The Group estimates the variable considerations using expected value approach, which is based on historical practice and all reasonably available information and adjusts to the actual amount for the satisfied healthcare services in the period when the annual quota is agreed.

Out-patient services

For out-patient services, the patient normally receives out-patient treatment which contains various treatment components. Out-patient services contain more than one performance obligations, including (i) provision of out-patient healthcare services and (ii) sale of pharmaceutical products. The Group allocates the transaction price to each performance obligation on relative stand-alone selling price basis. Both (i) provision of out-patient healthcare services and (ii) sale of pharmaceutical products for which the control of services or pharmaceutical products is transferred at a point in time, revenue is recognized when the customer obtains the control of the completed services or pharmaceutical products and the Group has satisfied its performance obligations with present right to payment.

In-patient services

For in-patient service, the customers normally receive inpatient treatment which contains various treatment. In-patient service contains more than one performance obligations, including (i) provision of consultation services, (ii) provision of in-patient healthcare services and (iii) sale of pharmaceutical products. The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

For revenue from (i) provision of consultation services and (iii) sale of pharmaceutical products for which control of services or pharmaceutical products is transferred at a point in time, revenue is recognized when the customer obtains the control of the completed services or pharmaceutical products and the Group has satisfied its performance obligations with present right to payment. For revenue from (ii) provision of in-patient healthcare services, the corresponding revenue is recognized over the service period when customers simultaneously receive the services and consumes the benefits provided by the Group's performance as the Group performs.

(ii) Revenue from other sources

(a) Rental income from operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are earned.

(b) Interest income

Interest income is recognized 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.

(c) Government grants

Government grants are recognized 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 recognized 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 deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(u) 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 recognized in profit or loss.

The assets and liabilities of foreign operations are translated into RMB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the exchange reserve.

(v) Borrowing costs

Borrowing costs that 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 capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) 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 a joint venture of the other entity (or an associate or a 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.

(x) 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 JUDGEMENT 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.

Notes 28 and 30 contain information about the assumptions and their risk factors relating to fair value of share options granted and financial instruments. Other significant sources of estimation uncertainty are follows:

(i) Estimation of variable consideration for revenue from customers

The Group estimates variable considerations to be included in the transaction price for the revenue from customers in respect of subsequent agreement on the government approved annual quota for the medical fees in healthcare services. The Group has estimated the variable considerations which is based on the Group's past experience with customers. Any significant changes in experience as compared to historical patterns will impact the expected refund estimated by the Group. The Group updates its assessment of expected agreement on a regular basis and the relevant revenue are adjusted accordingly.

(ii) Loss allowance for expected credit losses

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

(iii) Impairment of interests in associates

The Group reviews the carrying amounts of the interests in associates as at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management assesses the difference between the carrying amounts and recoverable amounts and make provision for impairment loss. Any changes in the assumptions adopted in calculating the recoverable amount would increase or decrease the provision for impairment loss and affect the Group's financial position.

(iv) 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 Group is principally engaged in hospital healthcare service.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	Years ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Hospital healthcare services			
– Out-patient services	1,019,404	1,103,907	1,262,905
– In-patient services	1,176,137	1,201,678	1,395,719
	2,195,541	2,305,585	2,658,624
Revenue from other sources			
Rental income			
– Lease payments that are fixed or depend on an index or a rate	12,511	15,783	13,770
– Variable lease payments that do not depend on an index or a rate	5,623	5,388	5,630
Others	9,972	9,679	9,589
	2,223,647	2,336,435	2,687,613

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follow:

	Years ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition			
Point in time	1,029,376	1,113,586	1,272,494
Over time	1,194,271	1,222,849	1,415,119
	2,223,647	2,336,435	2,687,613

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 Track Record Period.

(ii) Revenue expected to be recognized 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 are located physically or operationally in the PRC.

5 OTHER NET GAIN

	Years ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(Note)*	9,352	13,923	1,663
Net foreign exchange gain/(loss)	3,261	(9,865)	(1,576)
Net realized and unrealized (loss)/gain on derivative financial instruments	(5,100)	9,549	3,155
Net loss on disposal of property, plant and equipment	(373)	(224)	(345)
Others	(995)	(1,402)	(1,421)
	6,145	11,981	1,476

Note: The government grants are mainly unconditional government subsidies received by certain subsidiaries of the Group in consideration of their tax contribution and to support the hospital development.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Net finance costs

	Years ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Finance income:			
Interest income	(1,163)	(1,193)	(4,390)
Finance costs:			
Interest expenses on bank loans and other borrowings	21,286	18,352	16,707
Less: interest expense capitalized into construction in progress*	–	(1,668)	(8,089)
	21,286	16,684	8,618
	20,123	15,491	4,228

* The borrowing costs have been capitalized at a rate range of 3.50% and 2.60%-2.70% per annum, respectively, for the years ended December 31, 2022 and 2023.

(b) Staff costs

	Years ended December 31, 2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	646,308	715,546	773,354
Contributions to defined contribution retirement plan	51,890	63,082	71,925
Equity settled share-based payment expenses *(Note 28)*	698	724	2,719
	698,896	779,352	847,998

Pursuant to the relevant labor rules and regulations in the PRC, the Group's PRC subsidiaries participate in defined contribution retirement benefit schemes (the "Schemes") organized 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 the payment of retirement benefits beyond the contributions described above.

(c) Other items

	Note	Years ended December 31, 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Depreciation and amortization				
– owned property, plant and equipment	*11*	117,996	131,406	139,425
– right-of-use assets	*12*	5,148	5,148	5,147
– intangible assets	*13*	7,668	9,893	10,854
		130,812	146,447	155,426
[**REDACTED**]		–	–	1,595
Auditors' remuneration		417	401	916
Cost of inventories (representing pharmaceutical products and consumables used, included in cost of revenue)	*17(b)*	896,431	896,011	1,056,412

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Note	Years ended December 31, 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Current tax — PRC Corporate Income Tax				
Provision for the year		26,648	45,075	66,049
Deferred tax				
Origination and reversal of temporary differences	*27(b)*	6,174	(7,014)	597
		32,822	38,061	66,646

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

(ii) Pursuant to the income tax rules and regulations of the Malaysia Labuan ("LBU"), the Group's subsidiary in the LBU was a Labuan Trading Company, who was liable to the Malaysia corporation tax at a rate of 3% or a flat rate of MYR20,000 per annum. No provision for Labuan Profits tax was made for the subsidiary as it did not have any assessable profits subject to Labuan Profits Tax during the Track Record Period.

(iii) The subsidiary of the Group incorporated in Taiwan, province of the PRC ("Taiwan") is liable to Taiwan Profits Tax at a rate of 20%. No provision for Taiwan Profits Tax was made for the subsidiary as it did not have any assessable profits subject to Taiwan Profits Tax during the Track Record Period.

(iv) The Group's subsidiaries in Mainland China are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income during the Track Record Period.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	101,897	127,611	234,096
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	30,354	32,943	60,519
Tax effect of non-deductible expenses	2,097	5,162	6,094
Utilization of tax losses previously not recognized	–	(94)	(13)
Tax effect of unused tax losses not recognized	371	50	46
Actual tax expense	32,822	38,061	66,646

8 DIRECTORS' EMOLUMENTS

Details of the emoluments of the directors' emoluments as recorded in the Historical Financial Information are set out below:

Year ended December 31, 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 28)*	*RMB'000*
Mr. HSIAO Tze-Jung	233	–	–	–	50	283
Mr. CHEN Chi-Hong	233	–	–	–	–	233
Ms. HUNG Chiu-Chin	233	–	–	–	–	233
Dr. WANG Liming	233	–	–	–	25	258
Mr. YANG Hung-Jen *(iii)*	233	–	–	–	–	233
Mr. TSENG Wen-Chi *(iii)*	233	–	–	–	–	233
Mr. LEE Kuen-Yao *(i)*	116	–	–	–	–	116
Mr. WANG Lin *(ii)*	–	–	–	–	–	–
Mr. GUO Qizhi *(ii)*	–	–	–	–	–	–
	1,514	–	–	–	75	1,589

Year ended December 31, 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 28)*	*RMB'000*
Mr. HSIAO Tze-Jung	233	–	–	–	52	285
Mr. CHEN Chi-Hong	233	–	–	–	–	233
Ms. HUNG Chiu-Chin	233	–	–	–	–	233
Dr. WANG Liming	233	–	–	–	26	259
Mr. YANG Hung-Jen *(iii)*	233	–	–	–	–	233
Mr. TSENG Wen-Chi *(iii)*	233	–	–	–	–	233
Mr. LEE Kuen-Yao *(i)*	–	–	–	–	–	–
Mr. WANG Lin *(ii)*	–	–	–	–	–	–
Mr. GUO Qizhi *(ii)*	–	–	–	–	–	–
	1,398	–	–	–	78	1,476

Year ended December 31, 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 28)*	*RMB'000*
Mr. HSIAO Tze-Jung	233	–	–	–	55	288
Mr. CHEN Chi-Hong	233	–	–	–	–	233
Ms. HUNG Chiu-Chin	233	–	–	–	–	233
Dr. WANG Liming	233	–	–	–	27	260
Mr. YANG Hung-Jen *(iii)*	233	–	–	–	–	233
Mr. TSENG Wen-Chi *(iii)*	233	–	–	–	–	233
Mr. LEE Kuen-Yao *(i)*	–	–	–	–	–	–
Mr. WANG Lin *(ii)*	–	–	–	–	–	–
Mr. GUO Qizhi *(ii)*	–	–	–	–	–	–
	1,398	–	–	–	82	1,480

(i) Mr. Lee Kuen-Yao was resigned from the Company's director on October 27, 2023.

(ii) Mr. Wang Lin and Mr. Guo Qizhi were resigned from the Company's directors on September 27, 2023.

(iii) Mr. Yang Hung-Jen and Mr. Tseng Wen-Chi were resigned from the Company's directors on March 21, 2024.

(iv) These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in Note 2(q) 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 payment, including the principal terms and number of options granted, are disclosed in Note 28.

(v) Mr. Chow Hsing-Yi, Mr. Wang Wen-Tsung and Mr. Chen Ray-Jade were appointed as independent non-executive directors of the Company on March 22, 2024 and will be effective upon the completion of the [**REDACTED**] of the Company's shares on the Stock Exchange. No emoluments were paid to independent non-executive directors during the Track Record Period.

No independent non-executive directors of the Company were appointed, and no emoluments were paid to independent non-executive directors during the Track Record Period.

During the Track Record Period, no director or chief executive has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors 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 THE HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none of them are directors whose emoluments are disclosed in Note 8 for the years ended December 31, 2021 and 2022 and 2023, respectively. The aggregate of the emoluments in respect of the paid amount to remaining individuals are as follows:

	Years ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	11,714	13,819	15,305
Contributions to defined contribution retirement plan	185	50	88
Share-based payments	11	12	360
	11,910	13,881	15,753

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Years ended December 31,		
	2021	2022	2023
	Number of individuals	*Number of individuals*	*Number of individuals*
Hong Kong Dollar ("HKD")			
HKD1,500,001 — HKD2,000,000	2	–	–
HKD2,000,001 — HKD2,500,000	2	2	2
HKD2,500,001 — HKD3,000,000	–	2	2
HKD5,500,001 — HKD6,000,000	–	1	1
HKD6,000,001 — HKD6,500,000	1	–	–
	5	5	5

During the Track Record Period, no amounts were paid or payable by the Group to the above non-director highest paid individuals 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.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue during the Track Record Period, calculated as follows:

	Years ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to equity shareholders of the Company, used in the basic earnings per share calculation	69,075	89,550	167,450
Weighted average number of ordinary shares in issue	244,945,001	244,945,001	244,945,001
Basic earnings per share (in RMB)	0.28	0.37	0.68

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB69,075,000, RMB89,550,000 and RMB167,450,000, respectively, and the weighted average number of ordinary shares of 246,958,050 shares, 246,887,254 shares and 246,944,466 shares, respectively, after adjusting for the effect of deemed issue of shares under the Company's Share Option Scheme, calculated as follows:

	Years ended December 31,		
	2021	**2022**	**2023**
Weighted average number of ordinary shares at December 31,	244,945,001	244,945,001	244,945,001
Effect of deemed issue of shares under the Company's Share Option Scheme *(Note 28)*	2,013,049	1,942,253	1,999,465
Weighted average number of ordinary shares (diluted) at December 31,	246,958,050	246,887,254	246,944,466

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2021	2,015,367	297,506	35,098	2,577	16,445	2,366,993
Additions	55,256	73,593	10,593	416	45,925	185,783
Transfers	10,937	–	–	–	(10,937)	–
Disposals	–	(10,288)	(1,039)	–	–	(11,327)
At December 31, 2021 and January 1, 2022	2,081,560	360,811	44,652	2,993	51,433	2,541,449
Additions	27,706	78,595	8,369	366	151,344	266,380
Transfers	20,487	–	–	–	(20,487)	–
Disposals	–	(7,438)	–	–	–	(7,438)
At December 31, 2022 and January 1, 2023	2,129,753	431,968	53,021	3,359	182,290	2,800,391
Additions	26,566	58,822	8,731	420	241,610	336,149
Transfers	13,202	–	–	–	(13,202)	–
Disposals	–	(13,559)	(69)	–	–	(13,628)
At December 31, 2023	2,169,521	477,231	61,683	3,779	410,698	3,122,912
Accumulated depreciation:						
At January 1, 2021	(671,761)	(199,590)	(28,983)	(1,084)	–	(901,418)
Charge for the year	(87,152)	(25,684)	(4,765)	(395)	–	(117,996)
Written back on disposals	–	9,989	965	–	–	10,954
At December 31, 2021 and January 1, 2022	(758,913)	(215,285)	(32,783)	(1,479)	–	(1,008,460)
Charge for the year	(94,443)	(31,911)	(4,568)	(484)	–	(131,406)
Written back on disposals	–	7,214	–	–	–	7,214
At December 31, 2022 and January 1, 2023	(853,356)	(239,982)	(37,351)	(1,963)	–	(1,132,652)
Charge for the year	(92,860)	(38,941)	(7,045)	(579)	–	(139,425)
Written back on disposals	–	13,214	69	–	–	13,283
At December 31, 2023	(946,216)	(265,709)	(44,327)	(2,542)	–	(1,258,794)
Net book value:						
At December 31, 2021	1,322,647	145,526	11,869	1,514	51,433	1,532,989
At December 31, 2022	1,276,397	191,986	15,670	1,396	182,290	1,667,739
At December 31, 2023	1,223,305	211,522	17,356	1,237	410,698	1,864,118

12 RIGHT-OF-USE ASSETS

(a) The reconciliation of the carrying amounts of right-of-use assets by class of underlying asset is as follows:

	Leasehold land
	RMB'000
Cost:	
At January 1, 2021, December 31, 2021, 2022 and 2023	265,509
Accumulated depreciation:	
At January 1, 2021	(92,450)
Charge for the year	(5,148)
At December 31, 2021 and January 1, 2022	(97,598)
Charge for the year	(5,148)
At December 31, 2022 and January 1, 2023	(102,746)
Charge for the year	(5,147)
At December 31, 2023	(107,893)
Net book value:	
At December 31, 2021	167,911
At December 31, 2022	162,763
At December 31, 2023	157,616

Interests in leasehold land held for own use represent payments for land use rights of certain lands 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.

(b) The analysis of expense items in relation to leases recognized in profit or loss is as follows:

	Years ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	5,148	5,148	5,147
Expense relating to short-term leases	4,774	5,403	5,583
Variable lease payments not included in the measurement of lease liabilities	66,191	59,657	51,357

13 INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At January 1, 2021	28,542
Additions	18,299
At December 31, 2021 and January 1, 2022	46,841
Additions	9,521
At December 31, 2022 and January 1, 2023	56,362
Additions	8,647
At December 31, 2023	65,009
Accumulated amortization:	
At January 1, 2021	(17,555)
Charge for the year	(7,668)
At December 31, 2021 and January 1, 2022	(25,223)
Charge for the year	(9,893)
At December 31, 2022 and January 1, 2023	(35,116)
Charge for the year	(10,854)
At December 31, 2023	(45,970)
Net book value:	
At December 31, 2021	21,618
At December 31, 2022	21,246
At December 31, 2023	19,039

14 INVESTMENTS IN SUBSIDIARIES

As at the December 31, 2023, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Name of Company	Place and date of establishment	Particulars of issued and paid-up capital	Percentage of equity attributed to the Company		Principal activities	Name of statutory auditor
			Direct	*Indirect*		
BenQ BM Holding Corp. *(Note (c))*	Malaysia October 30, 2003	United States Dollar ("USD") 262,463,251	100%	–	Investment holding	Not applicable
Nanjing BenQ Medical Center Co., Ltd. ("Nanjing BenQ Hospital") 南京明基醫院有限公司 (*Notes (a) and (b)*)	The PRC November 11, 2003	USD182,014,984	–	100%	Hospital healthcare service	Jiangsu Yonghe Accounting Firm Co., Ltd. (江蘇永和會計師事務所有限公司)
Suzhou BenQ Investment Co., Ltd. 蘇州明基投資有限公司 *(Notes (a) and (c))*	The PRC September 16, 2015	USD30,000,000	–	100%	Investment holding	Not applicable

Name of Company	Place and date of establishment	Particulars of issued and paid-up capital	Percentage of equity attributed to the Company		Principal activities	Name of statutory auditor
			Direct	*Indirect*		
Suzhou BenQ Medical Center Co., Ltd. ("Suzhou BenQ Hospital") 蘇州明基醫院有限公司 *(Notes (a) and (b))*.	The PRC July 7, 2004	RMB601,975,000	–	100%	Hospital healthcare service	Jiangsu Yonghe Accounting Firm Co., Ltd. (江蘇永和會計師事務所有限公司)
BenQ Healthcare Consulting Corporation 明基醫務管理顧問股份有限公司 *(Note (c))*.	Taiwan February 5, 2009	New Taiwan Dollar ("NTD") 23,474,140	–	100%	Management Services	Not applicable
BenQ Hospital Management Consulting (Nanjing) Co., Ltd. 明基(南京)醫院管理諮詢有限公司 *(Notes (a) and (b))* .	The PRC November 14, 2005	USD1,000,000	–	100%	Management Services	Jiangsu Yonghe Accounting Firm Co., Ltd. (江蘇永和會計師事務所有限公司)

Notes:

(a) These entities are limited liability companies established in Mainland China. The official names of these entities are in Chinese. The English translation of the company names is for identification purpose only.

(b) The statutory financial statements of these entities for the years ended December 31, 2021 and 2022 were prepared in accordance with the Accounting System for Business Enterprises issued by the Ministry of Finance of Mainland China. As at the date of this report, no audited financial statements have been prepared for the year ended December 31, 2023.

(c) No audited statutory financial statements were prepared by these entities during the Track Record Period.

All companies now comprising the Group have adopted December 31 as their financial year end date.

15 INTERESTS IN ASSOCIATES

The following list contains the particulars of the Group's associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Form of business structure	Place of establishment and business	Particulars of issued and paid-up capital	Proportion of ownership interest as at December 31, 2023			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Guigang Donghui Medical Investment Co., Ltd. ("Donghui Medical") 貴港市東暉醫療投資有限公司 *(Note (i))*	Limited liability	The PRC	RMB675,268,733	17.78%	–	17.78%	Investment holding

Name of associate	Form of business structure	Place of establishment and business	Particulars of issued and paid-up capital	Proportion of ownership interest as at December 31, 2023			Principal activities
				Group's effective interest	Held by the Company	Held by a subsidiary	
Nanjing Yinxia Healthcare Industry Development Co., Ltd. ("Nanjing Yinxia Healthcare") 南京銀廈健康產業發展有限公司 *(Note (ii))*.	Limited liability	The PRC	RMB100,000,000	15.00%	–	15.00%	Provision of elderly care

Notes:

(i) Donghui Medical is an investment holding company which has 100% equity interest in Guigang Donghui Hospital Co., Ltd., which is a limited liability company established in the PRC on November 30, 2017, with a registered capital of RMB771,029,000 and is engaged in the provision of hospital healthcare service.

In December 2023, the Group acquired additional 3.65% of the equity interest in Donghui Medical from a third party with a consideration of RMB36,330,000. Upon the completion of the transaction in December 2023, the proportion of the Group's interest increased to 17.78% and the consideration was not paid yet as at December 31, 2023 and was included in "other payables and accruals" (Note 24).

The Group has a right to appoint one director to the board of Donghui Medical in accordance with the investment agreement, therefore the directors of the Company are in the view that the Group can cast significant influence on Donghui Medical and consider it is an associate of the Group.

(ii) Nanjing Yinxia Healthcare was established by BenQ BM Holding Corp. ("BenQ BM") as a limited liability in 2018, with a registered capital of RMB30,000,000. In April 2019, the proportion of the Group's interest in Nanjing Yinxia Healthcare has been diluted to 30.00% due to the subscription of registered capital of RMB70,000,000 to independent third parties and Nanjing Yinxia Healthcare ceased to be a subsidiary of the Group but became an associate of the Group.

In 2020, the Group entered into an agreement with the independent third parties, pursuant to which, the Group agreed to dispose its 15.00% equity interest in Nanjing Yinxia Healthcare at a cash consideration of RMB300,000,000. Upon the completion of the Group's disposal, the proportion of the Group's interest in Nanjing Yinxia Healthcare has been reduced to 15.00%. The Group has a right to appoint one director to the board of Nanjing Yinxia Healthcare in accordance with the agreement, therefore the directors of the Company are in the view that the Group can cast significant influence on Nanjing Yinxia Healthcare and consider it is an associate of the Group.

The above associates are accounted for using the equity method in the consolidated financial statements during the Track Record Period.

Summarized financial information of the associates, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements are disclosed below:

	Donghui Medical			Nanjing Yinxia Healthcare		
	As at December 31,			As at December 31,		
	2021	2022	2023	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross amounts the associates'						
Current assets	122,220	71,241	69,609	66,395	101,095	477,313
Non-current assets	986,553	1,081,556	1,049,208	281,799	444,341	422,934
Current liabilities	(122,059)	(76,027)	(226,019)	(53,774)	(230,713)	(231,420)
Non-current liabilities	(248,990)	(401,293)	(326,777)	–	(33,930)	(400,000)
Equity	737,724	675,477	566,021	294,420	280,793	268,827
Revenue	4,097	76,987	182,314	–	–	–
Loss and total comprehensive income	(20,814)	(142,247)	(156,069)	(23,773)	(13,627)	(11,966)
Reconciled to the Group's interests in the associates						
Gross amounts of net assets of the associates	737,724	675,477	566,021	294,420	280,793	268,827
Group's effective interest	14.13%	14.13%	17.78%	15.00%	15.00%	15.00%
Group's share of net assets of the associates	104,244	95,449	100,615	44,163	42,119	40,324
Goodwill	–	–	15,696	–	–	–
Receivable from Nanjing Yinxia Healthcare *(Note)*	–	–	–	66,990	66,990	66,990
Carrying amount of in the consolidated financial statements	104,244	95,449	116,311	111,153	109,109	107,314
Group's share of the associates Loss and total comprehensive income	(2,941)	(20,099)	(22,054)	(3,566)	(2,044)	(1,795)

Note: The receivable from Nanjing Yinxia Healthcare was unsecured, interest free and repayable on demand.

The Group assesses whether this is any objective evidence that its interests in the associates are impaired at the end of each reporting period by considering the associates' business development process, any significant financial difficulty, default or bankruptcy encountered by the associates and adverse change in technological, market, economic or legal environment. Based on the assessment above, the Group concluded that no impairment indicator was identified at the end of each reporting period and no impairment loss of interests in associates is considered necessary to be recognized in the consolidated statements of profit or loss.

16 DERIVATIVE FINANCIAL INSTRUMENTS

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Assets			
– Foreign currency forward contracts	–	28	–
Liabilities			
– Foreign currency forward contracts	1,480	1,216	1,364

The Group entered into several foreign currency forward contracts with certain banks to mitigate the currency risk arising from intra-group transactions denominated in USD. The fair value changes of above derivative financial instruments were recognized in other net gain.

The analysis on the fair value measurement of the above financial instruments is disclosed in Note 30(e).

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Pharmaceuticals	40,346	38,319	46,798
Medical consumables	37,244	32,824	20,520
Others	1,979	1,939	1,372
	79,569	73,082	68,690

(b) The analysis of the amount of inventories recognized as an expense and included in profit or loss is as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories recognized as expenses	896,431	896,011	1,056,412

18 TRADE RECEIVABLES

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Due from related parties	1,073	1,704	1,428
Due from public medical insurance programs	190,916	115,163	177,438
Due from other third parties	58,537	84,661	80,969
	250,526	201,528	259,835
Less: loss allowance	(7,953)	(13,054)	(12,911)
	242,573	188,474	246,924

All of the trade receivables are expected to be recovered within one year.

Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables, based on the date of revenue recognition and net of loss allowance, is as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	205,262	158,547	219,275
Over 6 months but within 12 months	41,055	32,839	28,724
Over 12 months but within 18 months	2,976	7,406	8,220
Over 18 months	1,233	2,736	3,616
	250,526	201,528	259,835
Less: loss allowance	(7,953)	(13,054)	(12,911)
Trade receivables, net	242,573	188,474	246,924

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 30(a).

19 PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments			
– Prepayments for purchase of property, plant and equipment	34,863	26,291	28,740
– Other prepayments	934	3,993	2,536
Non-current portion	35,797	30,284	31,276
Current			
Amounts due from related parties	2,436	948	37
Prepayments	4,607	5,202	9,478
Prepayments in connection with [**REDACTED**] of the Company's shares	–	–	532
Deposits	1,288	1,288	1,311
Consideration receivables from the disposal of equity interest in an associate	15,000	–	–
Other receivables	7,662	6,629	6,228
Current portion	30,993	14,067	17,586

The Company

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Other receivables	370	42	638

20 TIME DEPOSITS

As at December 31, 2021, 2022 and 2023, time deposits of RMB637,000, RMB698,000 and RMB708,000, respectively, in the consolidated statement of financial position represent bank deposits that are more than 3 months of maturity at acquisition.

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	89,950	135,704	226,246

The Company

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	7,315	15,868	7,397

(b) Reconciliation of profit before taxation to cash generated from operations

	Note	Years ended December 31,		
		2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Profit before taxation		101,897	127,611	234,096
Adjustments for:				
Depreciation of property, plant and equipment	*6(c)*	117,996	131,406	139,425
Depreciation of right-of-use assets	*6(c)*	5,148	5,148	5,147
Amortization of intangible assets	*6(c)*	7,668	9,893	10,854
Net realized and unrealized loss/(gain) from fair value changes on derivative financial instruments	*5*	5,100	(9,549)	(3,155)
Net loss on disposal of property, plant and equipment	*5*	373	224	345
Share of losses of associates		6,507	22,143	23,849
Equity settled share-based payment expenses	*6(b)*	698	724	2,719
Impairment losses on trade receivables		4,056	5,428	292
Finance costs	*6(a)*	21,286	16,684	8,618
Finance income	*6(a)*	(1,163)	(1,193)	(4,390)
Foreign exchange (gain)/loss	*5*	(3,261)	9,865	1,576
Operating profit before changes in working capital		266,305	318,384	419,376
(Increase)/decrease in inventories		(27,087)	6,487	4,392
(Increase)/decrease in trade receivables		(29,393)	48,671	(58,742)
Decrease/(increase) in prepayments and other receivables		3,729	16,011	(6,428)
(Decrease)/increase in trade payables		(6,584)	(36,695)	51,069
(Decrease)/increase in other payables and accruals		(18,804)	(6,902)	17,785
(Decrease)/increase in contract liabilities		(19,891)	10,727	(8,181)
Cash generated from operations		168,275	356,683	419,271

(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 consolidated cash flow statements as cash flows from financing activities.

	Bank loans	Loan from a related party	Total
	RMB'000 *(Note 22)*	*RMB'000* *(Note 24)*	*RMB'000*
At January 1, 2021	445,747	50,070	495,817
Changes from financing cash flows:			
Proceeds from bank loans	461,947	–	461,947
Repayments of bank loans	(574,731)	–	(574,731)
Loan from a related party	–	170,000	170,000
Loan repaid to a related party	–	(50,000)	(50,000)
Interest paid	(13,095)	(1,793)	(14,888)
Total changes from financing cash flows	(125,879)	118,207	(7,672)
Other changes:			
Finance costs *(Note 6(a))*	15,256	6,030	21,286
Total other changes	15,256	6,030	21,286
At December 31, 2021	335,124	174,307	509,431

	Bank loans	Loan from a related party	Total
	RMB'000 *(Note 22)*	*RMB'000* *(Note 24)*	*RMB'000*
At January 1, 2022	335,124	174,307	509,431
Changes from financing cash flows:			
Proceeds from bank loans	763,838	–	763,838
Repayments of bank loans	(603,704)	–	(603,704)
Loan from a related party	–	120,000	120,000
Loan repaid to a related party	–	(290,000)	(290,000)
Interest paid	(13,139)	(9,526)	(22,665)
Total changes from financing cash flows	146,995	(179,526)	(32,531)
Other changes:			
Finance costs *(Note 6(a))*	13,133	5,219	18,352
Total other changes	13,133	5,219	18,352
At December 31, 2022	495,252	–	495,252

	Bank loans
	RMB'000 *(Note 22)*
At January 1, 2023	495,252
Changes from financing cash flows:	
Proceeds from bank loans	744,385
Repayments of bank loans	(645,215)
Interest paid	(16,745)
Total changes from financing cash flows	82,425
Other changes:	
Finance costs *(Note 6(a))*	16,707
Total other changes	16,707
At December 31, 2023	594,384

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Years ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	70,965	65,060	56,940

22 BANK LOANS

The maturity profile for the interest-bearing bank loans of the Group at the end of each reporting period is as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Short-term bank loans	165,124	410,252	410,325
Current portion of long-term bank loans	10,000	–	9,667
Within 1 year or on demand	175,124	410,252	419,992
After 1 year but within 2 years	22,500	–	40,392
After 2 years but within 5 years	137,500	85,000	134,000
	160,000	85,000	174,392
	335,124	495,252	594,384

At the end of each reporting period, all of the above bank loans were unsecured. As at December 31, 2021, 2022 and 2023, the Group has the banking facilities of the Group totaling RMB1,035,000,000, RMB1,105,000,000 and RMB1,760,000,000, in which RMB335,124,000, RMB495,252,000 and RMB594,384,000 were utilized, respectively.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in Note 30(b). As at December 31, 2021, 2022 and 2023, none of the covenants relating to drawn down facilities had been breached.

23 TRADE PAYABLES

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Due to related parties	3,173	4,210	2,540
Due to third parties	359,318	321,586	374,325
	362,491	325,796	376,865

All of the trade payables are expected to be settled within one year or repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payable, based on the invoice date, is as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	359,024	322,215	373,163
Over 1 year	3,467	3,581	3,702
	362,491	325,796	376,865

24 OTHER PAYABLES AND ACCRUALS

The Group

		As at ended December 31,		
	Note	2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Loan from a related party	*i*	174,307	–	–
Other amounts due to related parties	*ii*	2,424	1,630	1,491
Payables for acquisition of property plant and equipment		59,087	56,558	39,888
Payable for acquisition of interest in an associate	*15*	–	–	36,330
Accrued payroll and benefits		169,914	170,539	175,600
Accrued expenses		31,741	25,389	33,914
Deposits received		13,959	10,018	10,838
Other taxes payable		8,497	8,007	7,661
Others		41,079	42,327	45,293
		501,008	314,468	351,015

Notes:

(i) At December 31, 2021, the Group's loan from a related party was bearing an interest rate of 3.60% per annum, unsecured and was repaid in 2022.

(ii) The other amounts due to related parties are unsecured, interest-free and payable on demand.

The Company

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Accrued expenses	411	24	680

All of the other payables and accruals are expected to be settled within one year or repayable on demand.

25 CONTRACT LIABILITIES

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Receipts in advance	29,060	39,787	31,606

Movements in contract liabilities

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of the year	48,951	29,060	39,787
Decrease in contract liabilities as a result of recognizing revenue during the year that was included in the contract liabilities at the beginning of the year	(48,951)	(29,060)	(39,787)
Increase in contract liabilities as a result of receipts in advance	29,060	39,787	31,606
Balance at the end of the year	29,060	39,787	31,606

All of the contract liabilities are expected to be recognized as revenue within one year.

26 DEFERRED INCOME

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Government subsidy for construction project	–	16,000	16,000

The amount represented subsidy granted by and received from local government authority in the PRC. Relevant government grant related to assets which is subsidy for building. As at December 31, 2022 and 2023, the building was under construction in progress, and the grant is included in non-current liabilities as deferred income accordingly, until the building is substantially ready for its intended use and the grant will be deducted from the carrying amount of the building and consequently are effectively recognized in profit or loss over the useful life of the building by way of reduced depreciation expense.

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	49,940	12,197	33,769
Charged to profit or loss	26,648	45,075	66,049
Payments during the year	(64,391)	(23,503)	(60,847)
At the end of the year	12,197	33,769	38,971

(b) Deferred tax assets recognized:

The components of deferred tax assets recognized in the consolidated statement of financial position and the movements during the Track Record Period are as follows:

	Depreciation of property, plant and equipment	Tax losses	Credit loss allowance	Accrued expenses	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:						
At January 1, 2021	34,547	13,987	1,171	6,609	–	56,314
Credited/(charged) to profit or loss	3,613	(13,796)	817	3,192	–	(6,174)
At December 31, 2021 and January 1, 2022	38,160	191	1,988	9,801	–	50,140
Credited/(charged) to profit or loss	2,368	(191)	1,275	(438)	4,000	7,014
At December 31, 2022 and January 1, 2023	40,528	–	3,263	9,363	4,000	57,154
Credited/(charged) to profit or loss	646	–	(36)	(1,207)	–	(597)
At December 31, 2023	41,174	–	3,227	8,156	4,000	56,557

(c) Deferred tax assets not recognized

In accordance with the accounting policy set out in Note 2(r), the Group has not recognized deferred tax assets in respect of cumulative tax losses of RMB1,981,000, RMB1,710,000 and RMB1,828,000 as at December 31, 2021, 2022 and 2023, respectively, as it is not probable that future taxable profits against which the losses can be utilized will be available in the relevant tax jurisdiction and entity. The tax losses expire within 5 to 10 years under current tax legislation.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted an employee share option scheme ("Share Option Scheme") in November 2013 (which was subsequently amended in November 2018), pursuant to which, the maximum number of 46,000,000 ordinary shares of the Company are authorized for issuance of share options to senior officers, directors and employees of the Group.

The granted options shall be vested in three tranches, (i) 50% of the options will be vested on the date of the completion of the [**REDACTED**] the Company's shares on the Stock Exchange ("[**REDACTED**]"), (ii) 25% of the options will be vested on the first anniversary date of the [**REDACTED**], and (iii) the remaining 25% of the options will be vested on the second anniversary date of the [**REDACTED**]. Each option gives the holder the right to [**REDACTED**] for one ordinary share of the Company as at each vesting date with an exercise price of USD1 per share. Unless otherwise approved by the Board of Directors, all the share options granted are exercisable upon vesting and will expire on the five years from the vesting date.

A summary of options outstanding for the years ended December 31, 2021, 2022 and 2023:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Outstanding at the beginning of the year	3,216,000	2,999,000	2,896,000
Granted during the year	–	–	445,000
Forfeited during the year	(217,000)	(103,000)	(13,000)
Outstanding at the end of the year	2,999,000	2,896,000	3,328,000
Exercisable at the end of the year	–	–	–

The options outstanding at December 31, 2021, 2022 and 2023 had a weighted average remaining contractual life of 3.5 years, 2.5 years and 1.5 years, respectively.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial options pricing model. The contractual life of the share option is used as an input into this model.

Key assumptions of share options

Fair value of options granted and assumptions	
Risk-free rate	3.16%
Volatility	37.00%
Dividend yield	0%
Expected [**REDACTED**]	[**REDACTED**]

The directors of the Company established the risk-free rate based on the yield of the China Government Bonds with a maturity life close to period from the valuation date to expected liquidation date of the options. Volatility was estimated based on average historical volatilities of comparable companies in the same industry from valuation date to expected liquidation date. Dividend yield is based on management estimate at the valuation date. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share-based payment expense of RMB698,000, RMB724,000 and RMB2,719,000 are recognized as staff costs in the consolidated statements of profit or loss for the years ended December 31, 2021, 2022 and 2023, respectively.

29 CAPITAL, RESERVE AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the Track Record Period are set out below:

The Company

	Note	Share capital	Share premium	Exchange reserve	Share based payments reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2021		1,600,520	321,292	(6,514)	6,624	(15,887)	1,906,035
Changes in equity for 2021:							
Loss for the year		–	–	–	–	(4,328)	(4,328)
Other comprehensive income for the year		–	–	(386)	–	–	(386)
Total comprehensive income		–	–	(386)	–	(4,328)	(4,714)
Equity settled share-based transactions	28	–	–	–	698	–	698
Balance at December 31, 2021 and January 1, 2022		1,600,520	321,292	(6,900)	7,322	(20,215)	1,902,019
Changes in equity for 2022:							
Profit for the year		–	–	–	–	7,109	7,109
Other comprehensive income for the year		–	–	1,071	–	–	1,071
Total comprehensive income		–	–	1,071	–	7,109	8,180
Equity settled share-based transactions	28	–	–	–	724	–	724
Balance at December 31, 2022		1,600,520	321,292	(5,829)	8,046	(13,106)	1,910,923

	Note	Share capital	Share premium	Exchange reserve	Share based payments reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2023		1,600,520	321,292	(5,829)	8,046	(13,106)	1,910,923
Changes in equity for 2023:							
Loss for the year		–	–	–	–	(10,231)	(10,231)
Other comprehensive income for the year		–	–	169	–	–	169
Total comprehensive income		–	–	169	–	(10,231)	(10,062)
Equity settled share-based transactions	28	–	–	–	2,719	–	2,719
Balance at December 31, 2023		1,600,520	321,292	(5,660)	10,765	(23,337)	1,903,580

(b) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the Track Record Period.

(c) Share capital

	Numbers of ordinary shares	Share capital	Share capital
		USD	*RMB'000*
Issued and fully paid			
At January 1, 2021, December 31, 2021, 2022 and 2023	244,945,001	244,945,001	1,600,520

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Act of the Cayman Islands. The amount of USD49,171,000 (RMB321,292,000 equivalent) of the difference between the consideration received and the par value of the issued shares of the Company was recognized as share premium.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy as set out in Note 2(u).

(e) 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.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt which includes interest-bearing loans and borrowings, less cash and cash equivalents and time deposits. Adjusted capital comprises all components of equity.

The Group's adjusted net debt-to-capital ratio as at 31 December 2021, 2022 and 2023 are as follows:

	Note	As at ended December 31,		
		2021	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Current liabilities:				
– Bank loans	*22*	175,124	410,252	419,992
– Loan from a related party	*24*	174,307	–	–
		349,431	410,252	419,992
Non-current liabilities:				
– Bank loans	*22*	160,000	85,000	174,392
Total debt		509,431	495,252	594,384
Less: Cash and cash equivalents	*21(a)*	(89,950)	(135,704)	(226,246)
Time deposits	*20*	(637)	(698)	(708)
Adjusted net debt		418,844	358,850	367,430
Total equity		1,226,214	1,329,509	1,502,180
Adjusted net debt-to-capital ratio		34.2%	27.0%	24.5%

30 FINANCIAL INSTRUMENTS — FAIR VALUE AND RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risk 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 trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and time deposits is limited because the counterparties are mainly reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's trade receivables are mainly from providing hospital service to patients and has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtor's portfolio, as majority patients will claim their medical bill from public medical insurance program. The reimbursement from these organizations may take one to twelve months, for which the Group believes that there is no material credit risk. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organizations' policy, provided fulfilling all ethics and moral responsibilities as a healthcare provider. The Group also has controls to closely monitor the patients' billings and claim status to minimize the credit risk, for those fees unsettled by the patients at the time of discharge, the Group will recover from the patients through regular collections. Some of the service fees such as physical examination services are also paid by the corporations and government administrations on behalf of their employees. The Company adopts different collection monitoring mechanisms for different payers.

The Group has performed an impairment analysis at each year end date using a provision matrix to measure expected credit losses. The provision rates are based on past due of trade receivables for groupings of various debtor segments with similar loss patterns. The calculation reflects the historical credit losses experience and reasonable and supportable information that is available at the year end date about past events, current conditions and forecasts of future economic conditions.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at December 31, 2021, 2022 and 2023:

	As at December 31, 2021		
	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Not past due	0.36%	229,734	816
Past due 1 – 6 months	15.13%	15,648	2,367
Past due 7 – 12 months	87.41%	2,971	2,597
Past due over 12 months	100.00%	2,173	2,173
		250,526	7,953

	As at December 31, 2022		
	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Not past due	1.49%	182,689	2,714
Past due 1 – 6 months	19.34%	10,306	1,993
Past due 7 – 12 months	95.57%	4,198	4,012
Past due over 12 months	100.00%	4,335	4,335
		201,528	13,054

	As at December 31, 2023		
	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Not past due	1.21%	241,422	2,912
Past due 1 – 6 months	24.20%	10,233	2,476
Past due 7 – 12 months	84.56%	4,256	3,599
Past due over 12 months	100.00%	3,924	3,924
		259,835	12,911

ECLs are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance in respect of trade receivables during the Track Record Period are as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Balance at the beginning of the year	4,683	7,953	13,054
Impairment loss recognized during the year	4,056	5,428	292
Amounts written off during the year	(786)	(327)	(435)
Balance at the end of the year	7,953	13,054	12,911

Other receivables

For other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The management has assessed that during the Track Record Period, other receivables did not have a significant increase in credit risk since initial recognition. Thus, a 12-month ECL approach that results from possible default event within 12 months of each reporting date is adopted by management. The management of the Company expects the occurrence of losses from nonperformance by the counterparties of other receivables is remote and loss allowance provision for other receivables would be immaterial.

(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 and adequate committed lines of funding from major financial institutions 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 and derivative financial instruments, 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:

		Contractual undiscounted cash outflow				
	Note	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2021						
Bank loans	*22*	183,424	28,230	145,248	356,902	335,124
Trade payables	*23*	362,491	–	–	362,491	362,491
Other payables and accruals	*24*	502,929	–	–	502,929	501,008
		1,048,844	28,230	145,248	1,222,322	1,198,623

		Contractual undiscounted cash (outflow)/inflow			
	Note	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2021					
Derivatives settled gross:					
Foreign currency forward contracts	*16*				
– outflow		(3,080,486)	–	–	(3,080,486)
– inflow		3,079,006	–	–	3,079,006

		Contractual undiscounted cash outflow				
	Note	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2022						
Bank loans	*22*	421,134	2,975	87,974	512,083	495,252
Trade payables	*23*	325,796	–	–	325,796	325,796
Other payables and accruals	*24*	314,468	–	–	314,468	314,468
		1,061,398	2,975	87,974	1,152,347	1,135,516

		Contractual undiscounted cash (outflow)/inflow			
	Note	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2022					
Derivatives settled gross:					
Foreign currency forward contracts	*16*				
– outflow		(3,950,372)	–	–	(3,950,372)
– inflow		3,949,184	–	–	3,949,184

		Contractual undiscounted cash outflow				
	Note	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023						
Bank loans	*22*	430,763	43,024	141,097	614,884	594,384
Trade payables	*23*	376,865	–	–	376,865	376,865
Other payables and accruals	*24*	351,015	–	–	351,015	351,015
		1,158,643	43,024	141,097	1,342,764	1,322,264

		Contractual undiscounted cash (outflow)/inflow			
	Note	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2023					
Derivatives settled gross:					
Foreign currency forward contracts	*16*				
– outflow		(1,524,551)	–	–	(1,524,551)
– inflow		1,523,187	–	–	1,523,187

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risks arises primarily from interest-bearing loans and other borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate risk profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial liabilities, as reported to management was as follows:

	At December 31, 2021		At December 31, 2022		At December 31, 2023	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate borrowings:						
Bank loans	3.45%-3.85%	335,124	2.95%-3.50%	495,252	2.50%-2.70%	410,325
Loan from a related party	3.60%	174,307		–		–
Subtotal		509,431		495,252		410,325
Variable rate borrowings:						
Bank loans		–		–	2.60%-2.70%	184,059
Total interest-bearing financial liabilities		509,431		495,252		594,384
Fixed rate borrowings as a percentage of total borrowings		100.00%		100.00%		69.03%

(ii) Sensitivity analysis

At December 31, 2021, 2022 and 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately nil, nil and RMB1,380,000, respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and accumulated losses) is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the Track Record Period.

(d) Currency risk

The Group is exposed to currency risk primarily through intra-group transactions which give rise to intra-group loans that are denominated in USD. Based on the risk exposure of the intercompany loans, the Group adopts foreign currency forward contracts with the notional amounts of RMB127,339,000, RMB146,476,000 and RMB49,579,000, respectively, as at December 31, 2021, 2022 and 2023, which equal to the balances of the intra-group loans to offset the currency risk. Therefore, the directors of the Company considered the Group's exposure to foreign currency risk is not significant during the Track Record Period.

(e) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Target Group's financial instruments measured at the end of the reporting period on a recurring basis, categorized 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.

Analysis on fair value measurement of derivative financial instruments as at December 31, 2021, 2022 and 2023 are as follows:

	Fair value at December 31, 2021	Fair value measurement at December 31, 2021 categorized into		
		Level 1	Level 2	Level 3
	RMB'000			
Recurring fair value measurement				
Liabilities:				
Derivative financial instruments				
– Foreign currency forward contracts	(1,480)	–	(1,480)	–

	Fair value at December 31, 2022	Fair value measurement at December 31, 2022 categorized into		
		Level 1	Level 2	Level 3
	RMB'000			
Recurring fair value measurement				
Assets:				
Derivative financial instruments				
– Foreign currency forward contracts	28	–	28	–
Liabilities:				
Derivative financial instruments				
– Foreign currency forward contracts	(1,216)	–	(1,216)	–

	Fair value at December 31, 2023	Fair value measurement at December 31, 2023 categorized into		
		Level 1	Level 2	Level 3
	RMB'000			
Recurring fair value measurement				
Liabilities:				
Derivative financial instruments				
– Foreign currency forward contracts.	(1,364)	–	(1,364)	–

During the years ended December 31, 2021, 2022 and 2023, there were no transfers between Lever 1 or Level 2, or transfers into or out of Level 3. The Group's policy is to recognize 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

The fair value of forward currency forward contracts in Level 2 is determined by discounting the difference between the contractual forward price and the current forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

(ii) Fair value of financial assets and liabilities carried at other than fair value

All financial instruments carried at cost or amortized cost that were not materially different from their fair values as at 31 December 2021, 2022 and 2023.

31 COMMITMENTS

Commitments outstanding at December 31, 2021, 2022 and 2023 not provided for in the Historical Financial Information were as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Contracted for but not provided for property, plant and equipment	82,234	395,019	254,414

32 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:

	Years ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	16,116	19,916	22,106
Contributions to defined contribution retirement plan	209	119	163
Share-based payments	136	142	497
	16,461	20,177	22,766

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Name and relationship with related parties

Name of party	Relationship with the Group
Qisda Corporation	Immediate parent of the Group
BenQ Medical Devices (Shanghai) Co., Ltd. 明基醫療器械(上海)有限公司*	Controlled by the immediate parent of the Group
BenQ Intelligent Technology (Shanghai) Co., Ltd. 明基智能科技(上海)有限公司*	Controlled by the immediate parent of the Group
BenQ Telecom Technology (Shanghai) Co., Ltd. 明基電通科技(上海)有限公司*	Controlled by the immediate parent of the Group
Dasin Medical Technology (Suzhou) Co., Ltd. 達信醫療科技(蘇州)有限公司*	Controlled by the immediate parent of the Group
Qisda (Suzhou) Co., Ltd. 蘇州佳世達電通有限公司*	Controlled by the immediate parent of the Group
BenQ Biotech (Shanghai) Co., Ltd. 明基生物技術(上海)有限公司*	Controlled by the immediate parent of the Group
BenQ Guru Software (Suzhou) Co., Ltd. 明基逐鹿軟件(蘇州)有限公司*	Controlled by the immediate parent of the Group
BenQ Sanfeng Medical Devices (Shanghai) Co., Ltd. 明基三豐醫療器材(上海)有限公司*	Controlled by the immediate parent of the Group
BenQ Materials Co., Ltd. 明基材料有限公司*	Controlled by the immediate parent of the Group

Name of party	Relationship with the Group
BenQ Materials Medical Technology (Suzhou) Co., Ltd. 明基材醫療科技(蘇州)有限公司*	Controlled by the immediate parent of the Group
Qisda Optronics (Suzhou) Co., Ltd. 蘇州佳世達光電有限公司*	Controlled by the immediate parent of the Group
Nanjing Yinxia Healthcare Industry Development Co., Ltd. 南京銀廈健康產業發展有限公司*	Associate of the Group

* The official names of these entities are in Chinese. The English translation of the company names is for identification purpose only.

(c) Significant related party transactions

	Years ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Purchase of goods from			
Qisda Corporation and its subsidiaries (excluding the Group, together as "Qisda Group")	8,630	9,282	11,811
Purchase of services from			
Qisda Group	1,476	2,376	2,372
Purchase of intangible assets from			
Qisda Group	2,259	421	–
Purchase of property, plant and equipment from			
Qisda Group	403	1,811	–
Short-term lease expense to			
Qisda Group	3,162	3,242	3,423
Rendering of services to			
Qisda Group	3,460	3,641	2,147
Rental income from			
Qisda Group	4,497	4,648	4,679
Loan from			
Qisda Optronics (Suzhou) Co., Ltd.	170,000	120,000	–
Loan repaid to			
Qisda Optronics (Suzhou) Co., Ltd.	(50,000)	(290,000)	–
Interest paid to			
Qisda Optronics (Suzhou) Co., Ltd.	(1,793)	(9,526)	–
Interest expense from			
Qisda Optronics (Suzhou) Co., Ltd.	6,030	5,219	–

(d) Balances with related parties

Trade in nature

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Qisda Group	1,073	1,704	1,428
Trade payables			
Qisda Group	3,173	4,210	2,540
Prepayments, deposits and other receivables			
Qisda Group	2,436	948	37
Other payables and accruals			
Qisda Group	2,424	1,630	1,491

Non-trade in nature

	As at December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Other receivable			
Nanjing Yinxia Healthcare	66,990	66,990	66,990
Other payables and accruals			
Qisda Optronics (Suzhou) Co., Ltd.	174,307	–	–

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2021, 2022 and 2023, the directors of the Company consider that the immediate parent and ultimate controlling party of the Group to be Qisda Corporation.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2023

Up to the date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	January 1, 2024
Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants	January 1, 2024
Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback	January 1, 2024
Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements	January 1, 2024
Amendments to IAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	January 1, 2025

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 it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

35 SUBSEQUENT EVENTS

In January 2024, the Group entered into an agreement with Donghui Medical and the other shareholders of Donghui Medical. Pursuant to the agreement, the Group agrees to inject RMB100,000,000 capital in exchange for an additional 7.49% of equity interest of Donghui Medical, and the proportion of the Group's interest in Donghui Medical will be increased to 25.27% accordingly. The RMB100,000,000 capital was paid in full on February 2, 2024.

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 December 31, 2023.

The information set forth in this appendix does not form part of the Accountants' Report from 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 [**REDACTED**] *financial information should be read in conjunction with the section headed "Financial Information" in this Document and the Accountants' Report set out in Appendix I to this Document.*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following [**REDACTED**] statement of adjusted net tangible assets of BenQ BM Holding Cayman Corp. (the "Company") and its subsidiaries (collectively the "Group") is prepared in accordance with Rule 4.29 of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets attributable to equity shareholders of the Company as at December 31, 2023, as if the [**REDACTED**] had taken place on December 31, 2023.

The unaudited [**REDACTED**] statement of adjusted net tangible assets 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 at December 31, 2023 or any future date.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as at December 31, 2023[1]	Estimated net [REDACTED] from the [REDACTED][2][4]	[REDACTED] adjusted net tangible assets attributable to the equity shareholders of the Company	[REDACTED] adjusted net tangible assets attributable to the equity shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*[3]	*HK$*[4]
Based on an [REDACTED] of HK$[REDACTED] per Share . .	1,483,141	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share . .	1,483,141	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of December 31, 2023 have been calculated based on the audited total equity attributable to equity shareholders of the Company of RMB1,502,180,000 as at December 31, 2023, after deduction of the intangible assets of RMB19,039,000 as at December 31, 2023, which is extracted from the Accountant's Report set out in Appendix I in this Document.

(2) The estimated net [**REDACTED**] from this [**REDACTED**] are based on [**REDACTED**] Shares to be [**REDACTED**] pursuant to the [**REDACTED**] and the indicative [**REDACTED**] of HK$[**REDACTED**] per Share and HK$[**REDACTED**] per Share, being the low end and high end of the [**REDACTED**] range respectively, after deduction of the estimated [**REDACTED**] and other related [**REDACTED**] paid or payable by the Group (excluding the [**REDACTED**] of RMB[**REDACTED**] that have been charged to profit or loss during the Track Record Period), and does not take into account the exercise of the [**REDACTED**] and any shares to be [**REDACTED**] pursuant to the Pre-[**REDACTED**] Share Option plan.

(3) The unaudited [**REDACTED**] adjusted net tangible assets attributable to the equity shareholders of the Company per Share is arrived at after the above adjustment and on the basis that a total of [**REDACTED**] shares were in issue immediately following the completion of the [**REDACTED**] assuming the [**REDACTED**] had been completed on December 31, 2023 without taking into account of any Shares which may be issued upon the exercise of the [**REDACTED**] and any shares to be issued pursuant to the Pre-[**REDACTED**] Share Option plan.

(4) For illustrative purpose, the estimated net [**REDACTED**] from the [**REDACTED**] and the unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share are converted from the Hong Kong dollar into Renminbi at the exchange rate of HK$1.00 to RMB0.9069 the exchange rate set by the People's Bank of China ("PBOC") prevailing on March 27, 2024. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any other rates or at all.

(5) No adjustment has been made to the unaudited [**REDACTED**] adjusted net tangible assets attributable to equity shareholders of the Company to reflect our trading results or other transactions entered into subsequent to December 31, 2023.

[**REDACTED**]

[REDACTED]

[REDACTED]

The following is the text of a letter, summary of valuations and valuation report prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of market value of the properties held by the Group in the PRC as at 31 January 2024.

CUSHMAN & WAKEFIELD
戴德梁行

27/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

The Board of Directors
BenQ BM Holding Cayman Corp.
Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & VALUATION DATE

In accordance with the instructions of BenQ BM Holding Cayman Corp. (the "**Company**") for Cushman & Wakefield ("**C&W**") to value certain properties (the "**Properties**") in the People's Republic of China (the "**PRC**") (as more particularly described in the attached valuation reports) in which the Company and/or its subsidiaries (together referred to as the "**Group**") have interests, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we considered necessary for the purpose of providing you with our opinion of the values of the Properties as at 31 January 2024 (the "**Valuation Date**").

VALUATION BASIS

Our valuations of each Properties represent its market value which in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors ("**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".

We confirm that our valuations are undertaken in accordance with The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyor.

Our valuation of each portion of the property is on an entirety interest basis.

Valuation Assumptions

Our valuation of each Properties 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 only to a specific owner or purchaser.

We confirm that we have complied 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 The Hong Kong Limited and The HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors.

In the course of our valuations of the Properties, we have relied on the information and advice given by the Company and the Company's PRC legal adviser (the "**Legal Adviser**"), Commerce & Finance Law Offices* (通商律師事務所), regarding the titles to the Properties and the interests of the Group in the Properties. Unless otherwise stated in the legal opinion provided for the Properties, in valuing the Properties, we have assumed that Company have enforceable title to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the unexpired term as granted.

The status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the valuation report.

No allowance has been made in our valuations for any charges, pledges or amounts owing on the Properties nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is valued on the basis that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

VALUATION METHODS

In respect of the Properties, which are held for owner-occupation, due to the specific nature of the properties and lack of sales transactions of the properties of the same characteristics in the vicinity, we have mainly adopted Depreciated Replacement Cost ("**DRC**") Method. DRC Method is based on an estimate of the market value of the land in its existing use, plus the current cost of replacement of the improvements, less allowance for physical deterioration and all relevant forms of obsolescence and optimisation. For the land portion, we have generally made reference to comparable land sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to location, time, size etc. DRC Method is subject to service potential of the entity from the use of assets as a whole paying due regard to the total assets employed. The market value arrived using DRC Method applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

For the portion that is under development, we have valued on the basis that it will be developed and completed in accordance with the latest development proposal provided to us by the Group. We have assumed that all consents, approvals, and licences from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. We have also assumed the design and construction of the development are in compliance with the local planning and other relevant regulations and have been approved by the relevant authorities. In arriving at our valuations, we have taken into account the incurred construction costs as provided to us by the Group.

SOURCE OF INFORMATION

In the course of our valuations, we have relied to a very considerable extent on the information given by the Company and have accepted advice on such matters as planning approvals or statutory notices, easements, tenure, identification of the Properties, particulars of occupancy, development scheme, construction cost. completion date, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the 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 Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided to us.

We would point out that the copies of documents provided to us are mainly compiled in Chinese characters and the transliteration into English represents our understanding of the contents. We would therefore advise the Company to make reference to the original Chinese edition of the documents and consult your legal adviser regarding the legality and interpretation of these documents.

TITLE INVESTIGATION

We have been provided by the Company with copies of documents in relation to the current titles to the Properties. However, we have not been able to conduct searches to verify the ownership of the Properties and we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the Properties in the PRC and we have therefore relied on the advice given by the Company or the Legal Adviser regarding the interests of the Company in the Property.

SITE INSPECTION

Our valuer, Bowen Huang (China Real Estate Appraiser with 1 year experience of property valuation) of our Shanghai Office and Sam Xu (China Real Estate Appraiser with 3 years experience of property valuation) of our Nanjing Office have inspected the exterior, and where possible, the interior in December 2023. However, we have not carried out any investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, 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 Properties are 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 carried out on-site measurements to verify the site and floor areas of the Properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

CURRENCY

Unless otherwise stated, all monetary sums stated in our valuation is in Renminbi ("**RMB**") the official currency of the PRC.

INDEPENDENCE

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the Properties or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We attach herewith summary of valuations and valuation report.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace Lam
MHKIS, MRICS, RPS (GP)
Senior Director
Valuation & Advisory Services, Greater China

Notes:

(1) Ms. Grace 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 national knowledge of the market, and the skills and understanding to undertake the valuation competently.

(2) * Company name in English translation for identification only.

Summary of Valuations

	Property	Market value in existing state as at 31 January 2024	Interest attributable to the Group	Market value in existing state as at 31 January 2024 attributable to the Group
		(RMB)	*(%)*	*(RMB)*
Group – Property held for owner-occupation by the Group in the PRC				
1.	Suzhou BenQ Medical Center, 181 Zhuyuan Road, High-tech Zone Suzhou, Jiangsu Province, PRC (中國江蘇省蘇州市高新區竹園路181號蘇州明基醫院)	[1,164,000,000]	[100]	[1,164,000,000]
2.	Nanjing BenQ Medical Center, 71 Hexi Street, Jianye District, Nanjing, Jiangsu Province, PRC (中國江蘇省南京市建鄴區河西大街71號南京明基醫院)	[2,819,000,000]	[100]	[2,819,000,000]
	Grand Total:	**[3,983,000,000]**		**[3,983,000,000]**

VALUATION REPORT

Group – Property held for owner-occupation by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2024
1.	Suzhou BenQ Medical Center, 181 Zhuyuan Road, High-tech Zone Suzhou, Jiangsu Province, the PRC (中國江蘇省蘇州市高新區竹園路181號蘇州明基醫院)	Suzhou BenQ Medical Center is a medical development. It is developed in various phases erected on a parcel of land, with a site area of 125,550.10 sq m. Phase I and Phase II of the property was completed in about 2012 and 2024, respectively with a total gross floor area of approximately 172,444.01 sq m. The breakdown of the gross floor area is listed as below: **Use** / **Gross Floor Area** *(sq m)* Medical Hygiene: 150,039.27 Sewage Treatment Station: 378.52 Medical Hygiene (醫療衛生): 22,026.22 **Grand Total: 172,444.01** According to the development scheme provided by the Company, the parcel of land with a total site area of approximately 37,801.71 sq m remains vacant for further development: The property is located at the South of Zhuyuan Road (竹園路) and East of Changjiang Road (長江路), Gaoxin District, Suzhou, Jiangsu Province, the PRC Developments nearby are mainly residential and commercial developments in nature. According to the Company, the property is mainly for medical use; there are neither environmental issues and litigation dispute; nor any plan to change the use of the property. The land use rights of the property have been granted for a land use term due to expire on 25 August 2054 for medical hygiene and charity use (醫衛慈善) use.	As at the Valuation Date, Phase I and Phase II of the property was self-occupied. The remaining land was vacant for future development.	RMB[1,164,000,000] (RENMINBI ONE BILLION AND ONE HUNDRED SIXTY-FOUR MILLION) (100% interest attributable to the Group: RMB[1,164,000,000])

Notes:

(1) According to Certificate of Real Estate Ownership S(2024) SZSBUCQD5002550 dated 31 January 2024, the land use rights of the property have been vested to Suzhou BenQ Hospital Co., Ltd.* (蘇州明基醫院有限公司), with a site area of approximately 125,550.10 sq m for a land use term due to expire on 25 August 2054 for medical hygiene and charity use and a total gross floor area of 172,444.01 sq m for medical hygiene use.

(2) According to a Contract for Grant of State-owned Land Use Rights dated 26 August 2004, the land use rights of the property have been contracted to be granted to Suzhou BenQ Hospital Co. Ltd (蘇州明基醫院有限公司) by Nations Land and Resources Bureau of Suzhou Jiangsu Province with salient details extracted as below:

Site Area:	125,550.10 sq m
Land Use:	Medical Hygiene (醫療衛生)
Land Use Term:	50 years
Land Premium:	RMB188,325,150
Plot Ratio:	≤1.5

(3) According to Business Licence No. 91320505761504799T dated 1 November 2023, Suzhou BenQ Medical Center Co. Ltd. has been established as a limited company with a registered capital of RMB601,975,000.

(4) Breakdown of the market value of the property:

Portion	Value as the Valuation Date
Phase I & II (completed portion)	RMB[1,096,000,000]
Vacant land for future development	RMB[68,000,000]

(5) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, inter alia, the following:

(a) Suzhou BenQ Medical Center (蘇州明基醫院) has legally obtained the land use rights and building ownership of above property within the land use term as specified in the relevant Certificates of Real Estate Ownership.

(b) Suzhou BenQ Medical Center (蘇州明基醫院) has right to legally possess the land use rights and building ownership of the property.

(c) The above Property is free from mortgage.

(6) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

Certificate of Real Estate Ownership	Yes
Contract for Grant of State-owned Land Use Rights	Yes
Business Licence	Yes

(7) The average unit rate of industrial land parcels in the locality as at Valuation Date is in the range of RMB1,500 per sq m to RMB1,850 per sq m.

VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2024
2.	Nanjing BenQ Medical Center, 71 Hexi Street, Jianye District, Nanjing, Jiangsu Province, the PRC (中國江蘇省南京市建鄴區河西大街71號南京明基醫院)	Nanjing BenQ Medical Center is a medical development. It is developed in three phases erected on a parcel of medical charity land, with a total site area of 260,066.1 sq m. There are 5 blocks of buildings completed in about 2008 with a total gross floor area of approximately 234,394.89 sq m. The breakdown of the gross floor area is listed as below:	As at the Valuation Date, the completed portion is occupied by owner. The Major Central Building (四大中心專科大樓) is currently under construction and estimated to complete in September 2024. The remaining land is vacant for further development.	RMB[2,819,000,000] (RENMINBI TWO BILLION AND EIGHT HUNDRED NINETEEN MILLION) 100% interest attributable to the Group: RMB[2,819,000,000]

Use	Gross Floor Area
	(sq m)
Inpatient & emergency Building	107,864.95
Medical Technology & Outpatient Building	76,786.87
Integrated Service Building	3,626.95
Power Central Building	8,543.77
R&D Dorm Building	37,572.35
Grand Total:	**234,394.89**

A block of building named as "Major Central Building (四大中心專科大樓)" is under construction with a planned construction area of 106,867.4 sq m.

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 January 2024
	The remaining land is vacant for further developing. According to the development scheme provided by the Company, the property with a total planned gross floor area of approximately 230,295.84 sq m is as below:		

Proposed use	Planned Gross Floor Area
	(sq m)
Footbridge	611.64
Medical Dorm Building	31,868.07
Special-Needs Medical Building	117,475.40
Experimental Center	32,656.42
Activity Center	47,684.31
Grand Total:	**230,295.84**

The property is located at the South of Hexi Main Street (河西大街) and East of Huangshan Road (黃山路), Jianye District, Nanjing, Jiangsu Province, the PRC Developments nearby are mainly office and residential development in nature.

According to the Company, the property is for medical use; there are neither environmental issues and litigation dispute; nor any plan to change the use of the property.

The land use rights of the property have been granted for land use term due to expire on 15 September 2054 for medical hygiene and charity use (醫衛慈善) use.

Notes:

(1) According to State-owned Land Use Rights Certificate No. NJGY(2005)D010405, the land use rights of the property have been vested to Nanjing BenQ Hospital Co., Ltd.* (南京明基醫院有限公司), with the total site area of 260,066.1 sq m for the land use term due to expire on 15 September 2054 for medical hygiene and charity use.

(2) According to Certificate of Real Estate Ownership No. S(2018) NJBDCQD0020431, the total gross floor area of the property is 234,394.89 sq m.

(3) According to a Contract for Grant of State-owned Land Use Rights dated 16 September 2004 by Nanjing Planning and Natural Resource and Planning Bureau, the land use rights of the property is contracted to be granted to Nanjing BenQ Hospital Co., Ltd (南京明基醫院有限公司) by Nanjing Planning and Natural Resources and Planning Bureau with salient details extracted below:

Site Area:	260,066.10 sq m
Land Use:	Hospital Land (醫院用地)
Land Use Term:	50 years
Land Premium:	RMB70,217,847
Plot Ratio:	2.0

(4) According to Planning Permit for Construction Land No. NGHXYD[2004]0029 dated 02 August 2004, the construction land with a total site area of 279,051 sq m located at Jianye district for hospital land (醫院用地) use complies with the requirements of the urban rural planning.

(5) According to the Planning Permit for Construction Works No. 320105202100200 dated 20 August 2021, the construction works with a construction scale of 106,867.34 sq m located at Jianye district comply with the requirement of the urban rural planning.

(6) According to Permit for Commencement of Construction Works No. 320105202112291101 dated 29 December 2021, the property with a total gross floor area of 106,867.34 sq m is permitted to construct.

(7) According to Business Licence No. 91320100717869766N dated 19 October 2023, Nanjing BenQ has been established as a limited company with a registered capital of USD192,014,983.65.

(8) As advised by the Company, the construction cost incurred (excluding the land cost) for the major Central Building (四大中心專科大樓) as at the Valuation Date was approximately RMB[398,600,000] (excluded VAT). The estimated outstanding construction cost for the Major Central Building (四大中心專科大樓) to complete the said development was approximate RMB[341,400,000]. We have, taken into account such costs in the course of our valuation.

(9) Breakdown of the market value of the property

Portion	Value as at Valuation Date
Phase I (completed portion)	RMB[1,788,000,000]
Phase II (Under development portion)	RMB[645,000,000]
Vacant Land for future development	RMB[386,000,000]

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(10) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisor, which contains, inter alia, the following:

(a) Nanjing BenQ Medical Center (南京明基醫院) has legally obtained the land use rights of the above property within land use terms as specified in the relevant State-owned Land Use Rights Certificate.

(b) Nanjing BenQ Medical Center (南京明基醫院) has legally obtained the ownership of the building portion of the property within the terms as specified in the relevant Certificate of Real Estate Ownership.

(c) Nanjing BenQ Medical Center (南京明基醫院) has obtained necessary approvals for the block of building under construction in accordance with its construction process.

(d) Nanjing BenQ Medical Center (南京明基醫院) has right to legally possess the land use rights and building ownership of the property.

(e) The property is free from mortgage, sequestration.

(11) The status of the title and grant of major approvals and licences in accordance with the information provided by the Company and the opinion of the PRC legal adviser:

State-owned Land Use Rights Certificate	Yes
Certificate of Real Estate Ownership	Yes
Contract for Grant of State-owned Land Use Rights	Yes
Planning Permit for Construction Use of Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Business Licence	Yes

(12) The average unit rate of industrial land parcels in the locality as at the Valuation Date is in the range of RMB5,000 per sq m to RMB6,000 per sq m.

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 January 2009 under the Companies Act. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] and will become effective on the [**REDACTED**]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of Shares

The share capital of the Company consists of a single class of ordinary shares.

(b) Variation of Rights of Existing Shares or Classes of Shares

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) Alteration of Capital

The Company may by ordinary resolution:

(i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;

(ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum; and

(iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognised clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on 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, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognise any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided 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 register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorised by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by instalments, and shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as 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 payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) Appointment, Retirement and Removal

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. 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 at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a managing or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns from his office as Director;

(ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;

(iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(v) the Director is prohibited from being or ceases to be a Director by operation of law;

(vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or

(vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be 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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Memorandum or Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with 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 for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of 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 or other benefits received by him as a director, officer or member of such other company.

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity 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;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) Special and Ordinary resolutions

A special resolution must be passed by a majority of not less than two-thirds (other than in relation to any resolution approving changes to the Company's constitutional documents or a voluntary winding up of the Company, in which case a special resolution must be passed by a majority of not less than three-fourths) of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

(b) Voting Rights and Right to Demand a Poll

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other join holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognised clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) 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 so authorised shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a recognised clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules and all applicable laws, rules and regulations, or by sending or otherwise making it available to the relevant person through such other means, whether electronically or otherwise, to the extent permitted by and in accordance with the Listing Rules and all applicable laws, rules and regulations.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(A) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;

(B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

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 and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

(f) Proxies

Any member of the Company (including a member which is a recognised clearing house (or its nominee(s)) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. 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 shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be 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 a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorised representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorised by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

(a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, 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 the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as 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 in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is [**REDACTED**] on the [**REDACTED**], any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 below.

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any 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:

(a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and

(b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's 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 ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was incorporated in the Cayman Islands as an exempted company on 5 January 2009 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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.

3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium 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 premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(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) any manner provided in 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.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 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 member and, for the avoidance of doubt, 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; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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 that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, 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, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

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.

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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 member, 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 (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a 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 the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall 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.

3.17 Mergers and consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands laws, has sent to the Company a letter of advice summarising the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and the Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the paragraph headed "Documents on Display" in Appendix VI. Any person wishing to have a detailed summary of the Companies Act 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

Our Company was incorporated under the laws of the Cayman Islands on January 5, 2009 as an exempted company with limited liability. Upon our incorporation, our authorized share capital was US$300,000,000.00 divided into 300,000,000 shares of a par value of US$[**REDACTED**] each.

Our registered office address is at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix IV.

Our registered place of business in Hong Kong is at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 21, 2024 with the Registrar of Companies in Hong Kong. Ms. LAI Ying Tung has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

2. Changes in the share capital of our Company

As at the date of our incorporation, our authorized share capital was US$300,000,000.00 divided into 300,000,000 shares of a par value of US$1.00 each.

[On [●], 2024, our Company resolved, among other things, that immediately after the [**REDACTED**] becoming unconditional and in any event before the [**REDACTED**], the authorized share capital of our Company be increased from US$300,000,000.00 divided into 300,000,000 shares of a par value of US$1.00 each to US$[**REDACTED**] divided into [**REDACTED**] ordinary shares each of a par value of US$[**REDACTED**] each.]

Immediately following the completion of the [**REDACTED**] (including the Shares which may be issued pursuant to the exercise of the [**REDACTED**] but assuming the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised), the issued share capital of the Company will be US$[**REDACTED**] divided into [**REDACTED**] Shares, all fully paid or credited as fully paid.

Save as disclosed in "History, Development and Corporate Structure" in this document, 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 members of our Group

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants' Report as set out in Appendix I to this document.

The following sets out the changes in the issued shares or registered capital of members of our Group within the two years immediately preceding the date of this document:

Nanjing BenQ Hospital

On October 19, 2023, the registered capital of Nanjing BenQ Hospital was increased from US$182,014,983.65 to US$192,014,983.65.

BenQ Healthcare Consulting

On September 20, 2023, the total number of shares issued by BenQ Healthcare Consulting was increased from 2,276,330 shares to 2,347,414 shares.

Save as disclosed above, as of the Latest Practicable Date, there has been no alteration in the share capital of any member of our Group within the two years immediately preceding the date of this document.

4. Resolutions of our Shareholders dated [●]

[Pursuant to the written resolutions passed by our Shareholders on [●], it was resolved, among others,

(1) that immediately after the [**REDACTED**] becoming unconditional and in any event before the [**REDACTED**], the authorized share capital of our Company be increased from US$300,000,000.00 divided into 300,000,000 shares of a par value of US$[**REDACTED**] each to US$[**REDACTED**] divided into [**REDACTED**] ordinary shares each of a par value of US$[**REDACTED**] each; and

(2) that conditional upon the conditions of the [**REDACTED**] (as set out in this document) being fulfilled:

(a) our Company approved and adopted the Memorandum and Articles of Association with effect upon [**REDACTED**];

(b) the [**REDACTED**], the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorized to effect the same and to allot and [**REDACTED**] new Shares pursuant to the [**REDACTED**]; and

(c) a general unconditional mandate was granted to our Directors to, inter alia, allot, issue and deal with Shares, securities convertible into Shares (the "**Convertible Securities**") or options, warrants or similar rights to subscribe for any Shares or such convertible securities (the "**Options and Warrants**") and to make or grant offers, agreements or options which might require such Shares, the Convertible Securities or the Options and Warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares or the underlying Shares relating to the Convertible Securities or the Options and Warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the [**REDACTED**] (including the Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

This mandate does not cover Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders. Such mandate will remain in effect until:

a. the conclusion of our next annual general meeting;

b. the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

c. it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest;

(d) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] (including the Shares which may be issued pursuant to the exercise of the [**REDACTED**]) ("**Repurchase Mandate**").

(e) This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be [**REDACTED**] (and which is recognized by the SFC and the Stock Exchange for this purpose) and which is in accordance with all applicable laws and regulations. Such mandate will remain in effect until:

a. the conclusion of our next annual general meeting;

b. the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Memorandum and Articles of Association; or

c. it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest; and

(f) the general unconditional mandate as mentioned in paragraph (c) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the [**REDACTED**]).]

5. Explanatory statement on repurchase of our own securities

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders' approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised), could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed [**REDACTED**] of the number of issued shares as of the date of the shareholder approval.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company 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 our Directors believe that such repurchases will benefit our Company and Shareholders.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws of the Cayman Islands.

Our Company shall not purchase its own Shares 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.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorized by its Memorandum and Articles and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorized by its Memorandum and Articles and subject to the Companies Ordinance, out of capital.

Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, 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 the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading restrictions

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

Status of repurchased shares

The [**REDACTED**] of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of 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, our 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.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

(a) the share sale and purchase agreement dated August 17, 2023 entered into by and among CDH Medical Services Limited, Qisda Corporation and our Company, pursuant to which CDH Medical Services Limited agreed to sell, and Qisda Corporation agreed to purchase the 60,585,000 Shares of our Company held by CDH Medical Services Limited at a consideration of US$194,904,895; and

(b) the [**REDACTED**].

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

Trademarks

As of the Latest Practicable Date, we had been granted by BenQ Corp. the rights to use the following registered trademarks in the PRC which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Registration number	Expiry date
1.	明基	BenQ Corp.	44	15758705	January 13, 2026
2.	明基	BenQ Corp.	44	3564489	June 27, 2025
3.	BenQ	BenQ Corp.	44	15758704	January 13, 2026
4.	BenQ	BenQ Corp.	44	3560997	June 27, 2025

As of the Latest Practicable Date, we had been granted by BenQ Corp. the rights to use the following trademarks applied in the Hong Kong which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Application number	Application date
1.	(A) 明基医院 (B) 明基医院 (C) 明基医院 (D) 明基医院	BenQ Corp.	5, 10, 16 & 44	306428052	December 15, 2023

No.	Trademark	Registered owner	Class	Application number	Application date
2.	(A) BenQ MEDICAL CENTER (B) BenQ MEDICAL CENTER (C) BenQ MEDICAL CENTER (D) BenQ MEDICAL CENTER	BenQ Corp.	5, 10, 16 & 44	306428061	December 15, 2023

Copyrights

As of the Latest Practicable Date, we had registered the following computer software copyright in the PRC:

No.	Copyright	Registered owners	Registration number	Development completion date	Initial publish date
1.	Nanjing BenQ Hospital (南京明基醫院)	BenQ Zhulu Software (Suzhou) Co,. Ltd. (明基逐鹿軟件(蘇州)有限公司); Nanjing BenQ Hospital	2020SRE020334	September 29, 2020	September 29, 2020

As of the Latest Practicable Date, we had registered the following copyright in the PRC:

No.	Copyright	Registration number	Classification	Registered owner	Development completion date	Registration date
1	Home Care Series (居家護理系列)	甘作登字-2023-F-00021248	Artworks	Nanjing BenQ Hospital	May 10, 2023	May 19, 2023

Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner	Expiry date
1.	benqmedicalcenter.cn	Nanjing BenQ Hospital	November 17, 2025
2.	benqhospital.com	Nanjing BenQ Hospital	May 12, 2025
3.	benqmedicalcenter.com.cn	Nanjing BenQ Hospital	November 13, 2025
4.	benqimc.com	Nanjing BenQ Hospital	November 24, 2025
5.	benqmedicalcenter.com	Nanjing BenQ Hospital	November 13, 2025
6.	benqmedicalcentersz.com	Suzhou BenQ Hospital	February 14, 2032

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

Our executive Director [entered into] a service contract with our Company on [●], and such service contract is for an initial term of three years commencing from the [**REDACTED**]. The service contracts may be renewed in accordance with our Articles and the applicable laws, rules and regulations.

Each of our non-executive Directors and our independent non-executive Directors, entered into a letter of appointment with our Company on [●]. Each letter of appointment is for an initial term of three years commencing from the [**REDACTED**]. The letters of appointment may be renewed in accordance with our Articles and the applicable laws, rules and regulations.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

2. Remuneration of Directors

For details of the remuneration of our Directors, see "Directors and Senior Management — Emolument of Our Directors and Senior Management" in this document and Note 8 to the Accountants' Report to this document.

3. Disclosure of interests

***Interests and short positions of our Directors in the share capital of our Company or our associated corporations following completion of the* [REDACTED]**

Immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the 'Model Code for Securities Transactions by Directors of Listed Issuers' contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Interest in our Company

Name of director	Nature of interest	Number of Shares	Approximate % interest in Shares of our Company immediately after the [REDACTED]
Mr. HSIAO Tze-Jung	Beneficial Owner	120,000	[**REDACTED**]
Mr. CHEN Chi-Hong	Beneficial Owner	500,000	[**REDACTED**]
Ms. HUNG Chiu-Chin . . .	Beneficial Owner	50,000	[**REDACTED**]

Interest in associated corporations of our Company

The following table lists out the directors' and chief executive's interests in our associated corporations as of the Latest Practicable Date:

Associated corporation	Name	Title	Nature of interest	Number of shares/ underlying shares (if applicable)	Interest in associated corporation
Qisda Corporation . . .	Mr. HSIAO Tze-Jung	Executive Director and chief executive officer	Beneficial owner	264,166	0.01%
	Mr. CHEN Chi-Hong	Chairperson and non-executive Director	Beneficial owner	1,034,455	0.05%
	Ms. HUNG Chiu-Chin	Non-executive Director	Beneficial owner	506,075	0.03%

Associated corporation	Name	Title	Nature of interest	Number of shares/ underlying shares (if applicable)	Interest in associated corporation
BenQ Materials Corp. (明基材料股份有限公司)[1]	Mr. CHEN Chi-Hong	Chairperson and non-executive Director	Beneficial owner	72,825	0.02%
	Ms. HUNG Chiu-Chin	Non-executive Director	Beneficial owner	153,250	0.05%
BenQ Medical Technology Ltd. (明基三豐醫療器材股份有限公司)[2]	Mr. CHEN Chi-Hong	Chairperson and non-executive Director	Beneficial owner	200,000	0.45%

Notes:

(1) BenQ Material Corp. (明基材料股份有限公司) is a company listed on the Taiwan Stock Exchange (stock code: 8215. TW) and is a subsidiary of Qisda Corporation.

(2) BenQ Medical Technology Ltd. (明基三豐醫療器材股份有限公司) is a company listed on the Taipei Exchange (stock code: 4116. TPEx) and is a subsidiary of Qisda Corporation.

Save as disclosed below, as of the Latest Practicable Date, each of our Directors confirms with respect to himself or herself, to the best of his or her knowledge, information and belief, that he or she did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO).

Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised) will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any class of shares of our Company or any other member of our Group, see "Substantial Shareholders" in this document for further details.

D. PRE-[REDACTED] SHARE OPTION PLAN

The following is a summary of the principal terms of the Pre-[**REDACTED**] Share Option Plan and the details regarding the outstanding options granted under the Pre-[**REDACTED**] Share Option Plan. The terms of the Pre-[**REDACTED**] Share Option Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-[**REDACTED**] Share Option Plan will not involve the grant of options by us to subscribe for Shares after the [**REDACTED**].

We have applied to the Stock Exchange and SFC, respectively for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See "Waivers From Strict Compliance With the Listing Rules and Exemption From Strict Compliance With the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in Respect of the Pre-[**REDACTED**] Share Option Plan" in this document for further details.

(a) Purpose

The purpose of the Pre-[**REDACTED**] Share Option Plan is to enable our Company to incentive and reward eligible participants for their contribution to our Group so as to strengthen their sense of belonging, encourage them to contribute to the long-term growth of the Company and to enhance the value of the Company and the benefit of Shareholders.

(b) Administration

The Plan shall be subject to the administration of the administrator or administrative committee authorized by the Board of the Company ("**Administrator**").

(c) Eligible Participants

Persons eligible to receive grants of options under the Pre-[**REDACTED**] Share Option Plan are senior officers, directors and employees of our Company and its subsidiaries (i.e. Nanjing BenQ Hospital, Suzhou BenQ Hospital and BenQ Healthcare Consulting) selected by the Administrator based on the position, performance, length of service and other factors of the candidates, in its sole discretion.

(d) Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all options granted under the Pre-[**REDACTED**] Share Option Plan shall be 6,000,000 Shares, representing [**REDACTED**] of the total issued Shares immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised).

(e) Vesting Schedule

The options shall be vested in three tranches as follows: (i) fifty percent (50%) of the options shall be vested on the [**REDACTED**]; (ii) twenty-five percent (25%) of the options shall be vested on the date falling on the first anniversary of the [**REDACTED**]; and (iii) twenty-five percent (25%) of the options shall be vested on the date falling on the second anniversary of the [**REDACTED**].

(f) Exercise of Option

The exercise price of options shall be US$1.00 per Share.

The option period shall be five years from the vested date ("**Option Period**"). Unless otherwise provided in the Pre-[**REDACTED**] Share Option Plan, any option that has been vested shall be exercisable by the grantee from the relevant vesting date until the expiry of the Option Period. An option shall lapse automatically on the expiry date.

(g) Effects of Cease of Employment and Other Events

(i) If a grantee ceases to be employed by reason of the grantee's voluntary resignation or dismissal in accordance with relevant labor laws, the grantee may exercise any vested option within the period of three months following the date of resignation or dismissal, and any unvested option shall lapse automatically on the date of resignation or dismissal.

(ii) If a grantee ceases to be employed by reason of the grantee's retirement, all unvested options shall be vested automatically at the date of retirement, and the grantee may exercise any vested option within the period of three months following the date of retirement or the first exercisable date after our Company's [**REDACTED**], whichever is later.

(iii) If a grantee ceases to be employed by reason of the grantee's leave without pay as authorized by the Company, (a) the grantee may exercise any vested option within the period of three months following the date of such leave, (b) any vested option not exercised within such period shall be frozen and extended until the resumption of work, and (c) the vesting of any unvested option shall be extended accordingly until the resumption of work, but shall not exceed the Option Period.

(iv) If a grantee ceases to be employed by reason of the grantee's death (not caused by occupational hazard), the successor of the grantee may exercise any vested option within the period of three months following the date of resignation or dismissal, and any unvested option shall lapse automatically on the date of death.

(v) If a grantee ceases to be employed by reason of the grantee's disability (caused by occupational hazard), all unvested options shall be vested automatically at the date of cessation, and the grantee may exercise any vested option within the period of three months following the date of cessation, the first exercisable date after our Company's [**REDACTED**] or the second anniversary of the grant date, whichever is later.

(vi) If a grantee ceases to be employed by reason of the grantee's death (caused by occupational hazard), all unvested options shall be vested automatically at the date of death, and the successor of the grantee may exercise any vested option within the period of three months following the date of death or the first exercisable date after our Company's [**REDACTED**], whichever is later.

(vii) If a grantee ceases to be employed by reason of the grantee's transfer of employment to related companies or other companies for personal reasons, the outstanding options the grantee is entitled to shall be processed in accordance with paragraph (g)(i) above, while transfers for our Company's operational needs assigned by the Company shall not be subject to this clause.

(viii) If a grantee ceases to be employed by reason of the grantee's severance in accordance with relevant labor laws, (a) the grantee may exercise any vested option within the period of three months following the date of severance, and any unvested option shall lapse automatically on the date of severance; or (b) the Administrator may determine the vesting and exercise of options within the vesting period.

(ix) If a grantee violates the confidentiality regulations, inquires into others' information or discloses relevant information (including but not limited to the number of other grantees' options and the rights and interests related thereto), the options (to the extent not already exercised) such grantee entitled to may be forfeited by the Company.

(x) In the event of any serious negligence such as breach of labor contract, violation of work rules or Company's regulations, the options (to the extent not already exercised) such grantee entitled to may be forfeited by the Company.

(h) Lapse of Options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period relevant to that option referred to in paragraph (f); and

(ii) the expiry of any of the periods referred to in paragraph (g).

(i) Duration

Unless otherwise terminated early by the Board, the Pre-[**REDACTED**] Share Option Plan shall be valid and effective from November 1, 2018 until the [**REDACTED**] (as no option shall be granted pursuant to the Pre-[**REDACTED**] Share Option Plan on or after the [**REDACTED**]).

The provisions of the Pre-[**REDACTED**] Share Option Plan shall remain in full force and effective to the extent necessary to give effect to the exercise of any Pre-[**REDACTED**] Share Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-[**REDACTED**] Share Option Plan.

(j) Transferability

Any option shall be personal to the grantee and no grantee shall in any way transfer, charge, mortgage, donate or dispose by any other means.

(k) Outstanding Options Granted

As of the Latest Practicable Date, our Company had granted outstanding options under the Pre-[**REDACTED**] Share Option Plan to 160 grantees to [**REDACTED**] for an aggregate of 3,293,000 Shares representing approximately [**REDACTED**] of the total [**REDACTED**] Shares immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised) had been granted, and all these options are still outstanding and unexercised. Our Company will not grant any further options under the Pre-[**REDACTED**] Share Option Plan on or after the [**REDACTED**]. The exercise price of the outstanding options is US$1.00 per Share. The tables below set out the details of the outstanding options as of the Latest Practicable Date.

Director, senior management and connected person

Name	Address	Number of Shares Underlying the options granted	Date of grant	Approximate % of issued Shares immediately after completion of the [REDACTED](1)
Mr. HSIAO Tze-Jung (蕭澤榮)	Room 3071, Qisda Zhuyuan, No. 169, Zhujiang Road, High-tech Zone, Suzhou City, Jiangsu Province, PRC	200,000	January 1, 2019	[**REDACTED**]
Dr. WANG Liming (王黎明)	Room 2101, Building 8, Xindu Plaza, Industrial Park District, Suzhou City, Jiangsu Province, PRC	100,000	January 1, 2019	[**REDACTED**]
Mr. CHIANG Che-Min (江哲旻)	7F, No. 1, Lane2, No. 49, Mingde Street, No. 19 Sixianli, Xinzhuang District, New Taipei City, Taiwan	50,000	January 1, 2019	[**REDACTED**]
YU Zhenkun, M.D. (于振坤)	Renheng International Apartment, No. 116, Lushan Road, Nanjing City, Jiangsu Province, PRC	150,000	August 4, 2023	[**REDACTED**]
Mr. ZHOU Xiaoqing (周曉慶)	Room 3036, Qisda Zhuyuan, No. 169, Zhujiang Road, High-tech Zone, Suzhou City, Jiangsu Province, PRC	150,000	January 1, 2019	[**REDACTED**]
Total		**650,000**		[**REDACTED**]

Other grantees

Range of Shares underlying the options granted	Total number of grantees	Total number of Shares underlying the options granted	Date of grant	Approximate % of issued Shares immediately after completion of the [REDACTED](1)
1 to 10,000 Shares . . .	67	530,000	From January 1, to June 26, 2019	[**REDACTED**]
10,001 to 20,000 Shares	58	896,000	From March 28, 2018 to June 20, 2019	[**REDACTED**]
20,001 to 30,000 Shares	12	327,000	From January 1, 2019 to August 4, 2023	[**REDACTED**]
30,001 to 40,000 Shares	12	465,000	From December 12, 2018 to August 4, 2023	[**REDACTED**]
40,001 to 50,000 Shares	2	95,000	December 12, 2018 and January 1, 2019	[**REDACTED**]
50,001 to 60,000 Shares	3	180,000	From December 5, 2018 to January 1, 2019	[**REDACTED**]
60,001 to 150,000 Shares	1	150,000	January 1, 2019	[**REDACTED**]
Total.		**2,643,000**		[**REDACTED**]

Notes:

(1) The percentage is calculated based on the number of Shares in issue immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] and the options granted under the Pre-[**REDACTED**] Share Option Plan are not exercised).

(2) For the vesting schedule, Option Period and exercise price of the options, please refer to the sub-paragraph (e) and (f) in this section above.

(l) Potential Dilution Effect

If all the outstanding options under the Pre-[**REDACTED**] Share Option Plan were exercised, the shareholding of our Shareholders immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) will be diluted by approximately [**REDACTED**]. The dilution effect on our earnings per Share would be approximately [**REDACTED**].

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration or claim of material importance, and, so far as we are aware, no litigation, arbitration or claim of material importance is pending or threatened against any member of our Group, which would have a material adverse effect on our financial condition or results of operations, taken as a whole.

3. Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The sponsor fee payable to the Joint Sponsors by our Company is US$1,000,000 in total.

4. Consent of experts

This document contains statements made by the following experts:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Citigroup Global Markets Asia Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of regulated activities as defined under the SFO
Commerce & Finance Law Offices	PRC Legal Adviser

Name	Qualification
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Harney Westwood & Riegels	Cayman Islands legal adviser
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Cushman & Wakefield Limited	Independent property valuer

As of the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above has given and has not withdrawn its written consent to the issue of this document with copies of its reports, letters, opinions or summaries of opinions (as the case may be) and the references to its name included herein in the form and context in which they are respectively included.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual document

The English language 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).

7. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Disclaimers

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) there are no commissions for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and

(ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in "— E. Other Information — 4. Consent of experts" in this section above received any such payment or benefit.

(b) Save as disclosed in this document:

(i) there are no founder, management or deferred shares in our Company or any member of our Group;

(ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

(iii) none of the Directors or the experts named in "— E. Other Information — 4. Consent of experts" in this section above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;

(v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;

(vi) there are no outstanding convertible debt securities or debentures of our Company or any member of our Group;

(vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;

(viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;

(ix) 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; and

(x) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in "Statutory and General Information — E. Other Information — 4. Consent of experts" in Appendix V; and

(b) copies of the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix V.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (**www.hkexnews.hk**) and the Company's own website (**www.benqmedicalcenter.com**) for a period of time for 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the material contracts referred to in "Statutory and general information — B. Further Information About Our Business — 1. Summary of material contracts" in Appendix V to this document;

(c) the service contracts and the letters of appointment with our Directors referred to in "Statutory and General Information — C. Further Information About Our Directors — 1. Particulars of Directors' service contracts and appointment letters" in Appendix V to this document;

(d) the Accountants' Report and the report on the [**REDACTED**] financial information of our Group prepared by KPMG, the texts of which are set out in Appendix I and Appendix II, respectively, to this document;

(e) the audited consolidated financial statements of our Company for three financial year ended December 31, 2021, 2022 and 2023;

(f) the valuation report from Cushman & Wakefield Limited, the text of which is set out in Appendix III;

(g) the report issued by Frost & Sullivan, a summary of which is set forth in "Industry Overview" in this document;

(h) the PRC legal opinions issued by Commerce & Finance Law Offices in respect of certain general corporate matters and property interests in the PRC of our Group;

(i) the letter of advice prepared by Harney Westwood & Riegels, our legal advisor on Cayman Islands law, summarizing certain aspects of Cayman companies laws referred to in Appendix IV to this document;

(j) the terms of the Pre-[**REDACTED**] Share Option Plan;

(k) the Cayman Companies Act; and

(l) the written consents referred to in "Statutory and General Information — E. Other Information — 4. Consent of experts" in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

A list of grantees under the Pre-[**REDACTED**] Share Option Plan will be available for inspection at the office of O'Melveny & Myers, 31/F, AIA Central, 1 Connaught Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m., up to and including the date which is 14 days from the date of this document.